Setting Up Accounts Payable Workflows In Your Office

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Agenda

• Purpose of Accounts Payable Process
• Internal Controls
• Workflows
• Top 3 Concerns
• Best Practices

• Along the way:
  • Complimentary resources on the PMI website
  • Upcoming events
  • Tips, Tools, and Resources available from PMI to help you
Purpose of Today...

• Today explore what options are out there to help you think about your current processes
  • Every practice is unique
  • Logistical concerns for everyone
Purpose of Accounts Payable

- Timely Payment of Invoices
- Internal Controls
- Accurate Reporting
Who Are You?

Scenario 1: Doctor pays bills themselves
- Handles all functions
- Approves invoices & signs checks

Scenario 2: Office Manager pays the bills
- Handles all functions

Scenario 3: Office manager / clerk enters invoices
- Prepares checks for signature(s)
- Physician(s) review/sign checks

Scenario 4: Dedicated bookkeeper
- Prepares checks for signature(s)
- Physician(s) review/sign checks
Internal Controls

The Fraud Triangle: A framework for spotting high-risk fraud situations

- **Pressure**: Financial or emotional pushing towards fraud
- **Opportunity**: Ability to execute plan without being caught
- **Rationalization**: Personal justification of dishonest actions

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Internal Controls

The Fraud Triangle: A framework for spotting high-risk fraud situations

Pressure
Financial or emotional
Pushing towards fraud

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Personal justification of Dishonest actions

FRAUD
Internal Controls Are Necessary...

1. Risk Assessment
   - Identify Weaknesses
     - Mail
     - Checks

2. Control Environment
   - Limit Access
     - Cash Drawers

3. Control Activities
   - Credit Card Terminals
   - Charge & Adjustment Posting

4. Information & Communication
   - Education
   - Daily & Weekly Reports

5. Monitoring
   - Cash Handling Audit
   - Deposit Reconciliation
Usual Workflow

Convenience / Simplicity
- Minimal Time Devoted
- Done between other duties
- Seen as a burden

Internal Controls
- Transparency
- Accuracy
Usual Workflow

1. Ordering
   1. Vaccine Count Taken
   2. Log Into VaccineShoppe.com
   3. Place Order

2. Validation
   1. Verify Count
   2. Send Slip to A/P Person
   1. Sits In Folder Until Time to Be Paid
   2. Resolve discrepancy
   3. Entered Into QuickBooks
   4. Check Drafted
   5. Forward to Physician for Signature
   6. Checks Mailed Out

3. Payment Processing

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What’s Missing?!?

• Appropriate Internal Controls Require
  • Requisitions
  • Purchase Orders
  • Levels of Authority

• Expense Authorization
  • Appetite for Risk
  • Weigh past issues with likelihood of problems in the future
Requisition vs. Purchase Order (PO)

Requisition

- Request for someone to purchase something

Purchase Order

- Formal agreement with vendor
- Avoids duplicate orders
- Avoids surprises
  - Quantity
  - Price
- Track Incoming Orders
- Reduces reactive work

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1. Need Determined
   1. Vaccine Count Taken

2. Requisition
   1. Created
   2. Approved

3. P.O. Generated
   1. Contact Vendor
   2. Track PO Number & Details

4. Order Placed
   1. Log Into VaccineShoppe.com
   2. Place Order

5. Validation
   1. Verify Count
   2. Send Slip to A/P Person

6. Payment Processing
   1. Enter Invoice Into A/P System With Due Date
   2. Resolve discrepancy
   3. Check Drafted
   4. Forward to Physician for Signature
   5. Checks Mailed Out
Comprehensive Workflow

Purchase Authorization
Driven by Experience / Trust
Appetite for Risk
Varies by Practice

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Balance Effort With Results...

Progressively smaller increase in results as one increases the time/energy addressing an issue.
Concern #1... Autopayments

- Credit Cards
- Very convenient but an Internal Control nightmare
- Button it Up....
Concern #2... Stacking Invoices

- Pile up invoices in folder
- Enter invoices and pay at the same time

Uncertainty

Transparency
Concern #2...Stacking Invoices

- Pile up invoices in folder
- Enter invoices and pay at the same time

- Need to enter invoices as they arrive and set due dates
- Provides better understanding of cashflow needs over time
Concern #3...The Approval Process

- Person signing the check needs to see all supporting documentation
- Have time to review
Concern #4...Rates & Timeliness

- You need a good accountant and a better bookkeeper!
- Don’t pay accountant rates for bookkeeping services.
- You should have expense report by 5th day of the month...otherwise you are flying blind...for every day that goes by, you may have 100 encounters....
- What is the best use of a dollar?!?

Accountants are qualified to handle the entire accounting process, while bookkeepers are qualified to handle recording financial transactions. To ensure accuracy, accountants often serve as advisers for bookkeepers and review their work.

Bookkeepers record and classify financial transactions, laying the groundwork for others to analyze the financial data.

PMI Tip: Find a “stay at home” parent who wants to work a few hours per week...
PMI Videos

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Automation Is Key...

Receive Bills
- Emailed Bills
- Paper Invoices
- Auto Payments

- Electronic copy to designated person
- Process Invoice
- Enter into QuickBooks
- Route for Approval
- Supporting Documentation
- Authorization Based on level of authority
- Review supporting documentation
- Approve/Reject Expense Payment
- Disburse Funds
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Receive Bills → Electronic copy to designated person → Process Invoice → Authorization → Disburse Funds

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Best Practices

Generate and Send PO → Receive Order → Enter Invoice → Approve Payment → Pay via ACH or check → Store Payment Audit Trail and Documents

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Options to Consider

1. Status Quo
   • Depending on practice profile

2. Review
   • External review of process

3. Outsource Options
   • Clarity Bookkeeping Solutions