Finance & Accounting Process Cycles, Foundation to Automation

Sample of Instruction Slides

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Course overview

Why was the course created?

Many finance and accounting professionals have expressed concerns over the last few years that newly minted accountants coming out of college lack an understanding of the scope of a typical corporate finance function.

This course is designed to prepare students to assess if their real-world working environment is still developing stability or is it advancing towards market leading performance.

Course examines the baseline of activities in three core F&A process cycles, and the tools and technology that enable each cycle.

Three Core Process Cycles Examined

1. **Order-to-Cash (OTC)**
2. **Procure-to-Pay (P2P)**
3. **Record-to-Report (RTR)**

Major Elements of the Course

Process Cycle Topics

- **Finance Operating Model**
- **Service Delivery Model**
- **Process Cycle Framework**
- **Key Internal Controls**
- **Performance Metrics**
- **Leading Practices**
- **Technology Solutions**

Case Studies

- **OTC Challenges**
- **P2P Challenges**

Automation Discussions

- **Robotic Process Automation (RPA)**
- **Machine Learning (ML)**
- **Artificial Intelligence (AI)**

Note on course slides and instruction periods

- The instruction facilitation presentations are divided into six sections with each section estimated to require 3 to 5 teaching periods.

- The total course with two test periods and one group presentation period is estimated to require 26 teaching periods. Each period estimated to be 50 to 60 minutes in length.

- Nearly all instruction slides are editable by the instructor. Four graphics that required advanced graphic design services are pictures.

- Instructor slide facilitation notes can be supplied as needed

Learning objectives for each section of the facilitation presentations

Section	Learning Objective 1	Learning Objective 2	Learning Objective 3	Learning Objective 4	Learning Objective 5
1. Finance & Accounting Function Overview	Identify the high-level core accounting processes and cycles	Describe the components of the finance & accounting operating model for a business entity	Identify the components of a leading finance & accounting service delivery model for a business entity		
2. Business Process Framework, Performance Measurement, And the Foundations of Process Automation	Identify the finance and accounting elements in the APQC Standard Business Classification Framework	Identify the Key Performance Indicators (KPIs) used in measuring the performance of finance and accounting process cycles	Describe how benchmarking is used to identify areas in a business process that require improvement	Identify the foundational elements of business process automation available today, and the promise of expanded automation in the future	
3. Business Process Analysis Methods	Identify how a critical process weakness is identified through the examination of Key Performance Indicators (KPI) and the use of process maturity model, process leading practices, and process gap analysis tools	Describe how headcount related cost and productivity performance metrics are calculated and used in process analysis	Describe how process cycle time performance metrics are calculated and used in process analysis		
4. Order-to-Cash (OTC): Leading Practice View of Process Cycle Structure and Service Delivery	Describe the taxonomy structure of the OTC process cycle	Identify the key internal controls in the OTC process cycle	Describe the leading practices high performing organizations employ at the business activity level in the OTC process cycle	Identify the capabilities of leading technology solutions and automation in the OTC process cycle	Discuss how Cargill addressed their key challenges in transforming the OTC process cycle
5. Procure-to-Pay (P2P): Leading Practice View of Process Cycle Structure and Service Delivery	Describe the taxonomy structure of the P2P process cycle	Identify the key internal controls in the P2P process cycle	Describe the leading practices high performing organizations employ at the business activity level in the P2P process cycle	Identify the capabilities of leading technology solutions and automation in the P2P process cycle	Describe how Gallagher addressed their key challenges in transforming the P2P Expense Reimbursement process
6. Record-to-Report (RTR): Leading Practice View of Process Cycle Structure and Service Delivery	Describe the taxonomy structure of the RTR process cycle	Identify the key internal controls in the RTR process cycle	Describe the leading practices high performing organizations employ at the business activity level in the RTR process cycle	Identify the capabilities of leading technology solutions and automation in the RTR process cycle	

Reading materials for the course

- There is no textbook for this course
- Students are expected to read the articles, case studies, technology briefs, and process design study aids detailed to the right
- All reading materials and instruction slides that are copyrighted will be provided with a proper licensing agreement or disclosure as required by the author

- Process Classification Framework, Version 7.2.1, Created 01/09/2020, American Productivity & Quality Center (APQC)
- Financial Supply Chain Management, Article, published by Driver Logistics, August 2023
- Glossary of Process and Performance Excellence Terms, K05313, 2018, American Productivity & Quality Center (APQC)
- End to End Global Process Ownership in Finance, Article, August 17, 2020; American Productivity & Quality Center (APQC)
- APQC's Open Standards Benchmarking Measures List, 02/21/2023, American Productivity & Quality Center (APQC)
- Insights on automating desk work with Robotic Process Automation (RPA), by Keyence Corporation, 2023
- Gallagher, P2P Case Study from APQC
- Cargill, OTC Case Study from APQC

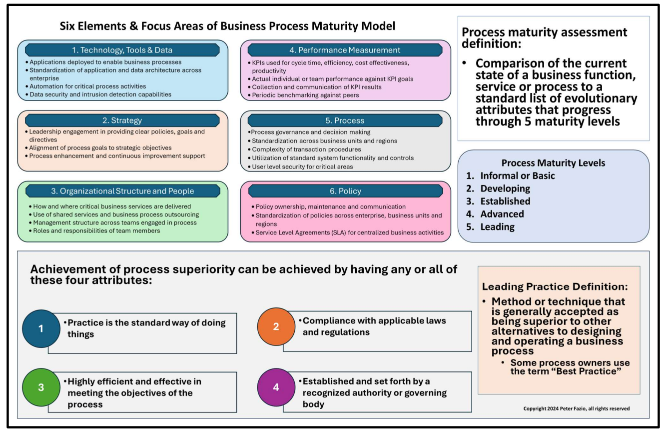
Student reference materials and study aids from instruction slides

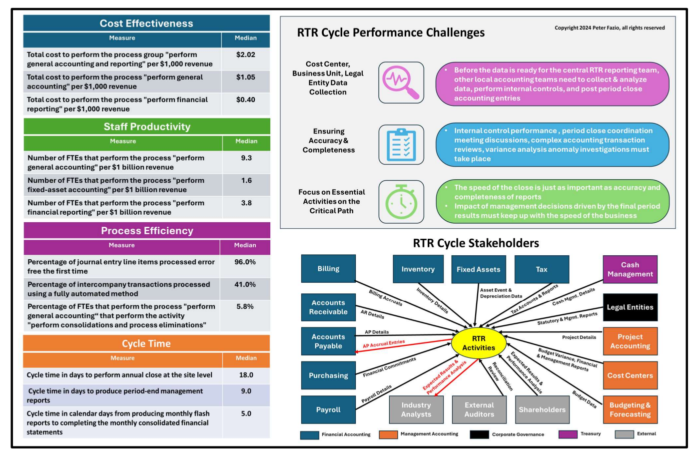
- Four study aid documents are available for the students to use as a reference during the instruction periods

- The documents are in a “placemat format” and designed to be printed on 11”x17” tabloid size paper on both sides

- The study aids contain images of graphics taken from the instruction slides

- A sample of the study aid placemats has not been included but the thumbnail pictures to the right are a representative sample of them





Section 1:

Finance & Accounting Function Overview

Sample Slides: 7

Total Slides in Instruction Facilitation Presentation: 35

What accounting principles, guidelines and rules must Finance & Accounting processes support in the United States?

Four Levels of US Generally Accepted Accounting Principles (GAAP)

1

FASB
- Statements
- Interpretations

SEC
- Rules
- Interpretive Release

AICPA
- Research Bulletins
- Opinions

2

FASB
- Technical Bulletin

AICPA (FASB Cleared)
- Industry Audit & Accounting Guide
- Statements of Position

3

FASB
- Emerging Issues Task Force Positions

AICPA
- Practice Bulletins

4

FASB
- Implementation Guides

AICPA
- Accounting Interpretations
- Statements & Guides not Cleared by FASB

- **Financial Accounting Standards Board (FASB)** is the source of authoritative accounting standards to be followed by nongovernmental entities in the United States
- **Securities and Exchange Commission (SEC)** is a source for authoritative GAAP for US public companies
- **American Institute of Certified Public Accountants (AICPA)** is a nonauthoritative source of accounting guidance

What makes Finance & Accounting (F&A) processes so different than other business processes?

- **F&A processes and support systems must be designed to record information that will become the basis for management's implicit and explicit assertions in the financial statements**

- **The five management assertions were documented in the 2010 release of Auditing Standard No. 15, Audit Evidence, by the Public Company Accounting Oversight Board (PCAOB)**

What is a business process?

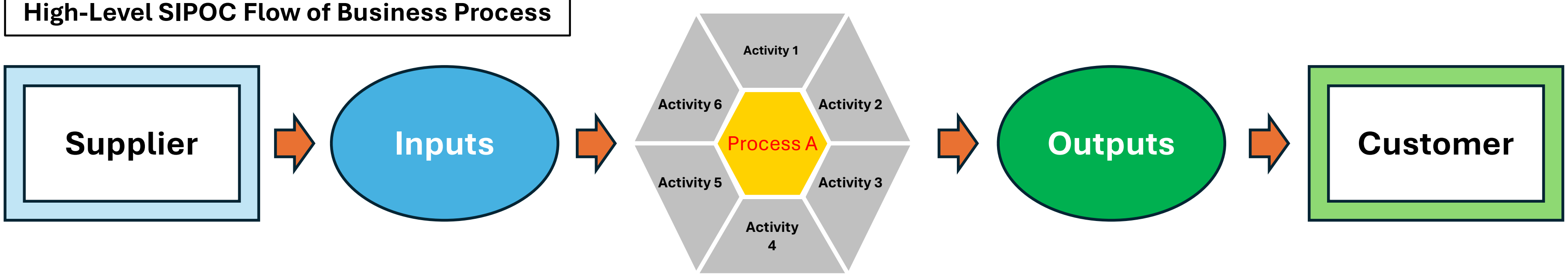
Definition

- Series of interrelated activities that transform inputs into results (outputs)

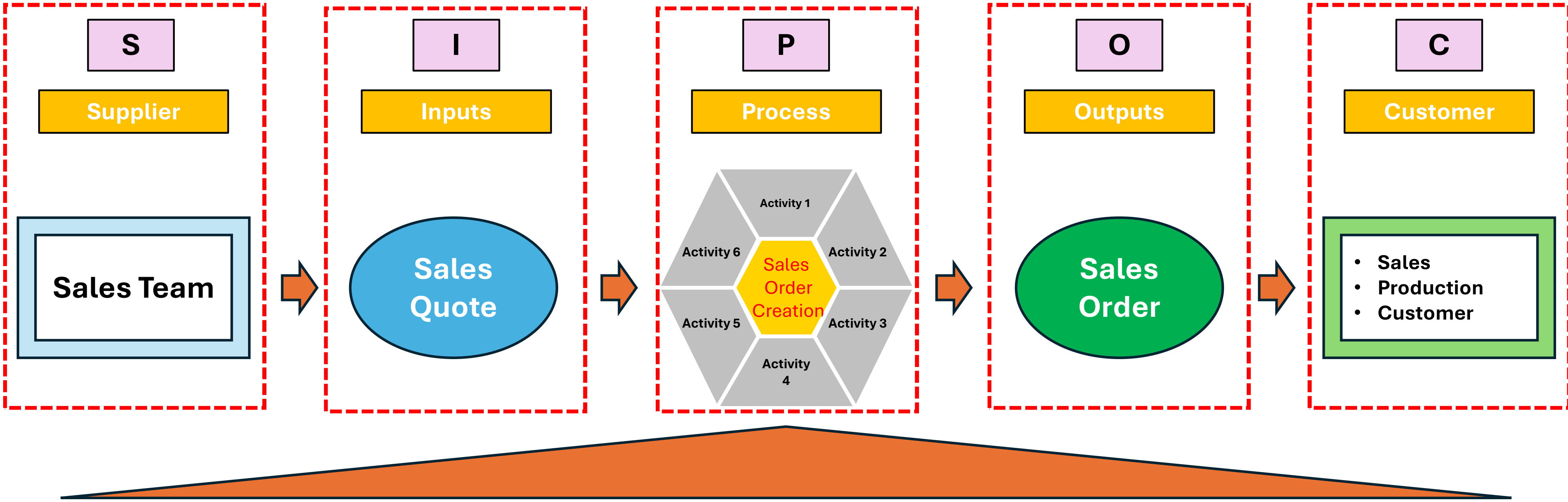
Principals of Business Process Design

- Require standards to ensure repeatable performance
- Supported by control systems to regulate quality of services
- Monitored to measure error rate, processing time and cost of outputs

High-Level SIPOC Flow of Business Process



Major activities of a core finance & accounting process in a SIPOC diagram:
Create Customer Sales Order



Business Activity 1

- Review sales quote and contract details to ensure all necessary sales order details are present

Business Activity 2

- Ensure pricing in sales quote has been validated against price list, contract, and allowed discounts

Business Activity 3

- Contact Sales Team and customer to obtain missing sales order details

Business Activity 4

- Create sales order and obtain delivery promise date from production team

Business Activity 5

- Communicate sales order details to sales team and customer

Procure-to-Pay (P2P) Process Framework

Mega Process Cycle	Source-to-Pay (S2P)											
Process Cycle	Source-to-Contract (S2C)				Procure-to-Pay (P2P)							
Process	Sourcing			Contracting	Procurement		Receiving	Accounts Payable (AP)			Reporting	Governance
Sub-Process	Sourcing Strategy	Category Management	Supplier Management	Contract Management	Requisitioning	Purchasing	Receive Goods & Services	P-Card Administration	Supplier Invoice Processing	Expense Reimbursement	Reporting & Analysis	Process Governance & Maintenance
Activities	Develop and maintain procurement plan	Develop and maintain category management strategy	Develop baseline of supplier qualifications by category and product	Develop and maintain plan to support purchasing contract lifecycle	Process purchase requisition (PR) and select supplier	Create purchase order (PO) and distribute to supplier	Receive supplier goods and place in storage location	Purchasing Card (P-Card) set-up	Receive supplier invoice and record details in accounts payable (AP) system	Maintain and communicate employee expense reimbursement policy	Produce procurement spend analysis reports and dashboards	Maintain policies and procedures and communicate changes
	Analyze organization historical spend profile	Assist operating units with improving quality and accuracy of demand forecast	Identify new suppliers, negotiate terms & pricing, assist with onboarding	Manage Request For Proposal (RFP) purchasing activity	Strategic sourcing or category manager review supplier selection in PR	Create blanket PO for longer term purchase of common items from preferred supplier	Record goods receipt against PO in ERP, procurement and warehouse systems	P-card purchasing activity approval	Conduct 2-way or 3-way matching process	Capture and review expense details and supporting documentation	Produce supplier service level reporting	Perform periodic supplier master data review and maintenance
	Identify and clarify strategic purchasing requirements	Identify, validate and certify preferred suppliers for select categories	Update supplier master data for new and existing suppliers	Negotiate, review and execute purchasing contracts with suppliers	Review and approve purchase requisition	Review supplier quotes and adjust terms and pricing in PO	Research and resolve discrepancies in quantity, quality and conformance of goods received	P-card reconciliation	Validate and resolve supplier invoice matching discrepancies	Communicate expense items exceeding policy limits	Create, review and approve purchasing accrual entries for period end	Review and maintain interfaces of procurement and AP systems to ERP
	Establish levels for materials management and contingency plans	Assist preferred suppliers with integration of product catalogs	Monitor supplier pricing exceeding expected category and product ranges	Manage supplier performance against purchasing contract terms		Process and track expedited and manual purchase orders	Document evidence of service provider delivery of services	Process P-card vendor payment	Review and approve supplier invoices	Approve expense reimbursements		Review processing issues and challenges and develop mitigation plan
	Aggregate demand and match supply needs to sourcing capabilities	Validate supplier compliance with code of conduct and quality levels	Collect and analyze supplier KPI data and publish supplier ratings			Review supplier portal and communications and update promise date in PO	Review and approved evidence of service delivery	Analyze P-card spend and inquire on unusual trends and activity outside of policy	Support supplier inquiries through portal or communications	Process expense reimbursement payments		Manage ongoing process improvement initiatives
	Collaborate with suppliers to improve efficiency and value	Manage risk of procurement outside of preferred suppliers	Conduct periodic performance review meetings with key suppliers			Review and reconcile open purchase orders	Record service delivery against a PO		Process supplier payments			

The larger S2P mega process cycle is presented here to provide greater context to the complex inputs to the Procure-to-Pay (P2P) process cycle

Five key dimension of the Finance & Accounting Operating Model

Process & Policy

- Standard processes and documented policies across regions
- Process owners to monitor performance and manage enhancements and training
- Automation of routine and repetitive manual steps
- Workflow tools to reduce cycle times

Technology and Data

- Solutions and services to support strategic goals
- Data and application architecture to support business processes
- Standard platforms and interfaces
- Cyber security

Performance Management

- Monitoring Key Performance Indicators (KPIs) for operations and investors
- KPI targets set for operating units and linked to individual performance reviews
- Culture of pursuing initiatives to address issues in performance results

Operational Strategy

- Definition of strategic goals
- Aligning operating units to goals
- Business model and go-to-market approach
- Revenue generation and cost control
- Growth organically and through acquisition

People & Organization

- Organization structure and reporting lines
- Defined roles and responsibilities
- Authorization levels for executing transactions
- Staff training and development

There are 40 services across the six F&A business capabilities of a leading organization

Financial Accounting

- General Ledger Accounting
- Fixed Asset Accounting
- Revenue Accounting
- Inventory Accounting
- Accounts Receivable Activity
- Intangibles Accounting
- Financial Period Close
- Intercompany Processing
- Accounts Payable Activity
- Chart of Accounts
- Tax Planning and Reporting
- Payroll Accounting

Management Accounting

- Temporary Cost Collection for Events
- Plan, Budget and Forecast
- Profit Center Accounting and Reporting
- Project Accounting
- Cost Center Accounting and Reporting
- Product Costing

Treasury

- Treasury and Cash Management
- Risk Monitoring and Hedging
- Manage Foreign Exchange Risk
- Cash Forecast

Financial Supply Chain Management

- Customer Credit Management
- Credit Exposure and Control
- Customer Credit Limit

Corporate Governance

- Internal Control
- General Ledger Configuration
- Incentives and Rewards
- Legal Entity Structure
- Manage Policies and Procedures
- Target Setting Aligned to Strategy
- Data Governance
- Organizational Hierarchies
- Operating Unit Results Evaluation

Business Intelligence & Reporting

- Financial Reporting
- Variance Analysis
- Management Reporting
- Performance Dashboards
- Functional Reporting
- Key Performance Indicators

Section 2:

Business Process Framework, Performance Measurement, And the Foundations of Process Automation

Sample Slides: 7

Total Slides in Instruction Facilitation Presentation: 60

APQC and their Process Classification Framework (PCF)

APQC:

The American Productivity Quality Center (APQC), a member-based proponent of business benchmarking, best practices, and knowledge management research, identifies **thirteen functional areas** in their standard process classification framework (PCF)

What is a process classification framework (PCF)?

- Index or catalog of the process activities that an organization is engaged in when they conduct their day-to-day operations

What is a PCF used for?

1. **Build end-to-end process maps**
2. **Standardize processes**
3. **Document changes from technology implementations**
4. **Conduct benchmarking analysis**

OTC process cycle sub-processes aligned to APQC process classification framework

Sales Order Management

Hierarchy ID	PCF Process or Activity Name
3.5.4.1	Accept and validate sales order
3.5.4.2	Collect and maintain account information
3.5.4.3	Determine availability of products or services
3.5.4.4	Determine fulfillment process
3.5.4.5	Enter orders into system
3.5.4.6	Identify / perform cross-sell / up-sell activity
3.5.4.7	Process back orders and updates
3.5.4.8	Handle sales order inquiries including post-order fulfillment transactions

Invoicing & Collection

Hierarchy ID	PCF Process or Activity Name
9.2.1	Process customer credit
9.2.2	Invoice customer
9.2.3	Process accounts receivable (AR)
9.2.4	Manage and process collections
9.2.5	Manage and process adjustments / deductions

Performance measurement key terms:
Key Performance Indicator (KPI)

What is a Key Performance Indicator (KPI)?

- A quantifiable performance metric of a business function, process or activity that is critical to the achievement of an organization's success

How does the organization measure success at the process level?

- Collecting metric data in four categories and comparing results over time
    1. Cost Effectiveness
    2. Staff Productivity
    3. Process Efficiency
    4. Cycle Time

KPI Metric Category: *Cost Effectiveness*

What performance do we look at?

- **Management of operating costs**

Personnel

- **Compensation:**
  - Salaries, wages, bonus
- **Fringe Benefits:**
  - Healthcare, insurance, pension, stock purchase plans

Systems

- **Computer hardware purchase and software license fee**
- **Maintenance fees for computer hardware and software**
- **Application and data cost related to process delivery**
- **IT employee salary & benefits, IT vendor service labor**

Overhead

- **Costs typically allocated based on size of process staff**
  - Facilities used by staff, and related utilities & maintenance
  - Use of centralized corporate services
  - Corporate HQ or Division HQ operating unit costs

Outsourced

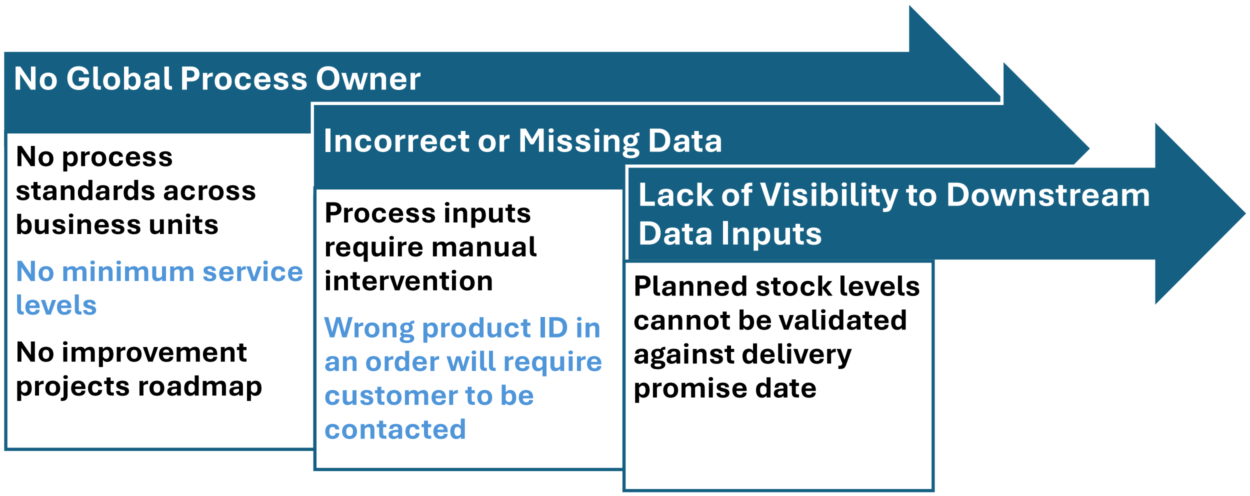
- **Third party supplier delivering services related to the process**
  - Recurring charges for baseline services
  - Transaction volume for business surge or seasonal increase
  - Permanent increase in service and vendor staffing levels

KPI Metric Category: *Cycle Time*

What performance do we look at?

- **How quickly can the end-to-end process be completed**

What can slow down the process cycle?



Order-to-Cash (OTC) Value Stream:

Cycle time KPI examples for Finance & Accounting

Concern

Delaying a customer order for longer than a work week can increase rate of canceled orders

Possible Solution

- Configure order management system for automated credit terms and approval based on customer risk rating derived from past order and payment history

Key Performance Indicator

Cycle time in days for credit approval

Leading	Established	Our Performance
Unavailable	5 Days	6 Days

Source: APQC, 2021

Concern

4 days extra to bill a customer will increase company borrowing costs

Possible Solution

- Move orders for high volume in-stock products to customer portal with accelerated automated billing

Key Performance Indicator

Cycle time in days to perform the process "invoice customers"

Leading	Established	Our Performance
Unavailable	18 Days	22 Days

Source: APQC, 2021

Current Level

What can Robotic Process Automation (RPA) and the associated Bots do?

Copy & Paste

Open, Read & Send Email

Save Email Attachments

Extract Structured Data From Documents

Read & Write Databases

Read & Write Excel Files

Fill In Forms

Scraping Data From web, pdf, image, & application

<u>Other Basic Bot Jobs:</u>

- Perform Calculations
- Move Files & Folders
- Collect Non-Financial Metric Data

<u>Advanced Bot Jobs:</u>

- Interact with on screen dashboard reports and send email notice of suggested actions
- Retrieve data from multiple sources and generate recurring internal reports
- Comparative analysis of product specifications and prices available online from competitors

Section 3:

Business Process Analysis Methods

Sample Slides: 7

Total Slides in Instruction Facilitation Presentation: 81

Six major elements and focus areas of a business process maturity model

1. Technology, Tools & Data

- Applications deployed to enable business processes
- Standardization of application and data architecture across enterprise
- Automation for critical process activities
- Data security and intrusion detection capabilities

4. Performance Measurement

- KPIs used for cycle time, efficiency, cost effectiveness, productivity
- Actual individual or team performance against KPI goals
- Collection and communication of KPI results
- Periodic benchmarking against peers

2. Strategy

- Leadership engagement in providing clear policies, goals and directives
- Alignment of process goals to strategic objectives
- Process enhancement and continuous improvement support

5. Process

- Process governance and decision making
- Standardization across business units and regions
- Complexity of transaction procedures
- Utilization of standard system functionality and controls
- User level security for critical areas

3. Organizational Structure and People

- How and where critical business services are delivered
- Use of shared services and business process outsourcing
- Management structure across teams engaged in process
- Roles and responsibilities of team members

6. Policy

- Policy ownership, maintenance and communication
- Standardization of policies across enterprise, business units and regions
- Service Level Agreements (SLA) for centralized business activities

Maturity model for Procure-to-Pay (P2P): Supplier Invoice Processing

- **Process & Policy elements combined**
- **Model structure aligned to process cycle framework**

	Basic	Developing	Established	Advanced	Leading
Process & Policy	Hard copies of supplier invoices are provided to requisitioners and cost center managers to markup with proper General Ledger coding to complete data entry in the accounts payable system	Electronic copies of supplier invoices are provided to requisitioners and cost center managers to markup with proper General Ledger coding to complete data entry in the accounts payable system	Electronic images of supplier invoices are loaded into an invoice review portal for each cost center manager and requisitioner to record the proper General Ledger coding for each invoice	Robotic Process Automation (RPA) technology identifies relationships between key supplier invoice data elements to add additional data elements to complete the General Ledger coding for each invoice	The accounts payable team and cost center managers review the General Ledger coding of supplier invoices suggested by the accounts payable system and make minimal adjustments to complete the coding
Process & Policy	The organization does not consistently enforce a 2-way or 3-way match of the supplier invoice	The majority of supplier invoices undergo a 2-way match of the invoice details to the purchase order	The majority of supplier invoices undergo a 3-way match of the invoice details to the purchase order and the goods receipt	The accounts payable system processes the majority of supplier invoices through an automated 3-way match that requires manual intervention for exception handling	Accounts payable system is configured to eliminate need for manual intervention in the 3-way match results when immaterial differences arise. Automated workflow in place for routing the review of material differences.
Process & Policy	The organization requires manual signoff on payment approval for most supplier invoices	The organization requires manual signoff on payment approval for all supplier invoices	The organization requires electronic signoff on payment approval for all supplier invoices	The accounts payable department ensures compliance with the payment policy by initiating a payment approval workflow for supplier invoices that are over the value threshold or are a transaction type required to be approved	The accounts payable system initiates an automated supplier invoice approval workflow for the invoices that meet specific criteria configured in the system business rules

Sources of leading practices

- Outside of obtaining a list of current leading practices from a management consulting firm the following organizations and guides can be reviewed by a Subject Matter Expert (SME) to construct a list:

Organizations

- American Productivity Quality Center (APQC)
- American Institute of Certified Public Accountants (AICPA)
- Association of Business Process Management Professionals (ABPMP)
- Gartner technological research and consulting firm

Technology

- ERP solution feature and design guides:
  - SAP, Oracle, workday, Sage Intacct, Infor, Microsoft Dynamics, Acumatica
- Process cycle solutions & service providers:

OTC	P2P	RTR
Esker	tipalti	Blackline
GETPAID	Bill	Trintech
Billtrust	Coupa	TrustRadius
HighRadius	SAP Ariba	floqast

Methods & Tools

- COSO Internal Control Integrated Framework
- Six Sigma quality control method and tools
- TOGAF design, plan, implement, and govern IT architecture method & tools
- Process Automation Tools:
  - UiPath
  - blueprism
  - NICE
  - Pegasystems
  - Automation Anywhere

Example of Leading Practices: Source-to-Pay (S2P) cycle

Sourcing Strategy	Category Management	Supplier Management	Contract Management	Requisitioning	Purchasing	Receive Goods & Services	P-Card Administration	Supplier Invoice Processing	Expense Management	Reporting & Analysis	Governance

Practice	Description	Benefit
Aggregating demand into one global purchasing contract with a key supplier	• Analysis of buying trends and opportunities for cost reduction to identify categories and/or materials that could provided savings with one global procurement contract	• Drives actions to improve cost reduction across future purchasing decisions • Improve supplier relationship by supporting key suppliers with achievement of performance goals
Formal and documented contract development process	• Standard process supported by automated workflow for the development of supplier contract terms and pricing • Documented contract lifecycle process • Contract management enable through a Contract Lifecycle Management (CLM) system with access and role level security	• Drives actions to improve cost reduction across future purchasing decisions • Enables procurement team to aggregate demand for key materials/products across limited number of suppliers
Request For Proposal (RFP) process for putting purchasing requirements out for bid is enabled through dedicated platform	• Standard RFP process documented and criteria for required use established in policies and procurement training materials • Robotic Process Automation (RPA) routes purchasing requests to specific buyers for materials/products requiring RFP enabled bids by suppliers	• Drives actions to improve cost reduction across future purchasing decisions • Enables procurement team to aggregate demand for key materials/products across limited number of suppliers • Reduced cost of onboarding and maintaining suppliers
Standard contract template utilized to facilitate negotiations and gaining agreement with key suppliers	• Standard contract terms and conditions used to define key terms such as: • Key supplier profit margin, payment terms, incoterms, supplier performance levels, penalties and price concessions for poor performance, etc.	• Drives actions to improve cost reduction across future purchasing decisions • Reduce exposure to contract terms that result in burdensome performance level for the business

FTE Cost and Productivity Performance Metrics

Headcount Cost

FTE Cost

- **Compensation**
  - **Salary**
  - **Bonus**
  - **Benefits**
- **Outsourced Labor**
- **FTE Calculation**
  - **Allocation of Time Across Process Activities**
  - **Part-Time vs Full Time**

Efficient Use of Labor

Staff Productivity

Production Per FTE

- **Output of Each Staff Member**
- **Number of Staff Engaged in Process**
- **Qualitative View of Staff**
  - **Hours of Training**
  - **Staff Tenure**
  - **Service Level Goals**

Performance measures are designed to track the major process variables:

1. **Resource Utilization**
2. **Cost**
3. **Productivity**
4. **Quantity**
5. **Quality**
6. Timeliness
7. Cycle Time

With Headcount Cost and Staff Productivity we track 5 of the 7 process variables

Efficiency - Productivity Metrics - Order-to-Cash (OTC)

Measure A	Leading	Established	Basic	Company ABC Performance
	25th Percentile	Median	75th Percentile	
Number of invoices processed per FTE that performs the process "process accounts receivable (AR)"	85,000	44,444	19,387	?

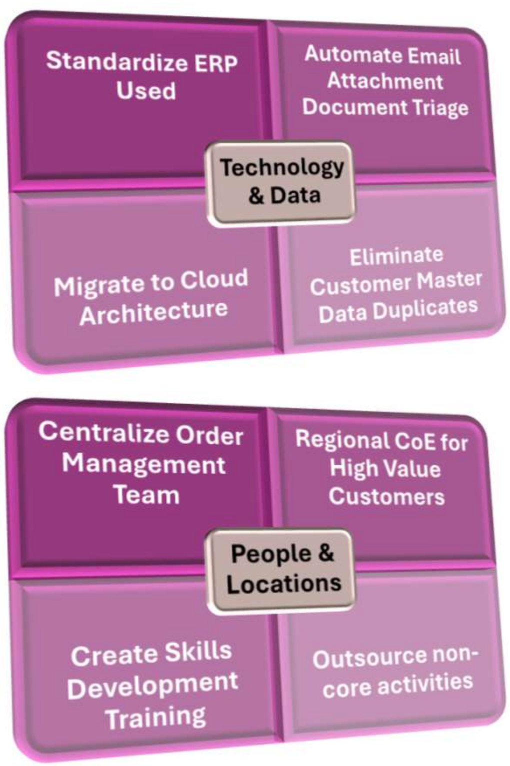
Measure B	Leading	Established	Basic	Company ABC Performance
	25th Percentile	Median	75th Percentile	
Total cost to perform the order-to-cash processes per $1,000 revenue	$1.18	$1.89	$2.83	?

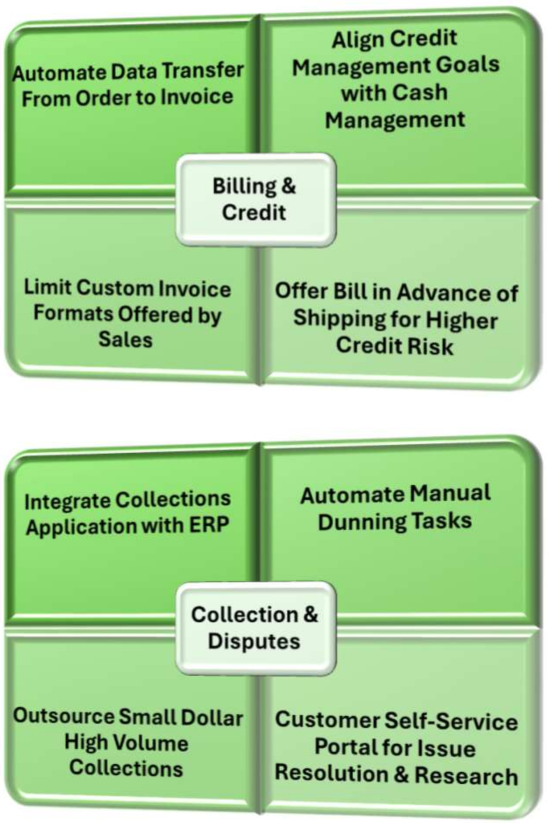
Measure C	Leading	Established	Basic	Company ABC Performance
	25th Percentile	Median	75th Percentile	
Number of FTEs that perform the process "process accounts receivable (AR)" per $1 billion revenue	2.52	4.00	6.08	?

What can the OTC process owner change to improve the earnings and cash drivers in a business?

<u>Process Owner Control:</u>

- Areas in YELLOW





Section 4:

Order-to-Cash (OTC): Leading Practice View of Process Cycle Structure and Service Delivery

Sample Slides: 7

Total Slides in Instruction Facilitation Presentation: 47

Order-to-Cash (OTC) Process Framework

Mega Process Cycle	Opportunity-to-Cash (Op2C)											
Process Cycle	Opportunity-to-Quote (Op2Q)				Order-to-Cash (OTC)							
Process	Sales	Quote, Customer and Contract Management			Sales Order Management		Invoicing & Cash Collection				Reporting	Governance
Sub-Process	Sales Management	Bid/Quote	Customer Setup & Credit Risk Management	Contract Management	Order Management	Order Fulfillment	Billing/Invoicing	Accounts Receivable & Collections	Cash Management	Dispute Management	Reporting & Analysis	Process Governance & Maintenance
Activities	Define markets, customers, and capabilities	Receive and process customer request for proposal (RFP) or quote (RFQ)	Collect, validate, setup customer data in CRM and ERP systems	Establish standard contract terms	Create sales order from quote and contract details	Perform inventory and service planning	Generate, review and transmit invoices to customers	Monitor accounts receivable key performance indicators (KPI)	Manage customer payment receipts and bank reconciliations	Identify and research customer disputes	Produce sales and fulfillment analysis reports and dashboards	Maintain policies and procedures and communicate changes
	Develop & manage marketing strategy and plans	Develop RFP/RFQ solution and delivery approach	Collect customer relevant data and conduct credit review	Conduct sales contract and terms negotiations	Validate and updates sales order details	Product or service job management	Manage payables for shipping	Analyze accounts receivable aging	Perform cash application against open accounts receivable	Manage resolution of disputes	Produce customer level reporting	Perform periodic customer master data review and maintenance
	Develop and manage pricing of products and services	Perform pricing, discount, and rebate management	Evaluate customer credit data and set credit limit and credit terms	Develop contract performance standards	Perform job planning and inventory forecasting to update orders	Deliver product or service to the customer	Post receivable entries to general ledger	Perform collections and customer dunning	Manage unapplied cash	Process invoice and AR adjustments to settle disputes	Create, review and approve sales, revenue, and AR accrual entries for period end	Review and maintain interfaces of CRM, CLM, CPQ, and Solution systems to ERP
	Develop and implement sales strategy, market and customer sales plans	Manage customer negotiations and deal or offering approval	Communicate credit terms to customer and finalize quote	Finalize and execute sales contract	Manage and track sales orders	Confirm delivery and obtain acceptance from the customer	Recognize revenue	Engage external collections agencies and legal services	Perform cash forecasting			Review processing issues and challenges and develop mitigation plan
	Pursue target customers	Manage, maintain, and update product or service specifications	Monitor customer credit limits	Support contract lifecycle management	Manage back orders and communicate updates to customers	Process product returns	Process customer rebates	Process charge backs and write-offs				Manage ongoing process improvement initiatives
	Manage customer sales inquiries and opportunities	Communicate final bid/quote to customer	Conduct periodic review of customer credit limits and credit terms				Perform intercompany transfers	Reconcile accounts receivable and establish reserves				

Please have your OTC placemat of graphics as a ready reference as we examine this process cycle.

The placemat is an 11" x 17" double sided document.

OTC Process: **Sales Order Management** **Sub-Process:** **Order Management**

1. Examine the Sales Quote with product, price, quantity, sales terms, and initial promise date agreed with the customer

   - ***Create a Sales Order in the Order Management System***

2. The order management system validates price and product details and prompts Order Management team to act if there are inconsistencies between the order and the ERP product master data or customer master data

   - ***Who should correct the inconsistencies? Sales Team or Order Management Team?***

3. Consult the product production schedule or attend production planning meetings to gather data to validate the delivery date promised to the customer

   - ***Should activity 3 be automated? Why?***

4. Sales Orders that cannot be filled in a reasonable time are placed on a backorder monitoring status so appropriate communication can be sent to customer

   - ***What might be missed when the back order is finally fulfilled and shipped to the customer?***

No Invoice Created

This slide is used to gain a deeper understanding of each activity box in the process cycle framework

OTC Process: Invoicing & Cash Collection **Sub-Process:** Billing / Invoicing

1. Data from the sales order along with information from the product shipping confirmation is used to create an invoice that is sent to the customer

   - ***The ERP system or the standalone billing system is configured to allow a specific data element or event to trigger the creation of an invoice***

2. Additional data that is added to the invoice that could impact the total invoice amount includes the following:
   - **Sales & use tax charged to customer**
   - **Value added tax**
   - **Freight charges for shipping products to customer**

This slide is used to gain a deeper understanding of each activity box in the process cycle framework

3. Revenue recognition can take place when two things have taken place:
   a) Product is shipped or made available for the customer to pickup
   b) Organization has satisfied local GAAP requirements for revenue recognition

   - ***Billing does NOT have to take place to recognize revenue***

4. Intercompany billing or transfers occurs when products or services may be shipped on behalf of or directly to a related company

   - ***Intercompany transfers of products across international borders are typically governed by an organization's Transfer Pricing policy that is updated on an annual basis to ensure compliance with local country guidelines***

Three levers of change to strike the right balance between the control and performance of business processes

Process Improvement

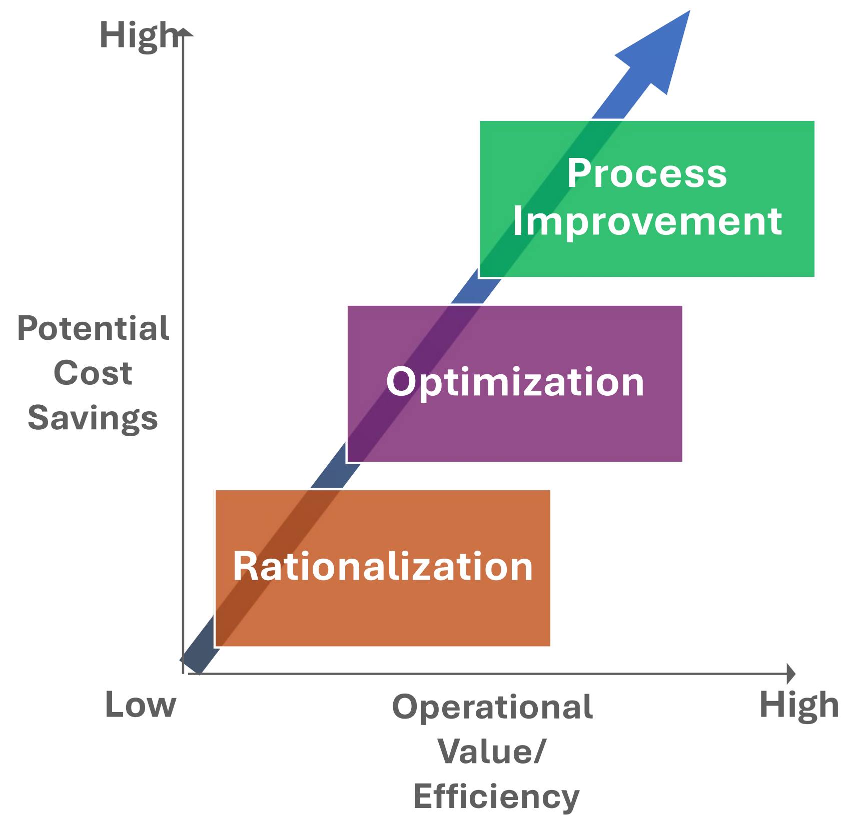
- Modifying and re-designing a process and the underlying control structure to drive operational efficiency and effectiveness

Optimization

- Implementing more efficient controls through standardization and automation

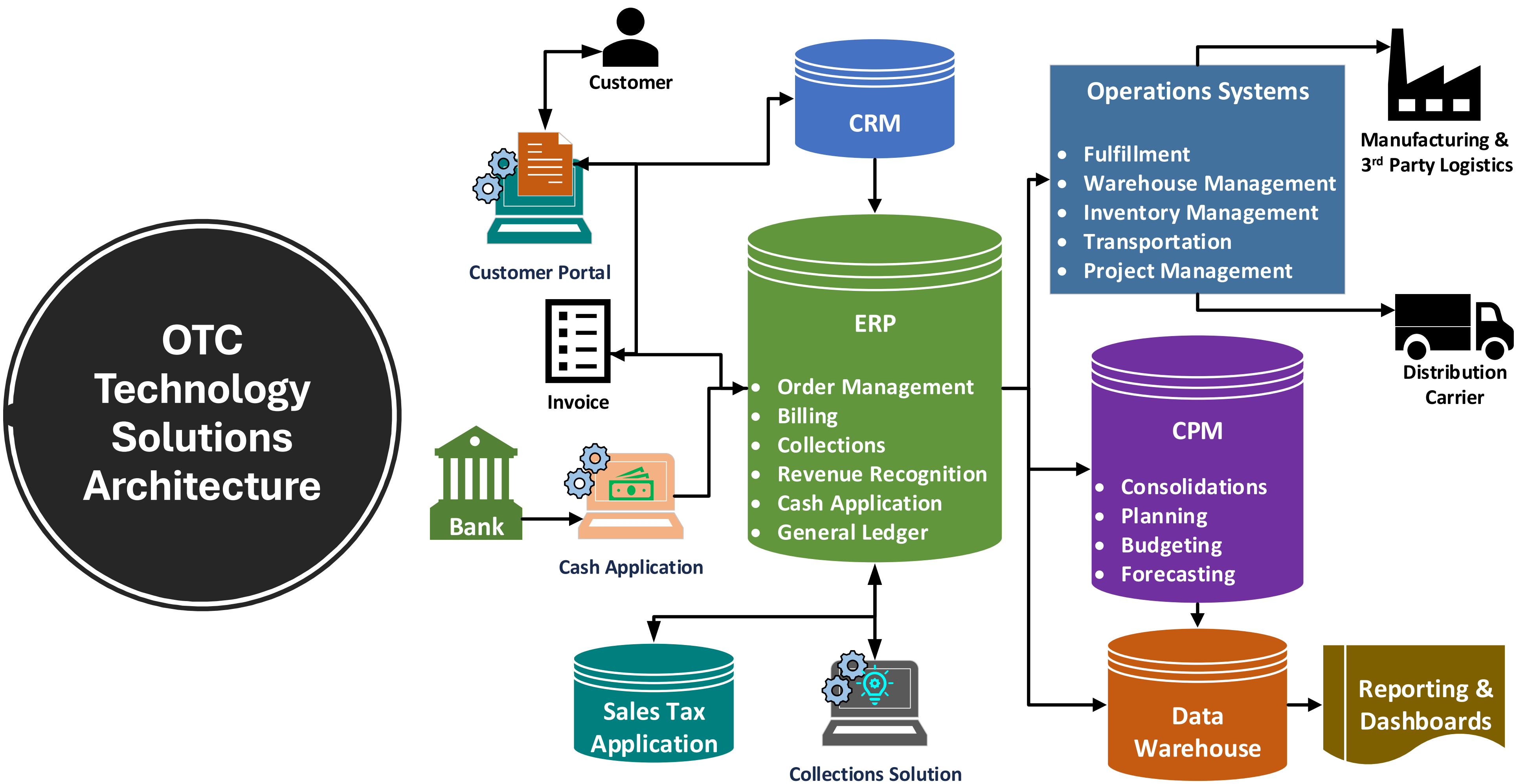
Rationalization

- Removing controls that are not significant or are duplicative



Internal Controls: OTC

Order Management	Order Fulfillment	Billing / Invoicing	Accounts Receivable & Collections	Cash Management	Dispute Management
1 Payment terms properly assigned to customer	**3** Shipping information in customer master data reviewed	**5** System automatically generates billing data for invoice	**7** Delinquent customer AR balances are reviewed periodically	**9** System automatically updates customer account balances when cash payments applied to invoice	**10** Sales returns are regularly reviewed and approved by management
2 User access controls to change price list or override prices in order	**4** Product picking transaction updates inventory balances	**6** Customer discounts approved through workflow tool	**8** Bank account reconciliations to General Ledger performed		What are we trying to find looking at returns?


OTC
Technology
Solutions
Architecture
Customer
Customer Portal
Invoice
Bank
Cash Application
CRM
ERP
Order Management
Billing
Collections
Revenue Recognition
Cash Application
General Ledger
Sales Tax Application
Collections Solution
Operations Systems
Fulfillment
Warehouse Management
Inventory Management
Transportation
Project Management
Manufacturing &
3rd Party Logistics
Distribution
Carrier
CPM
Consolidations
Planning
Budgeting
Forecasting
Data Warehouse
Reporting & Dashboards

OTC Technology Solutions

Technology Solution:	Salesforce Sales Cloud
Focus Area of Solution:	CRM
Capabilities:	
• Manage and track sales campaigns across multiple sales channels • Import documents such as purchase orders across multiple document types • Integration with an organization's email system to maintain communication details with customers • Share files with customers such as sales quotes and draft sales contracts	• Provides customer master data repository and integrates with ERP customer master data • Supports sales forecasting tasks • Integrates with ERP systems to share product, pricing, and credit management transactional data • Solution deployed as Software as a Service (SaaS) solution and not available as and on premises application

Section 5:

Procure-to-Pay (P2P): Leading Practice View of Process Cycle Structure and Service Delivery

Sample Slides: 7

Total Slides in Instruction Facilitation Presentation: 54

Procure-to-Pay (P2P) Process Framework

Mega Process Cycle	Source-to-Pay (S2P)											
Process Cycle	Source-to-Contract (S2C)				Procure-to-Pay (P2P)							
Process	Sourcing			Contracting	Procurement		Receiving	Accounts Payable (AP)			Reporting	Governance
Sub-Process	Sourcing Strategy	Category Management	Supplier Management	Contract Management	Requisitioning	Purchasing	Receive Goods & Services	P-Card Administration	Supplier Invoice Processing	Expense Reimbursement	Reporting & Analysis	Process Governance & Maintenance
Activities	Develop and maintain procurement plan	Develop and maintain category management strategy	Develop baseline of supplier qualifications by category and product	Develop and maintain plan to support purchasing contract lifecycle	Process purchase requisition (PR) and select supplier	Create purchase order (PO) and distribute to supplier	Receive supplier goods and place in storage location	Purchasing Card (P-Card) set-up	Receive supplier invoice and record details in accounts payable (AP) system	Maintain and communicate employee expense reimbursement policy	Produce procurement spend analysis reports and dashboards	Maintain policies and procedures and communicate changes
	Analyze organization historical spend profile	Assist operating units with improving quality and accuracy of demand forecast	Identify new suppliers, negotiate terms & pricing, assist with onboarding	Manage Request For Proposal (RFP) purchasing activity	Strategic sourcing or category manager review supplier selection in PR	Create blanket PO for longer term purchase of common items from preferred supplier	Record goods receipt against PO in ERP, procurement and warehouse systems	P-card purchasing activity approval	Conduct 2-way or 3-way matching process	Capture and review expense details and supporting documentation	Produce supplier service level reporting	Perform periodic supplier master data review and maintenance
	Identify and clarify strategic purchasing requirements	Identify, validate and certify preferred suppliers for select categories	Update supplier master data for new and existing suppliers	Negotiate, review and execute purchasing contracts with suppliers	Review and approve purchase requisition	Review supplier quotes and adjust terms and pricing in PO	Research and resolve discrepancies in quantity, quality and conformance of goods received	P-card reconciliation	Validate and resolve supplier invoice matching discrepancies	Communicate expense items exceeding policy limits	Create, review and approve purchasing accrual entries for period end	Review and maintain interfaces of procurement and AP systems to ERP
	Establish levels for materials management and contingency plans	Assist preferred suppliers with integration of product catalogs	Monitor supplier pricing exceeding expected category and product ranges	Manage supplier performance against purchasing contract terms		Process and track expedited and manual purchase orders	Document evidence of service provider delivery of services	Process P-card vendor payment	Review and approve supplier invoices	Approve expense reimbursements		Review processing issues and challenges and develop mitigation plan
	Aggregate demand and match supply needs to sourcing capabilities	Validate supplier compliance with code of conduct and quality levels	Collect and analyze supplier KPI data and publish supplier ratings			Review supplier portal and communications and update promise date in PO	Review and approved evidence of service delivery	Analyze P-card spend and inquire on unusual trends and activity outside of policy	Support supplier inquiries through portal or communications	Process expense reimbursement payments		Manage ongoing process improvement initiatives
	Collaborate with suppliers to improve efficiency and value	Manage risk of procurement outside of preferred suppliers	Conduct periodic performance review meetings with key suppliers			Review and reconcile open purchase orders	Record service delivery against a PO		Process supplier payments			

The larger S2P mega process cycle is presented here to provide greater context to the complex inputs to the Procure-to-Pay (P2P) process cycle

P2P Process: Procurement **Sub-Process:** Requisitioning

1. Procurement most often begins with someone in the organization identifying a need to purchase goods or services and completing a Purchase Requisition (PR) document

   - ***Can a requisitioner contact a vendor directly and order materials without following the formal requisition process? What is the impact of that?***

2. The PR is routed through a rules-based workflow tool to either an approver for the requisitioner's cost center or to a buyer in the procurement team for further action

This slide is used to gain a deeper understanding of each activity box in the process cycle framework

3. Strategic procurement typically involves the purchase of materials and services that are identified as the most critical to produce core products
   a) Not all products would qualify as core
   b) Strategic related materials are identified in the ERP and procurement systems master data to allow for the application of business rules for processing
   c) A short list of active strategic suppliers are maintained to ensure the material demand is aggregated to those suppliers that can deliver required quality, delivery time, and most often re-negotiated pricing for all orders

4. Review and approval of PRs typically follows the organization's Delegation of Authority policy

New Vendor Addition Fraud: How does it happen?

Outside Unrelated Party	
How does the fraud happen?	**What can AP Team do to prevent or detect fraud?**
• Email sent to AP team mailbox with new vendor data sheet completed and asking for new vendor to be created • Email sender masks actual email address to look like it is sent from internal employee	• Never send response by clicking on links in email or simply creating a "reply" from inside the email • Verify new vendor details with internal employee and credit rating agencies

No goods receipt will be created for a three-way match

Internal Employee or Contractor	
How does the fraud happen?	**What can AP Team do to prevent or detect fraud?**
• Internal resource wants to get personally paid for fictitious invoices that they will send after establishing the "new vendor" relationship • Internal resource typically sets up working email addresses to mask identity and exploits weaknesses in processes they have already observed	• Insist on submission of organization's purchase order with purchase requisitioner name before new vendor record is activated • Contact internal purchase requisitioner, and internal purchasing team's category manager or buyer directly to verify "new" vendor details

P2P Leading Practices: Supplier Invoice Processing

Practice	Description
Supplier invoice approvals documented and maintained in secure database or system	Workflow enabled supplier invoice approvals and adjustments maintained in a secure database, ERP or procurement system
Supplier payment scheduling supports overall cash management plan of business	ERP or procurement system automatically schedules approved supplier invoices based on payment due dates and configured cash management rules
Suspension of supplier payments to facilitate resolution of supplier performance issues	• AP and Sourcing Team collaborate on suspension of payments to suppliers with significant performance and quality issues • ERP system has capability to allow manual application of payment block on suppliers

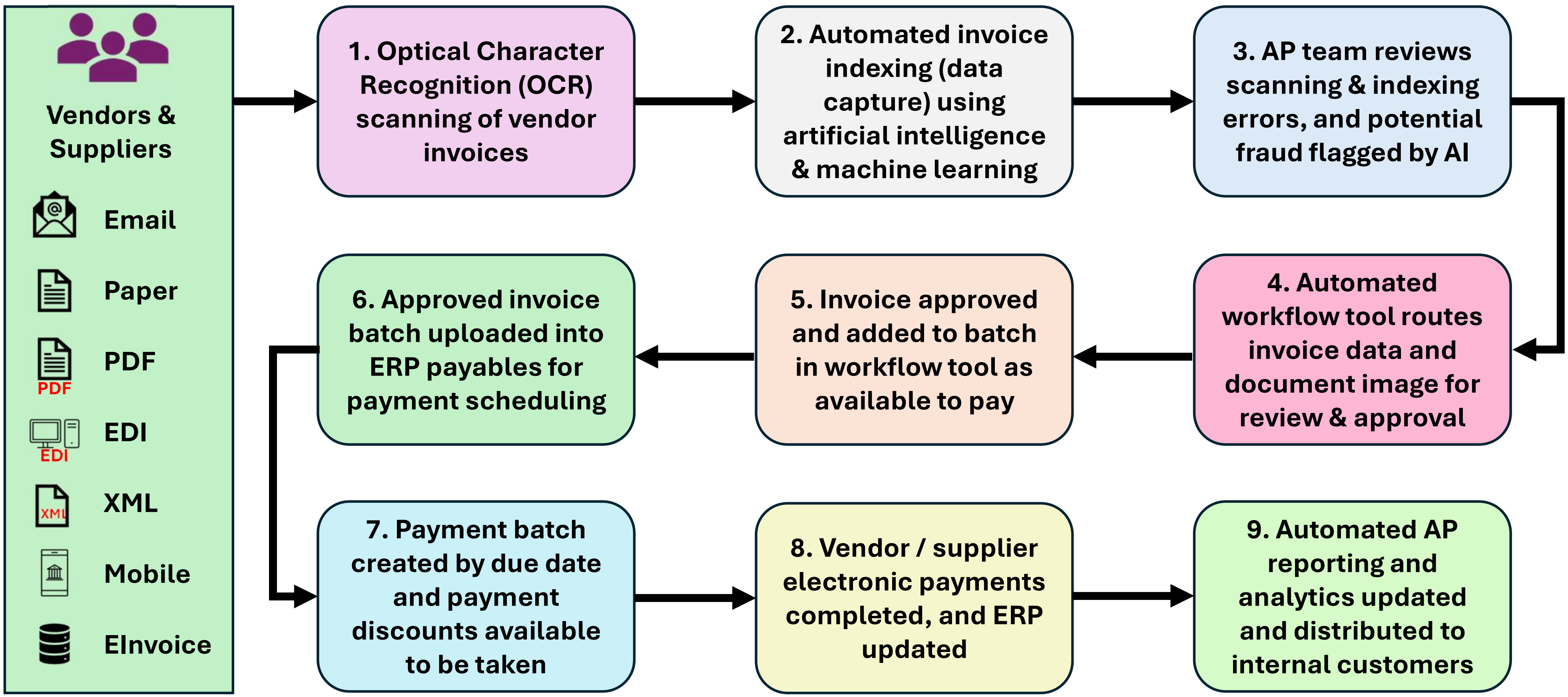
This slide provides insights on what can be done with well designed sub-process and support systems for each process cycle. These details are what one can expect from a Subject Matter Expert (SME).

P2P Leading Practices: Expense Reimbursement

Practice	Description
Specialized system for recording business expense reports and storage of supporting expense invoice images	• Expense report management system used for capturing employee reimbursable expenses • Expense system integrated with Accounts Payable system
Direct import of expense items from corporate credit card into the expense report management system	• Employees can import individual charges from corporate credit card into expense report management system to populate new expense report • Policy to require import of all airfare and lodging charges directly into expense report management system from the corporate credit card systems

This slide provides insights on what can be done with well designed sub-process and support systems for each process cycle. These details are what one can expect from a Subject Matter Expert (SME).

The automated P2P vendor invoice flow



Note: We have seen this diagram before when we discussed cycle time performance in an earlier class

P2P Technology Solutions

Technology Solution:	bill
Focus Area of Solution:	Accounts Payable Automation
Capabilities:	
• Electronic invoice data entry through scanning vendor invoice images uploaded manually and received in emails • Automated approval workflows • Provides AP team with access to SaaS application in Cloud • Outsourcing services provided with bill tools and systems	• Pre-built standard interfaces for leading ERP systems • Access to millions of vendors over the *bill* network and more payment options—from ACH to credit card, check, and international wire transfer—user has more flexibility and control over payments

Section 6:

Record-to-Report (RTR): Leading Practice View of Process Cycle Structure and Service Delivery

Sample Slides: 7

Total Slides in Instruction Facilitation Presentation: 55

Record-to-Report (RTR) Process Framework

Mega Process Cycle	Record-to-Report (RTR)									
Process Cycle	Data Maintenance & Collection			Entity Close & Submission		Intercompany Accounting & Consolidation		Reporting		
Process	Data Maintenance	Data Collection		Entity Close	Period Close	Intercompany	Consolidation	Internal Reporting	External Reporting	Governance
Sub-Process	Manage Financial Data	Prepare Sub-Ledgers for Period Close	Period Close Entries, Allocations and Cutoffs	Entity Close and Submission	Period Close Management	Intercompany Accounting	Finalize Financials	Manage Internal Reporting	Manage External Reporting	Process Governance and Maintenance
Activities	Manage business enterprise and controlling (Profit Center, Cost Center) structures	Complete AR invoicing, cash collection, payment application, write-offs	Perform rules based automated and manual allocations of expense and revenue balances	Generate and review trial balance, investigate and resolve issues	Maintain period close tasks, calendar, workflow and communicate changes	Manage intercompany policy compliance by automated analytics	Automated collection of financial data from BU GL into consolidation system	Maintain standard report structure and interfaces for internal reporting	Maintain standard report structure and interfaces for external reporting	Manage master data governance process to ensure data integrity and reliability
	Manage financial master data (Chart of Accounts)	Complete AP vendor invoice entry, goods receipts, credit memos, vendor payments	Record automated and manual standard period close entries	Perform General Ledger (GL) automated and manual account analysis and reconciliations	Conduct period close meetings: issues, accuracy, materiality thresholds, cutoff	Central intercompany system identifies balancing issues & informs users	Create initial consolidated financial statements in consolidation system	Manage automated workflow for distribution of standard internal reporting	RPA process for data capture, cleansing, populating into quarterly & annual templates	Manage standardization of data definitions across all business units
	Manage customer master data	Complete fixed asset lifecycle & depreciation entries	Perform period close validation analytics to ensure completeness	Robotic processing automation (RPA) balancing entries for discrepancies	Monitor completion of close tasks in close process workflow application	Review of intercompany transactions in sub-ledgers & central system	Analytical review of financial data in consolidation system and identification of reporting issues	Manage reporting tool with drill down, across & through reporting lines		Maintain data flow models & diagrams to support user level data security
	Manage vendor master data	Complete payroll & benefits transaction entries & accruals		Review RPA variance analysis of business unit actual results to budgets & resolve issues	Review business unit (BU) submissions, investigate and resolve issues	Center of Excellence (CoE) review of complex intercompany trading	Conduct financial statement preparation meetings to resolve reporting issues	Maintain report writer facilities that provide user defined reports from ad hoc queries		Maintain standard period close and data submission policy across all BU
	Manage payroll data	Perform system cutoff of sub-ledgers for end of accounting period		Finalize submission of period results	Reconciliation, entry, allocation, internal control documents submitted to archive system	Confirm intercompany issues, communicate changes, record balancing entries	Manage correction and adjustment process in BU GL and consolidation	Manage predictive analytics & automated creation of future trend reports		Maintain one common intercompany policy across the enterprise
	Manage user access security & workflow in reporting technology					Automated posting intercompany eliminations in GL & consolidation	Record final consolidation entries, corrections, allocations, tax adjustments	Manage period results data flow to planning, budgeting & forecasting technology		
	Maintain interfaces for transaction & reporting technology					Perform intercompany account reconciliations in all business units	Consolidated financial statements review & sign-off in workflow application	Conduct variance analysis of consolidated actual results & resolve issues		
	Maintain automated expense and revenue allocations for reporting									

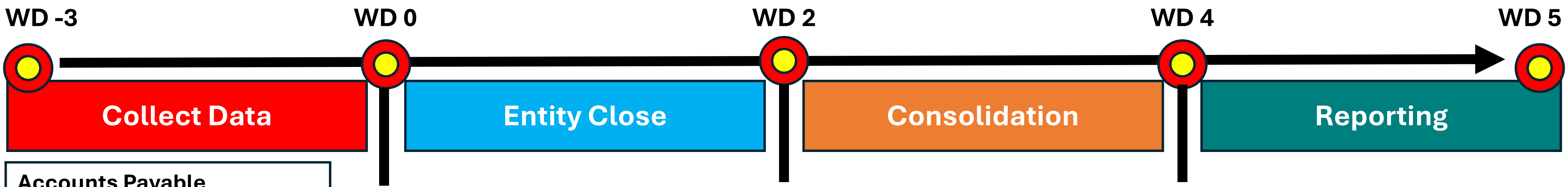
RTR Process: Data Maintenance

Sub-Process: Manage Financial Data

1. Legal entity structure and intercompany reporting relationships can change year to year to take advantage of favorable tax treatments in various countries
   - ERP and consolidation system features accommodate multiple sets of books in US GAAP and IFRS standards as well as various entity reporting structures
2. Chart of Accounts (COA) is standardized across all legal entities, general ledger accounts and COA segment changes are centrally controlled by reporting master data owner
3. Master data is maintained in one central system and shared with other critical systems through API interfaces to ensure standardization of data elements
4. IT department ensures adherence to data governance policies by using Master Data Management (MDM) solutions such as:
   - PiLog, Informatica, TIBCO, Semarchy xDM
5. Profit center and cost center structures are optimized to reduce the need for complex and numerous period end allocations of revenue and expenses
6. ERP business rules, or robotic process automation (RPA) is used to record adjusting revenue and expense entries at the time an intercompany transaction takes place to implement a commissionaire tax model when one legal entity completes sales on behalf of another related legal entity across multiple countries

This slide is used to gain a deeper understanding of each activity box in the process cycle framework

High-level period close timeline for leading organization



Accounts Payable
- Record vendor invoices before period-end

Accounts Receivable
- Complete open billing activities and credit memos

Fixed Assets
- Complete recording of asset addition, retirement, and depreciation expense prior to period-end

Other Processes
- Payroll, Tax, Sales, Inventory, Travel & Expense, etc.

Cash Management
- Reconcile banks to GL
- Complete payment and receipt transactions:
  - Payroll
  - Vendor payments
  - Customer payment receipt application

General Accounting
- Reconcile all sub-ledger and high-risk accounts to GL
- Record standard close journal entries
- Close GL to transaction postings
- Prepare trial balance and initial financial statements
- Perform standard allocations

Consolidation
- Eliminate intercompany transactions
- Consolidate results of legal entities and operating units

Internal Reporting
- Actual vs Budget
- Functional Key Performance Indicators
- Dashboard performance metrics and results
- Ad hoc analysis of period performance

External Reporting
- GAAP financial statements
  - Local country
  - Corporate
- Regulatory reports
- Financial disclosures
- Period results communications

COSO Components of Internal Control

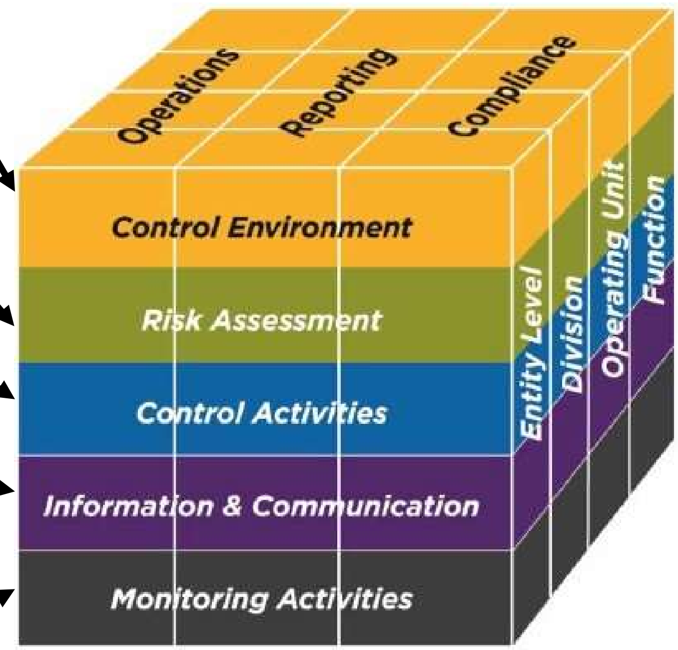
Control Environment
- Commitment to integrity, ethical values, and competence of the entity's people
- Management exercises appropriate oversight and enforces accountability
- Maintain a formal structure of authority and responsibilities

Risk Assessment
- Identification and analysis of business risks and significant changes
- Assessment of fraud risk

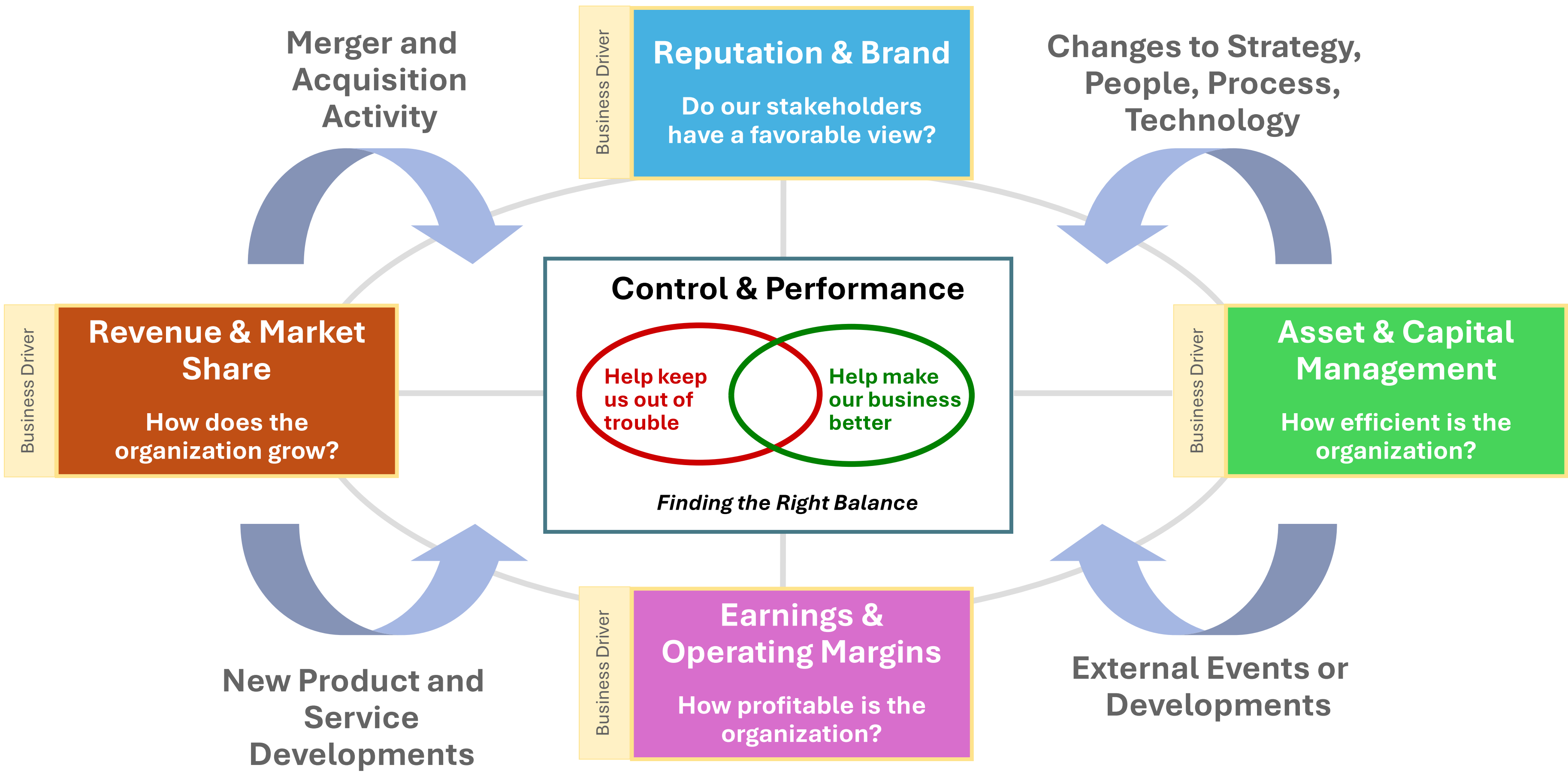
Control Activities
- Management selects & develops control activities over business processes and the technology environment to mitigate risks
- Establish controls through policies and procedures

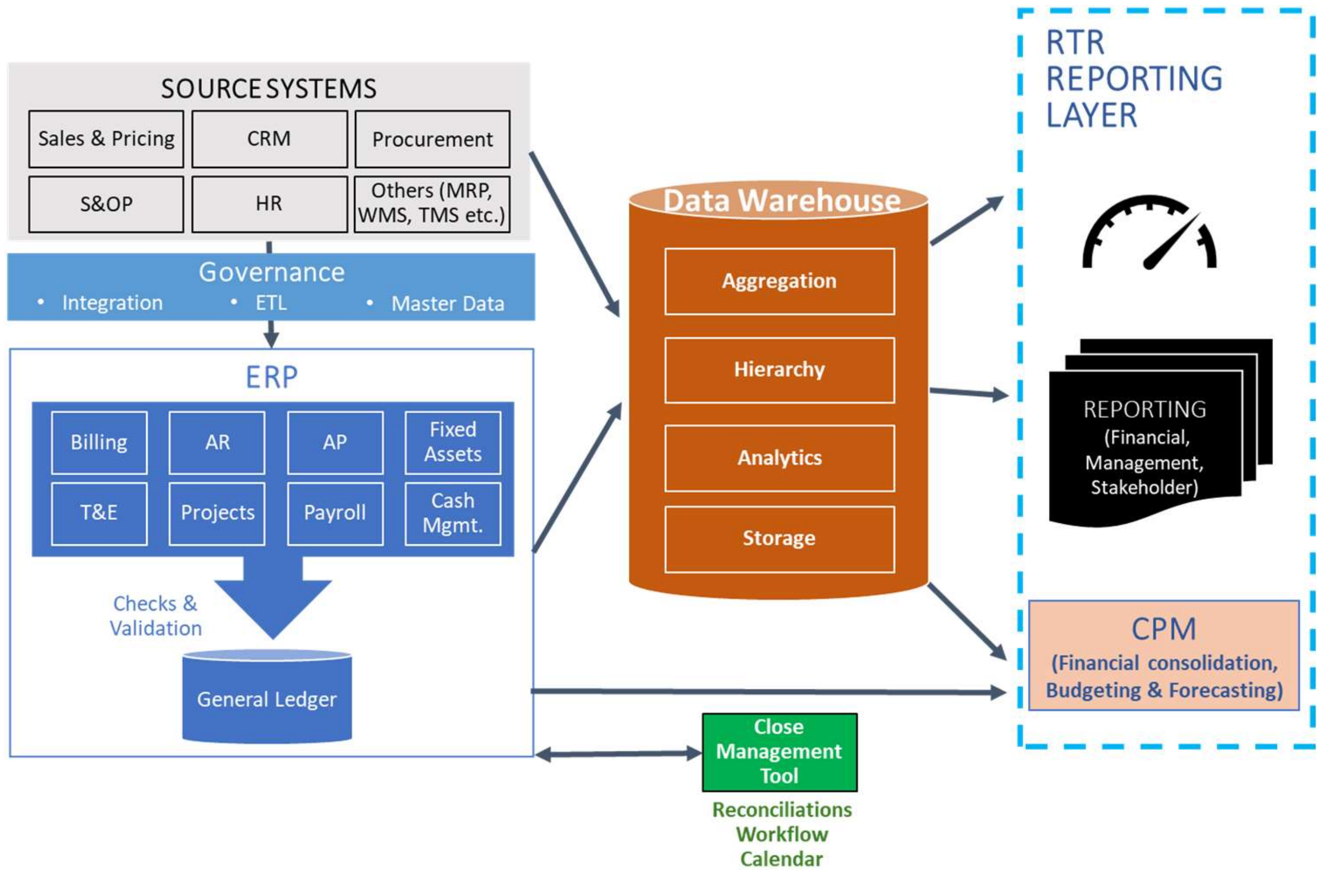
Information & Communication
- Use internal and external information to carry out control responsibilities
- Internal communication that control responsibility must be taken seriously, external communication that is required and expected

Monitoring Activities
- Ongoing evaluations of the internal control components and business processes
- Formal evaluation of findings & communication of deficiencies



Internal controls can be designed to detect most reporting issues, but that level of assurance can be too costly of an impact of 4 primary business drivers





RTR Technology Solutions Architecture

RTR Technology Solutions

Technology Solution:	OneStream
Focus Area of Solution:	Period Close Management, Account Reconciliation, Consolidation, Financial Reporting

Capabilities:

- Period close workflows and task status in dashboards
- Execute automated GL account reconciliations and store audit ready documentation
- Drill down from financial statement lines into account reconciliations
- The solution is built for consolidation and reporting so there is no need to separately load data just to complete account reconciliations
- Pre-built interfaces to major ERP systems to support seamless financial report creation
- Centralized consolidation tool
- Centralized financial reporting tool

Background on course content providers

About APQC:

- APQC helps organizations work smarter, faster, and with greater confidence. It is the world's foremost authority in benchmarking, best practices, process and performance improvement, and knowledge management. APQC's unique structure as a member-based nonprofit makes it a differentiator in the marketplace. APQC partners with more than 500 member organizations worldwide in all industries. With more than 40 years of experience, APQC remains the world's leader in transforming organizations.

About Peter Fazio:

- Peter Fazio is a finance and accounting professional with over 20 years experience as an SVP of Finance, Controller, External Auditor and Management Consultant. He has led several finance transformation projects at large global corporations across Asia, Europe, and North America. He is also an adjunct professor of accounting at a leading university in New York.