

White Paper

Automating Your Purchase Requisition Workflow



“When you start with a clean and clear transaction, you end with a clean and clear transaction. If you provide the structure for the transaction, which is the Purchase Requisition, an automated system should identify what’s wrong if there is an exception – and make maverick spending visible.”

Defining The Business Problem

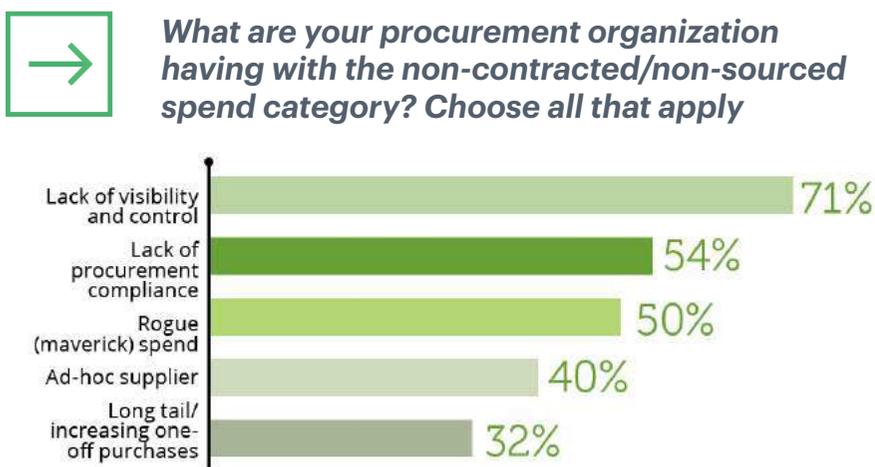
What percentage of your company's spend is under management?

For many companies surveyed, that percentage is under what should optimally be 100%.



Indirect spend is a major challenge

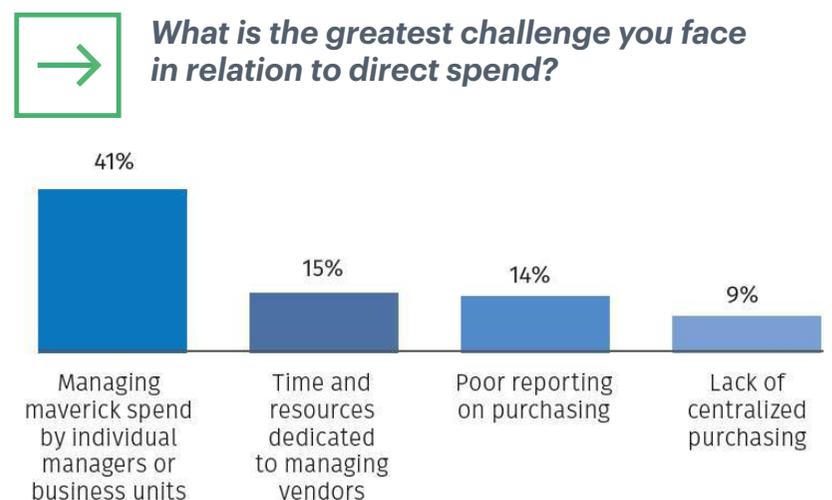
When asked what challenge their procurement organization was having with the non-contracted/non-sourced spend category, 71% of organizations said that they lacked visibility and control. 50% said that maverick spending was another major issue.



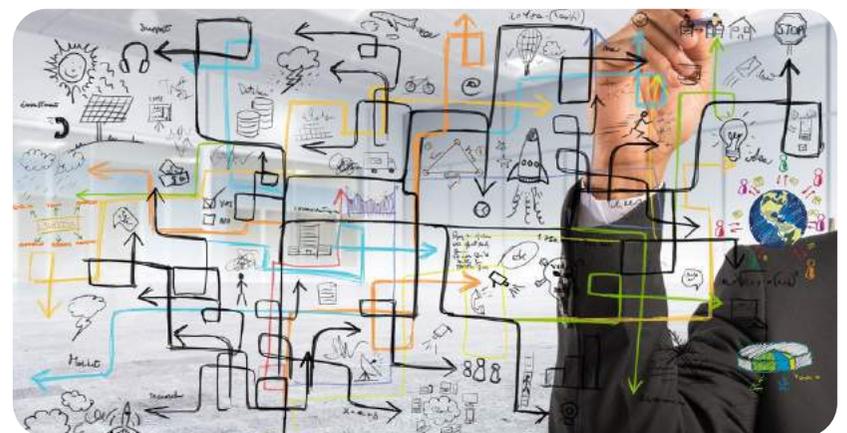
Uncontrolled purchases cost money

Controlling maverick spending is currently the most ubiquitous challenge facing procurement in relation to indirect spend management.

41% of those surveyed say managing maverick spend by individual managers or business unit was their largest challenge.



Defining the Technology Challenge



ERP Purchasing modules are typically built for direct purchasing and not for managing indirect spend because of the following factors:

They are complex and meant to be operated by professional buyers. They support a centralized purchasing function and are driven by the order to cash cycle.

Workflows are not “dynamic” to meet the many to many routing required by growing organizations. Operational purchasing is driven by chaos and growth.



Many companies have multiple ERPs or multiple versions of an ERP. Cross-ERP spend management is not an option.

Cost is an overriding factor in broad-based deployment. ERP client licenses can be expensive.



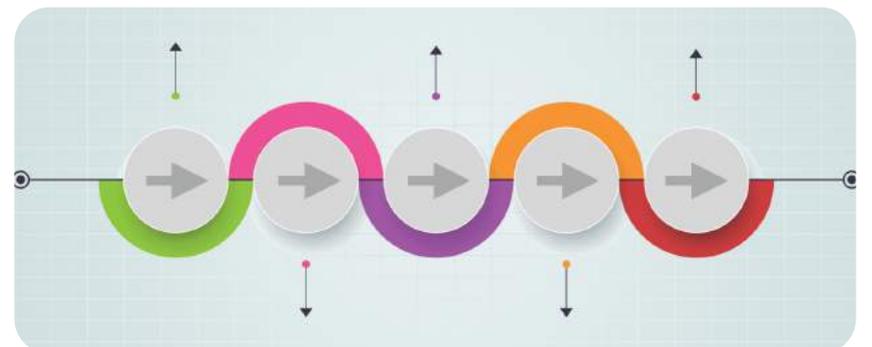
Automating Your Purchase Requisition Workflow

Elements Needed to Ensure a Successful Implementation

Identify the elements or processes that each department needs in order to consider the transaction a success. For example:

- The purchasing department has written purchasing policies that dictate the level of authorization needed for an approved purchase.

- The Health and Safety department needs to be on the approval list for items that involve their department.
- AP's requirement is that there is a valid PO and a valid Receipt for the item that is being invoiced.



Have controls built in that won't require monitoring

Controls that are monitored automatically will greatly reduce the chance of human error. A good example of this is authorization signatures.

If a person needs to identify signatures, they would need a sample of each signer's signature and a list of their authorization amount. These samples and lists would need to change any time a person starts with the organization, gets promoted, or leaves the company.



Determine what reporting you want to have on the back end. For example:

- A controller that is monitoring their division spending needs to be able to filter out all other activity and retain the ability to drill down into any transaction that is in question.
- A maintenance manager may need to get reports based on a specific vendor to determine what is being ordered and brought into their plant.



- The AP manager could benefit by using reports to drive metrics on the performance of their team – not to mention the tedious reporting that is necessary to post any month-end or year-end accruals. If you know the requirements for what needs to be accrued, you can ensure that the accrual process is fast, efficient and accurate.

Most of all, ensure that you have what you need to provide the highest percentage of straight-through processing when the invoice arrives.

If you think of it this way, any invoice that arrives in advance of, or without supporting documentation, is an invoice that will need to be manually processed.

Because even with the support of automation, someone will have to have ‘eyes’ on that invoice within its lifecycle. If you take a look in advance and make sure the necessary documentation is available, the invoice will have the chance to be sent straight through without human intervention.

Questions to Ask

Compliance

Will it organically drive compliance without restricting use?

If you restrict the use of the system too much, you might make it more difficult for users, encouraging them to revert to bad practices. You want to maintain compliance while building in best practices, at the same time allowing users to conduct their day-to-day business without adding steps to the process that do nothing more than complicate it.

Current Processes

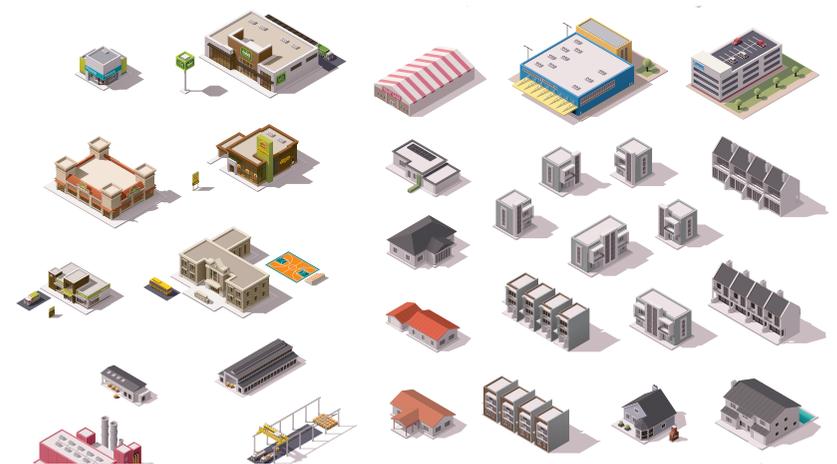
Does it mandate that you change your processes or can it adapt to accommodate your business practices?

Making changes to approved business practices is no small feat. Many processes need the approval of upper management and involve multiple departments. Any changes that have a financial or security impact would need to be reviewed by your auditing firm to ensure that the change has no negative repercussions.

Preferred Vendors

Can it steer users toward your preferred vendors?

This would allow the company to use the vendors that offer the best payment terms and pricing.



Audit Trail

Does it maintain a complete audit trail? And if it does, does the audit trail transfer from the requisition to the Purchase Order and then to the Invoice?

If the audit trail wasn’t complete, you would have to refer back to different documents to see their audit trail. Imagine needing to review multiple emails in Outlook that have the same subject line but are on different email strings.

Multiple Methods

Can the system accommodate multiple methods of requisitioning?

- the ability to assist with internal catalogs
- punch out to webshops
- free text requisitioning for all other



Item Limits

Can it limit the items that users have the ability to purchase?

For example, you want it to be structured so that Maintenance can only buy items for their department while the Administrative staff can be limited to items in their segment of the business.

By limiting items that are available you limit the opportunity for people to order the wrong item. As an example, you likely have office supplies for each location and you need to be sure that when a user buys office supplies, it will automatically posted to the correct GL accounts. You want to be sure that people are doing the ordering for their business unit and not asking others to do this for them.

Workflows

How are the workflows generated, and do they cover the following areas:

- *Based on authorization amount* – This is a simple workflow that is based on a user, their authorization amount, and their manager’s authorization amount. The system will continue to look at the user, manager and authorization amounts until it reaches the appropriate level.
- *Based on item* – When the workflow starts on the item level, it can be used to include users from departments in the workflow. For example, all IT based ‘items’ may need to include the IT manager in the workflow even though the user that is making the purchase doesn’t report to the IT manager.
- *Auxiliary flows* – The auxiliary workflows typically contain logic. For example: add a user to a workflow if it hits a specific GL account and it is greater than or less than a specified dollar amount.

- *Based on the vendor* – You can set a workflow on the vendor record and that workflow will be used every time that an invoice is received for that vendor. The system will still verify that the invoice has been approved by a user that has the appropriate amount of authorization.

Are the workflows limited to an initial setup based on specific items or vendors, or is it intuitive enough to adapt to a more complex routing automatically?

You should have the option of changing the way the system assigns the workflow at the time that you make changes to it. For example, if you change the workflow on an invoice, it should prompt you with the option of making the new workflow a default setting on that vendor.



If you change your process and you need to engage additional departments based on specific circumstances, you need the ability to layer auxiliary workflows to the existing parameters without starting over with your current workflow settings.

2 or 3 Way Matching

Can the requisitioning system drive a 2 or 3 way match when the invoice arrives, and does the invoice routing reside in the same system providing that same level of workflow and audit capability?

It is always best to have the purchase requisition workflow routing as well as the invoice approval workflows in the same system. This leverages the workflows by making them available for use on both sides of the transaction. It also ensures that the audit trail is intact and visible from whichever part of the transaction that you are searching.

Palette is now

rillion

rillion.com