STANDARD OPERATING PROCEDURE

Accounts Payable process

Version: Generated:

Overview

This SOP outlines the standardized procedure for managing accounts payable within the organization. The goal is to ensure timely and accurate processing of invoices and payments while maintaining compliance with financial regulations and internal policies.

Steps

1 Invoice Receipt And Verification

Upon receipt of an invoice, the Accounts Payable (AP) team must verify the invoice details against purchase orders and delivery receipts. Ensure the invoice is addressed correctly, includes a valid purchase order number, and matches the goods or services received. Any discrepancies should be reported to the procurement department immediately for resolution.

2 Invoice Approval

Submit the verified invoice for approval to the designated department manager. The manager must review and approve the invoice within three business days. Approval indicates that the goods or services were received satisfactorily and that the invoice is accurate. Document the approval in the financial management system.

3 Data Entry Into Accounting System

Enter the approved invoice details into the accounting system. Ensure all data fields are accurately populated, including vendor name, invoice number, date, amount, and due date. Double-check entries for accuracy to prevent payment errors. This task is typically performed by the AP clerk.

4 Payment Scheduling

Schedule the payment according to the invoice terms and company cash flow considerations. Prioritize payments based on due dates and any available early payment discounts. The AP manager is responsible for reviewing the payment schedule to ensure compliance with cash management policies.

5 Payment Execution

Execute the payment through the approved payment method (e.g., electronic funds transfer, check). Ensure that all payments are authorized by the AP manager before processing. Maintain a record of the transaction in the accounting system for audit purposes.

6 Payment Confirmation And Reconciliation

Confirm that the payment was received by the vendor. Reconcile the payment against the bank statement to ensure accuracy. Address any discrepancies immediately. This step is crucial for maintaining accurate financial records and should be completed by the AP clerk.

7 Record Keeping And Documentation

Maintain comprehensive records of all invoices, approvals, and payments. Ensure that all documentation is stored securely and is easily accessible for audits. Follow the company's document retention policy, typically retaining records for a minimum of seven years.

8 Regular Review And Auditing

Conduct regular reviews and audits of the accounts payable process to ensure compliance with internal controls and external regulations. The finance department should perform these audits quarterly, with findings reported to senior management for review.

9 Handling Exceptions And Discrepancies

Develop a protocol for handling exceptions, such as disputed invoices or payment errors. This includes documenting the issue, investigating the cause, and implementing corrective actions. The AP manager is responsible for overseeing the resolution of exceptions.