

What is hiding in your procurement to payment cycle?

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Introductions

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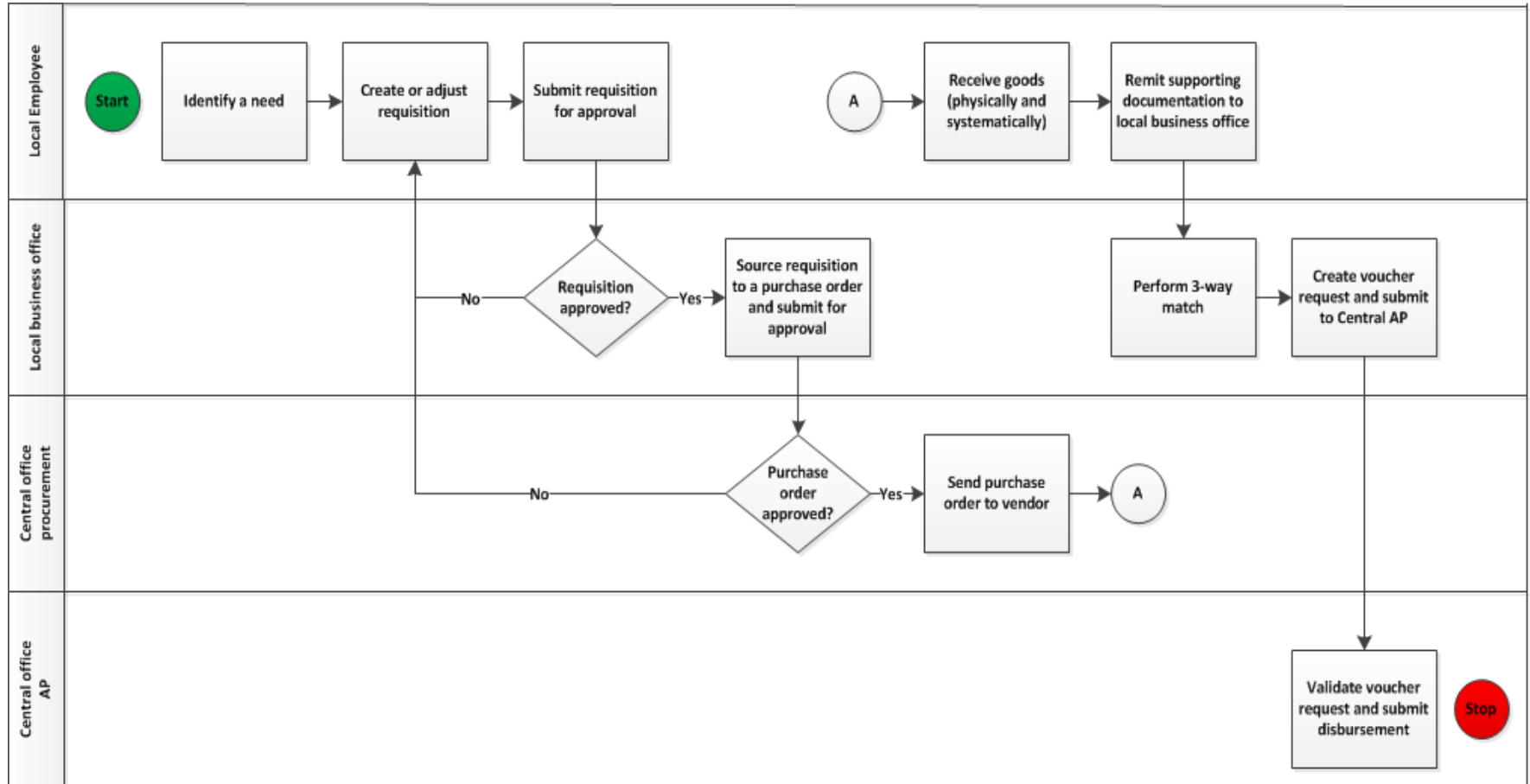
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Experience with the State and P2P

- ▶ State of Georgia
 - ▶ State Accounting Office
 - ▶ Contract recoveries
 - ▶ Department of Juvenile Justice
 - ▶ Procure to pay
- ▶ Industry experience
 - ▶ Power and utility
 - ▶ Manufacturing
 - ▶ Healthcare
 - ▶ Technology



Example procure to pay cycle



Top ten procurement findings

- # 10 – Disbursement and documentation
- # 9 – Physical and systematic receipt
- # 8 – Review and approval procedures
- # 7 – Segregation of duties
- # 6 – Process standardization
- # 5 – Decentralization
- # 4 – Monitoring and controls
- # 3 – Accountability
- # 2 – Roles and responsibilities
- # 1 – Training



10 – Disbursement and documentation

Common findings	Benefits of identification and mitigation
<ul style="list-style-type: none">▶ Unnecessary time delay in making payments▶ Missing supporting documentation▶ Inadequate AP aging review and follow-up	<ul style="list-style-type: none">▶ Early payment discounts▶ Documentation compliance for taxes and audits▶ Good credit standing with vendors

9 – Physical and systematic receipt

Common findings	Benefits of identification and mitigation
<ul style="list-style-type: none">▶ Receipt of damaged or incorrect goods▶ Untimely or incorrect systematic receipts▶ Mishandled documentation	<ul style="list-style-type: none">▶ Reduction in inventory shortages and waste▶ Proper valuation and classification▶ Supporting documentation for disbursement

8 – Review and approval procedures

Common findings	Benefits of identification and mitigation
<ul style="list-style-type: none">▶ Improper segregation of duties▶ Systematic approval routings lack automatic notification▶ Review procedures are inadequate or missing	<ul style="list-style-type: none">▶ Strong controls with checks and balances▶ More timely review and approvals▶ Reduction in inaccurate or unauthorized transactions

7 – Segregation of duties

Common findings	Benefits of identification and mitigation
<ul style="list-style-type: none">▶ Individuals approve purchase orders and receive goods▶ Individuals approve purchase orders and create vouchers▶ Individuals create vouchers and approve disbursements	<ul style="list-style-type: none">▶ Reduction in undocumented and/or unauthorized transactions▶ Fraud and defalcation deterrence▶ Resource protection from false accusation

6 – Process standardization

Common findings	Benefits of identification and mitigation
<ul style="list-style-type: none">▶ Process variations from location to location▶ Undefined roles and responsibilities▶ Reduction in resource efficiency and productivity	<ul style="list-style-type: none">▶ Job training and cross training are “transferrable”▶ Streamlined process with defined resource expectations▶ Increased efficiencies and productivity and opportunity for human capital growth

5 – Decentralization

Common findings	Benefits of identification and mitigation
<ul style="list-style-type: none">▶ Insufficient training compounded by high employee turnover▶ Communication and documentation timeliness impairment▶ Receipt to payment turnaround is slowed with greater potential for error	<ul style="list-style-type: none">▶ Compliance with company policies and procedures▶ Reduction in the “Noise” that complicates the process▶ Increased payment turnaround time and opportunity to take advantage of discounts

4 – Monitoring and controls

Common findings	Benefits of identification and mitigation
<ul style="list-style-type: none">▶ Monitoring procedures are not in place or are inadequate▶ Controls are circumvented or missed due to lack of training▶ Resources are not held accountable for their responsibilities	<ul style="list-style-type: none">▶ Improvements in performance can be identified and measured▶ Controls will assist in the prevention and detection of errors▶ Accountability will increase satisfaction and productivity

3 – Accountability

Common findings	Benefits of identification and mitigation
<ul style="list-style-type: none">▶ Roles and responsibilities have not been defined▶ ‘Office culture’ drives level of accountability▶ People are not held accountable for their errors and responsibilities	<ul style="list-style-type: none">▶ Resources understand their role and responsibilities and can better manage performance▶ Identifying and addressing ‘office culture’ can lead to growth▶ People are held accountable and benefit from increased performance

2 – Roles and responsibilities

Common findings	Benefits of identification and mitigation
<ul style="list-style-type: none">▶ Roles and responsibilities are not defined and communicated▶ People are unsure of expectations or where to focus their time▶ Deviations from actual and expected performance measures	<ul style="list-style-type: none">▶ Clear job guidance will increase satisfaction and productivity▶ People can be confident they are spending their time productively▶ Performance can be objectively compared to expected performance measures during performance reviews

1 – Training

Common findings

- ▶ Lack of sufficient on-boarding and on-going training
- ▶ Training is untimely or irrelevant
- ▶ Over-reliance on “train the trainer” type of system

Benefits of identification and mitigation

- ▶ Processes and controls in place are followed
- ▶ People are adequately trained and more productive in their role
- ▶ ‘Process and control erosion’ is less likely to occur

Questions

- ▶ What are some indicators that a procure to pay assessment should be performed?
- ▶ What approach should be taken to identify gaps and opportunities?
- ▶ What are the benefits of performing such an assessment?



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