

INTERNAL CONTROLS:

## **Streamline the Financial Close**

Business Spend Management Improves Visibility  
and Control over Spend to Expedite the Close  
While Reducing Risk



# Manual Spend Processes Create Challenges During the Close

Accounting leaders face the difficult task of closing the books accurately, efficiently, and on-time each period. If back-office processes aren't delivering full visibility and control over spend, it can be a struggle to do this consistently without burning out accounting teams. Simply identifying spend that has been committed to suppliers can be challenging and risky without effective automation.

In the absence of processes that provide teams with visibility into all committed spend—whether an invoice has been received yet or not—companies are left with manual processes that create friction and risk or error. Accounting teams spend excessive time on accruals, and business teams spend excessive time reviewing spend with their finance counterparts. Despite the high degree of manual effort, certain categories such as Marketing remain difficult to predict, and risk remains.



**“60% of CFOs say that they don’t have complete visibility into their spend.”**

— The Economist  
*The Strategist CFO in a Rapidly Changing World*



**Download The Economist Report**

## How do you know if you have a problem?

- There is a high and persistent backlog of unprocessed invoices
- Too many resources must be assigned to accruals during the close
- The balance of accruals each period is high relative to the actual AP balance
- Missed accruals are a significant area of risk and concern



## Effective Business Spend Management Processes Help Accelerate the Close

Some companies are finding that it is possible to get visibility into all spend with effective Business Spend Management (BSM) processes. With full visibility into spend, accounting teams can significantly cut both manual work and risk of accounting errors each period. Accounting and finance teams can shift time from transactional “spreadsheet jockey” work to strategic management of automated processes, adding more value to their organizations.



**“Before our BSM platform, we were manually processing around 12,000 invoices a year. With our BSM platform, the same team is processing 30,000 invoices.”**

**— Isaac Ballesteros,**  
ASSISTANT DIRECTOR OF ACCOUNTING



Watch to find out how Ionis streamlines operations with BSM

# Getting to the Root Cause: Dysfunctional P2P Processes

While the challenges of increased risk and increased headcount costs are often associated with AP and invoice management, the root cause of these problems is actually dysfunctional P2P processes. Gaps in the upstream purchasing process are just as damaging as gaps in supplier adoption of digital invoicing channels.

- **Spend without POs**

Without POs in place for all spend, there is no record that AP can review to understand what spend is anticipated—whether invoiced or not. Instead, Finance must review goods and services procured by employees across the company to gather information or make educated assumptions.

- **Manual Invoice Processing**

When invoices are received by paper, processing is very slow. A backlog of unprocessed invoices tends to build up, which increases the risk for a missed accrual for an invoice (a liability) buried at the bottom of the stack.

# Manual Processes Lead to Added Cost, Increased Risk, and Reduced Productivity

While manual processes are typically abhorrent to finance leaders, at many companies, AP teams still receive paper invoices despite previous attempts at automation. You may have requested that suppliers submit invoices electronically, but those requests were ignored, which means AP must review each invoice manually, code it to the correct account, and then route it for approval.

If AP can't match the invoice to a PO, they're stuck with manual "detective work." And after invoices are sent for approval, any late approvers must be investigated. The entire workflow to process and approve an invoice can take weeks.

Challenges that companies face as a result of manual invoice processing are far-reaching. Importantly, visibility into spend is lost when there is a large backlog of unprocessed invoices and accruals, creating risk and inefficiencies.

**"Before Coupa [our BSM platform], we had manual and nonstandard processes across different regions with different requirements. Coupa gave us a standard global system with all of the right checks."**

**— Jennifer Browne,**  
DIRECTOR OF PROCUREMENT OPERATIONS



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how Salesforce drives  
operational efficiency  
around the world



# Manual Processing in AP Robs Visibility and Creates Risk

The manual AP processes that many organizations use can lead to constant worries. Missed accruals (unrecorded liabilities) may lead to audit exceptions, significant deficiencies, material weaknesses in internal controls, or even financial restatements. They can result from a basic lack of visibility into spend, where an accrual for spend committed to a supplier that hasn't been invoiced yet is overlooked. While accounting teams realize the gravity of the issue and do their best to identify this spend through reviews with their business partners, risk of manual errors and omissions remain.

## Process Challenges Lead to More Accruals with Less Information

- **Processing and Approval Delays**  
With stacks of unprocessed, unapproved invoices in AP, accounting has no visibility into that spend and must make more accruals.
- **Cycle Times**  
When invoice cycle times are short, teams can keep AP open longer, providing more time to receive more invoices from suppliers. Long cycle times lead to earlier close of AP, less time for suppliers to submit invoices, and more accruals needed.
- **Non-Invoiced Spend**  
Without effective records of purchases made in the form of Purchase Orders (POs), there is no visibility into spend that hasn't been invoiced yet—so more accruals are needed and there's less information to base those accruals on.

# Manual Processing Increases Costs Across the Business

Business leaders will recognize that high volumes of paper pushing harms productivity in AP, but they may not realize that ineffective P2P processes harm productivity across the entire business. Headcount costs are increased across the Accounting team as the lack of visibility into spend creates the need for more accruals in each financial close. While booking AP liability is routine, booking accruals involves doing research, pestering other departments to get information, and in many cases applying judgment. All this takes time and skill to do correctly.

Increased costs from manual processing of invoices and booking of accruals isn't limited to the accounting team. In order to do accruals correctly, the accounting team has to meet with employees in other departments to ask if any products or services have been delivered—but not yet invoiced. This is time that could be spent on more strategic business tasks for the person in marketing, development, legal, and other groups.

# Business Spend Management Provides a Better Way

Leading BSM platforms provide an a better way to address these challenges. With cloud platforms that are extremely easy for employees and suppliers to adopt, the entire P2P process can be transformed.

Getting all spend onto POs gives the accounting team visibility into all spend committed to suppliers without the reviews and friction associated with manual processes. Moving suppliers to digital invoicing gets rid of paper-pushing in AP, speeds cycle times, and gives the accounting team full visibility into in-flight invoices.

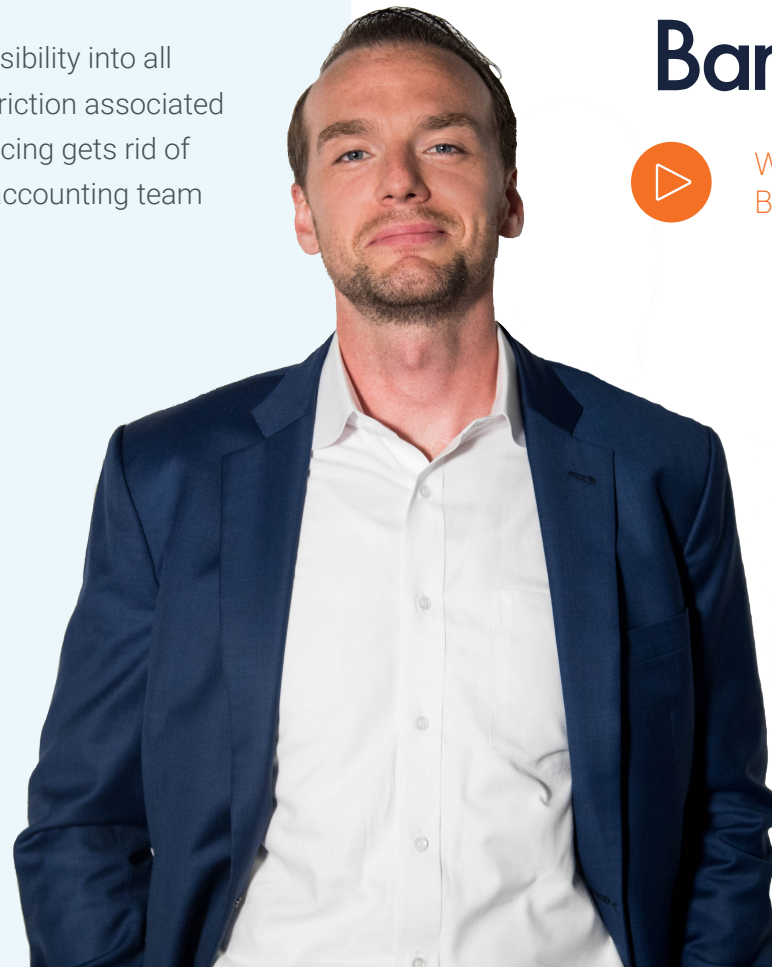
**"Coupa has transformed our AP department from a tactical data processing center to a strategic cost saving center."**

**— John Preis,**  
PROCURE TO PAY MANAGER

## Bankrate®



Watch to find out how  
Bankrate takes AP digital



## Getting Spend on PO

By getting spend on PO, Accounting can review all POs for the period, whether invoiced or not, for full visibility into anticipated spend. With this kind of visibility, the need for manual research and inquiries with employees around the company is massively reduced.

## Digitize AP Processes to Improve Efficiency while Reducing Risk

With easy-to-use tools for suppliers, from automated email-based technology for “mom-and-pop” suppliers to cXML for the most sophisticated, today’s BSM technology holds the promise of very high rates of supplier adoption of digital invoice submission. AP teams can now spend their time managing digital processes, as invoices are automatically matched to the appropriate PO and routed for approvals. Follow-up and reminders for routine approvals can become the work of the platform, not the people.

## Benchmarks of Leader-Level Performance In BSM

In this report, KPIs drawn directly from transactional spend data managed in the cloud BSM platform show that leaders are able to digitize supplier relationships and accelerate their processes, vastly improving back office efficiency.



Pre-Approve Spend



Electronic Invoice Processing



Invoice Approval Cycle Time

*See how you measure up!*



## Fast Invoice Cycle Times Reduce Accrual Volumes

With electronic invoices and approvals, AP gets visibility and can speedily process invoices for approval as soon as they are received. AP can be kept open longer, more invoices can be received, and fewer accruals are needed.

## Digital Processes Provide More Information

With today's BSM platforms, managing accruals is easier with the right information. Accounting teams can easily access reports of open POs, identify key business contacts, and prioritize by spend amount to save time and decrease risk.

## Digital Processes Improve Efficiency Across the Company

Beyond the obvious benefits of improving efficiency within AP when invoices don't have to be manually entered, coded, and approved, reduced overhead in the accruals process improves efficiency across the entire company. Business leaders don't have extended meetings with Finance each period to review what spend might have happened, because the company has POs. Finance can invest in strategic planning and business support that creates shareholder value, rather than investing in more AP and accounting to manually research, review, and book accruals.

**"With Coupa, we've really got on the digital bandwagon. We have great control of the system and substantial savings opportunities."**

**— Warren Dick,**  
GENERAL MANAGER FOR PROCUREMENT

**Australian  
Unity** 

Watch to find out how  
Australian Unity goes  
digital to save \$16M



# A Faster, Accurate Close with Less Manual Work

Using Coupa's leading BSM platform, companies can shave days off of their close by improving visibility into spend and automating manual processes. Not only does this save time for accounting teams, it streamlines the entire process and saves time for business leaders across the company.

With a truly user-centric platform, engaging both employees and suppliers with easy-to-learn, easy-to-use experiences that motivate behavior change, the power of BSM is realized:

- Managers get visibility into spend and budget impact before spend is committed to suppliers—making it easier for them to hit their budgets and improving the predictability of the entire business.
- Suppliers get real-time visibility into the processing, approval, and payment status of their invoices, without having to follow up manually with AP.
- AP has better information and less risk when making accruals because they can analyze real PO data in the BSM platform, spend less time pushing paper and more time building effective processes and internal relationships.

## BOTTOM LINE

**There is no magic answer to accruals or closing the books quickly, but effective processes and complete visibility into spend go a long way in reducing the risk of missed accruals and accounting deficiencies while accelerating the financial close.**



## ABOUT COUPA

Coupa Software (NASDAQ:COUP) is the cloud platform for business spend management. We deliver "Value as a Service" by helping our customers maximize their spend under management, achieve significant cost savings, and drive profitability. Coupa provides a unified, cloud-based spend management platform that connects hundreds of organizations representing the Americas, EMEA, and APAC with millions of suppliers globally. The Coupa platform provides greater visibility into and control over how companies spend money. Customers – small, medium, and large – have used the Coupa platform to bring billions of dollars in cumulative spend under management. Learn more at [www.coupa.com](http://www.coupa.com).

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