

Procurement Process: A Guide to Modern Procurement

Created By



For IoSCM Members



Usually, when people think of the procurement process, negative thoughts come to mind: time-intensive forms, uncertainty around procedures, and complex negotiations. Procurement also typically involves pulling and managing data from multiple sources, such as spreadsheets that track contract renewals and document management systems that contain purchase orders. On the whole, it can be tedious.

All these complaints are real. They're the reason why, in companies of all sizes, it's not unusual for employees to try bypassing procurement — a reality that poses a detriment to the business over the long term.

But it doesn't have to be that way. While small and medium-sized businesses (SMBs) may not have the resources to implement and manage the sophisticated systems large companies use for procurement (like SAP or Oracle Financials), other solutions can address many of the most common issues.

Many new technology offerings are relatively economical and easy to configure and deploy. With a bit of knowledge and the right resources, SMBs can design a highly efficient and effective procurement process that takes minimal time and money — and reduces employee complaints.

This guide offers ideas and solutions to help streamline the entire procurement process. See the chapter synopsis below.

Chapter Synopsis

Chapter 1: Introduction

Chapter 2: What is the Procurement Process?

This chapter presents an overview of the procurement process and how it compares with the purchasing process.

Chapter 3: Procurement Process Best Practices

Here we'll cover the methods that are most useful for improving the overall efficiency and effectiveness of the procurement process.

Chapter 4: Identifying Needs

Here are the best ways to identify your company's specific needs and analyse inventory.

Chapter 5: Supplier Selection

Learn why establishing effective supplier partnerships leads to success for both parties.

Chapter 6: Contract Negotiations

In this chapter, we'll offer advice on how to simplify the overall contract negotiation and document management process.

Chapter 7: Receiving and Validating Goods

Once your goods arrive, here's how to ensure they meet expectations and properly add them to inventory.

Chapter 8: Procurement Payments

Learn how to institute a validation process to ensure payment is appropriate and legitimate.

Chapter 1: Introduction

Introduction:

All companies require certain goods and services to operate. Almost every business needs the basics, like pens and printer paper. Others require specialised raw or processed materials, like T-shirts and ink for a T-shirt company, for example.

Retail shops need cash registers and digital payment processing services. And most companies need the various components of employee benefits packages, such as healthcare offerings, life insurance, and payroll systems.

Obtaining the above — and a whole lot more — requires a procurement process.

Procurement covers the entire life cycle of acquiring the goods and services a company needs to operate. There are numerous steps involved in that process, including

1. Identifying Needs
2. Tracking Inventory
3. Researching, Evaluating, and Selecting Suppliers
4. Conducting Contract Negotiations
5. Establishing Supplier Relationships
6. Creating Requisitions and Purchase Orders
7. Reviewing Goods Upon Receipt
8. Processing Payment

Chapter 2:

What is the

Procurement

Process?

Procurement vs. Purchasing

Many people confuse procurement with purchasing. Purchasing is a subset of procurement and refers to the specific transactions that surround the buying process, including

- Creating Requisitions
- Submitting Purchase Orders
- Reviewing Goods Upon Receipt
- Processing Payments

Purchasing is a standard set of activities that take place to buy goods and services, especially for repeat orders, established suppliers, and basic items.

Procurement is more strategic than purchasing. The first step of procurement — identifying needs — is crucial and can have a major impact on a business. Often driven by company strategy, it considers a variety of factors, such as company growth initiatives, cost-cutting mandates, and efforts to streamline processes.

In general, procurement is about more than just transacting for goods or services; it's about getting the resources a company needs in a way that's efficient, cost-effective, and timely.

Why is Procurement Important?

Done right, procurement contributes to business growth in more ways than one.

First, it boosts the bottom line. Companies that have a clearly outlined procurement process and follow it consistently (without any instances of bypassing) enjoy greater bulk order discounts.

They also have better supplier relationships and fewer supplier support issues. And they experience fewer legal challenges related to buying

goods and services, such as signing up for an online service without legal review and approval.

A solid procurement process helps avoid critical shortages of necessary goods. When inventory isn't effectively tracked, for instance, your business could face difficulties fulfilling customer contracts, which in turn

could negatively impact customer satisfaction. Ordering the necessary items at the last minute forces you to prioritise delivery speed over cost – a strategy that, employed regularly, could lead to financial losses.

The procurement process helps you make smarter decisions when buying complex products or services. For example, many suppliers provide desktop support services for small and large companies, but finding one that matches your company's particular requirements takes research.

A well-designed procurement process will involve reaching out to several potential suppliers, evaluating their offerings in detail, meeting with a shortlist of suppliers, and choosing one for contract negotiations. The result is likely to be a product that's a good fit for your needs and will serve you well in the long run.

For all these reasons, it's worth your while to put a good procurement process in place. But what if you have one already and it's regularly bypassed? In that case, your business is probably experiencing one or more efficiency-related issues that require examination.

Next up, let's talk more about how you can improve the overall efficiency and effectiveness of your procurement process.

Chapter 3: Procurement Process Best Practices

Procurement Process Best Practices:

All the benefits mentioned in the previous chapter can only be realised if your procurement strategy has a strong foundation and clear, defined processes. Below are some procurement process best practices to ensure your approach is optimised and serves the company effectively.

Six Procurement Process Best Practices

1. Encourage Interdepartmental Collaboration

While people naturally associate procurement with external suppliers, internal relations play a role in its success, too.

Not only should you clearly outline and communicate your process to each department, but it's also essential to encourage information-sharing across departments concerning purchasing needs.

Cross-departmental conversations about product usage could reveal money-saving opportunities; similarly, the introduction of new products may require the help of multiple departments for the effort to go smoothly.

For example, if the sales department is planning on increasing personnel by 30 percent the next calendar year, it will probably require additional laptops and mobile phone services. If the IT department is already in the process of reviewing new software-as-a-service offerings, it should consider this new information in a purchasing decision.

Periodically reviewing requirements and upcoming projects or changes, as well as establishing mutual understanding, is vital for organisational efficiency.

2. Make the Process Transparent

It's important to be clear and open about your procurement process. Internally, it increases the likelihood that employees will work within the

system, rather than go around it. When everyone knows what to do and why, it creates an environment of trust, and people tend to buy into the process. Plus, making procurement needs more visible helps eliminate duplication and promotes collaboration (see Point 1 above).

Transparency is crucial for external supplier relations as well. Making sure qualified suppliers have access to relevant specifications and evaluation criteria simplifies the process for everyone and ensures you connect with vendors who are the best match.

Last, only transparent procurement practices and processes allow for an audit. Using an online tracking system significantly streamlines the process of reviewing purchases and prices.

3. Take a Partnership Approach to Vendor Relationships

Browbeating your suppliers to the lowest price isn't the most effective strategy. While it might create some savings, they are often short-term in nature.

Instead, view the relationship as a partnership — one that will benefit both sides. By helping vendors learn more about your business, you gain a partner who can help find savings, manage risk, and introduce new and useful products. They may also be more responsive during emergencies. In return, suppliers win by gaining your trust — and potentially a long-term client.

These collaborative partnerships evolve in several ways. Account managers should strive to make vendors feel like they're part of the team, and, if multiple account managers deal with a single vendor, those managers should take a consistent approach to their negotiations.

Suppliers should take an interest in your business. If they don't, they may not be the right partners for you.

4. Periodically Review Long-Standing Relationships

Supplier relations evolve. Companies get acquired; account managers change; new offerings are introduced – any of these situations might prompt a review of a relationship. For critical suppliers, periodic reviews are very valuable.

These discussions provide an opportunity to address issues and upcoming projects, as well as future purchases. Suppliers, in turn, can preview product enhancements, offer product demonstrations, and highlight training opportunities.

Supplier scorecards effectively track various metrics, such as quality, number of returns, and delivery times. It can be particularly effective to implement these scorecards in an online system and then tally the results over time, so you can discuss them with suppliers during those periodic reviews.

5. Use an Electronic Inventory System

Inventory tracking can be an inefficient, manual, and even inaccurate process. Periodically counting inventory only provides a snapshot in time, which isn't very useful. Technology can optimise inventory tracking in several ways:

- Bar code scanners or radio-frequency identification (RFID) technology increases accuracy and, in the case of RFID, supports real-time reporting.
- Capturing data with [online forms](#) produces a more reliable data source, and makes it easier to manage and order stock.
- An electronic inventory system helps track and report on inventory. Reporting can identify usage trends, such as seasonal requirements during the holidays, or reveal anomalies that may require further investigation.

6. Implement Digital Procurement Systems

The recent concept of modernizing various business functions to remain competitive applies to procurement too. Taking advantage of technology can help maximise savings, reduce risk, and improve efficiency.

Procurement teams are increasingly using technology for contract management. Contracts form the basis of procurement transactions, and, thus, must be managed closely. But it isn't always easy to keep track of the details associated with multiple contracts, both in terms of time and compliance.

A digital contract management system offers a centralised, secure location for contracts, increasing overall procurement efficiency and accuracy. It helps maintain consistency across agreements and can even automate parts of the contract workflow.

Frequently, these systems track markups from both companies, provide routing for approvals and online signatures, and can even give alerts well in advance of contract expirations. Streamlining these processes enhances the overall efficiency of the contract process.

Another idea is to adopt a full life cycle procurement process technology solution. Not only do these systems provide standardised workflows and forms, but they can also streamline processes in all stages of procurement, such as approvals and supplier payments, making the overall process more efficient.

With new cloud-based offerings, costs are often based on the number of users and potentially the number of forms, instead of traditional, complex hardware and software licensing models.

These cloud-based offerings are equally attractive for both small and medium-sized businesses that currently rely on manual processes and spreadsheets, as well as large companies that would benefit from highly configurable and easy-to-use systems.

Chapter 4:

Identifying Needs

Identifying Needs:

Different departments need different goods and services. That's why it's helpful to develop a procurement planning process — one that identifies those demands and who they're associated with. This activity is crucial

because it sets the stage for strategic thinking about how to acquire goods in the timeliest and cost-effective way.

Before initiating any purchasing process, begin with a needs assessment to clarify the goods and services required by every department and consolidate them in one place. Creating this list gives you better visibility into the purchasing needs of your entire organisation.

How to Conduct a Needs Assessment

To gain a complete picture of your organisation's needs, you'll need to discover three important things: what purchases are required, when they're needed, and which budget will pay for them. Make sure to include information related to both historical purchases and upcoming projects and initiatives in your assessment.

Historical Purchases

Evaluating historical purchases provides valuable reference information for future purchases. Analysing this data may reveal

- **Periodic vs. Scheduled Needs.** Some purchases occur regularly — daily, weekly, monthly, or quarterly — while some are only needed periodically and aren't easily scheduled. Other purchases might appear to be irregular, such as printer ink, but data analysis could reveal a more regular pattern.
- **Consolidation Opportunities.** After reviewing historical purchases, you may find ways to consolidate orders from multiple departments

into a single order, increasing efficiency and possibly inviting bulk discounts.

- **Strategic vs. Standard Suppliers.** Evaluating the current list of suppliers helps you distinguish between strategic and standard suppliers based on annual spend or product/service criticality. Taking steps to develop strategic partnerships with your most critical suppliers, as discussed in the previous chapter, will serve you well in the long run. Now is an excellent time to discuss current supplier issues and shortcomings; in some cases, new suppliers – or at least further research – could be warranted.
- **Wants vs. Needs.** Employees and departments often order desired items, not truly necessary ones. These wants can be costly to a company, both in terms of the initial purchase and the ongoing support. Historical data can reveal where you can cut back on these items.

Upcoming Projects and Initiatives

Next, determine needs for upcoming projects and initiatives. New product rollouts, building remodels, office moves, significant product design changes, growth initiatives, cost-cutting initiatives, new affiliate partnerships, and reorganisations are all examples of activities that will impact future demands for resources and services.

Some projects and initiatives may require new suppliers or discussions with current suppliers to ensure they can meet additional needs. Others may also have extended lead time requirements, so starting those discussions sooner rather than later can reduce the chances of future problems.

Demand Forecasting and Inventory Review

A needs assessment may reveal past challenges in the areas of demand forecasting and inventory tracking, both of which negatively impact the procurement process flow.

Both scenarios can create unexpected costs. Making emergency purchases to prevent shortages of inventory items is expensive, not only in terms of the goods themselves but also for customers, who could walk away if too many orders aren't fulfilled promptly.

Demand forecasting is even more critical for items that have long lead times for fulfilment. Conversely, having too much inventory on hand is also problematic. Avoid tying up cash on items that you won't use soon; you might also end up spending more on storage space.

Online Inventory Forms and Tracking

Online forms can assist with the procurement planning process in a number of ways:

- A **stock inventory form** comes in handy for most types of businesses and can be used as is or customised to capture the exact information you need.
- This **inventory checklist** helps you create an up-to-date account of all items in your inventory. The data is stored in a centralised online system that makes reporting easy.

Forms can also simplify other steps of the procurement process, including

- **Requests for Approval.** Depending on the department or dollar figure of the purchase, approvals (sometimes several) are necessary. A **purchase request form** can replace cumbersome email communication. It standardises the request process, making it possible to automate approval routing.
- **Creating a Purchase Order.** After a purchase is approved, converting that data into a purchase order is easy. You can transfer the requisition to a **product purchase order form**. You can set up the form so the vendor can access it directly. Or you can have the purchase

order automatically send an email to the supplier's account manager. Suppliers can even acknowledge and provide status updates in the form itself, further streamlining the procurement process flow.

Next up, let's take a closer look at supplier selection and what some of the most important considerations might be as you weigh your options.

Chapter 5: Supplier Selection

Supplier Selection:

For some products and services, choosing the right supplier can be challenging. Purchasing office supplies is fairly straightforward, but the requirements for highly complex products and services may be harder to define, making supplier selection more complicated.

Complex or not, supplier selection is an important part of the vendor procurement process. This step involves identifying potential suppliers, evaluating them, and negotiating with them to obtain the resources you need.

The goal is to evaluate vendors' suitability to provide those resources in both a profitable and reliable way. Ideally, you want to find vendors who will be a good fit for the long term, not only because of the high cost associated with switching to another vendor but also to create strategic alliances that will benefit you both.

In this chapter, we'll look at various factors to consider during the supplier selection process, as well as some of the tools companies use to find and evaluate suppliers.

Supplier Selection Considerations:

The following are some of the key determinants for supplier selection.

Location

For physical (and usually standardised) supplies, location tops many other considerations. Even with extensive online shopping and shipping options, some products, such as perishables, aren't well suited for long-distance travel. Heavy equipment and engineered products also benefit from local vendor partnerships.

Cost

Cost is almost always a consideration. Some companies evaluate the return on investment and perform quality comparisons, along with pricing and convenience as additional considerations.

Engineering talent

For technical industries or IT departments, the supplier's engineering talent may be the most critical consideration. Gathering intricate details about the materials, the required hardware or software, and the ongoing support for their offerings takes homework but ultimately results in higher quality selections.

Service Offerings

In most cases, if a potential supplier doesn't offer the necessary services, they aren't the correct vendor. But occasionally these situations aren't so simple.

An example is IT desktop support. Several suppliers provide this service, but the best option may address only 90 percent of the company's initial requirements – and that might be sufficient.

In these situations, it's important to maintain open communication and collaboration between the department and procurement to head off potential future issues.

Industry Reputation

Awards and industry ratings are good sources of information about a vendor's quality and reliability. For complex services and products, also look for reports produced by industry evaluation firms, such as JD Power or Gartner, to learn more about quality metrics and recommendations.

Customer Recommendations

Customer reviews aren't available for all products, but if you can find them, they provide great insight into a supplier and their product or service. Knowing how current and even former customers feel about a particular supplier may help determine their suitability for you.

It may take some digging, but the information is usually available somewhere. You can also ask potential suppliers for references – though you should realise they will be curated and positive. During those discussions, don't be afraid to broach difficult topics, such as areas their customers think need improvement or situations that they felt may have been poorly handled.

Supplier Selection Tools

Once you've begun to narrow down your vendor options based on the considerations above, it's time to dig for more details. A request for quote (RFQ) and a request for proposal (RFP) are tools you can use to learn more about how vendors will serve your particular needs.

RFQ

For some items, an RFQ is effective. The process is relatively simple: Send this form to vendors you have an interest in working with as a way to gather information about product specifications, delivery timelines, and itemised costs.

Suppliers will respond to the RFQ with a quote and any comments regarding the specifications. In general, an RFQ is a straightforward document that's better for product purchases rather than services. [RFQ templates like this one](#) streamline the process and can be customised to include whatever information you need to know.

RFP

In situations with many variables or where the company is exploring different market options, an RFP is the best choice. Compared to an RFQ, an RFP is more time-consuming for all involved because it's intended to solicit vendor proposals for business solutions rather than price quotes.

Not only do you need to spend more time outlining your needs and requirements, but the vendors you send the form to must devise and propose possible solutions. An RFP can reveal a lot about vendors, their services, and how you might work together to meet your business goals.

Online Marketplaces

Recently, there has been a new trend in finding suppliers: online marketplaces.

Online marketplaces bring buyers and sellers together. Buyers conduct searches based on essential criteria, such as location, items needed, and more. The marketplace then finds relevant merchants and service providers that meet their criteria.

Ariba, Alibaba, and Amazon Business are just three examples of such online marketplaces.

Companies can find primary suppliers on these marketplaces and even use them for emergencies when a primary supplier cannot fill an order. The previously mentioned RFQ is highly effective in an online marketplace environment.

Vendor List Maintenance

If you contact or work with numerous vendors as part of your vendor procurement process, you'll need a way to keep track of the details. Online forms can help collect the necessary information for a variety of scenarios:

- To maintain a database of supplier information, send a [supplier registration form](#) to new vendors as you embark on partnerships.
- Use a [simple vendor contact form](#) to collect address and contact information from potential vendors.
- If you're hosting a trade show, send a [new vendor setup form](#) to each participant.

Once you've decided on a vendor, the next step is negotiating a contract.

Chapter 6:

Contract

Negotiations

Contract Negotiations

Congratulations — you've chosen a supplier and are ready to move forward.

The next phase in the process is contracting, where you and the vendor agree to the terms of the purchase, outline them in a written document, and sign that document to indicate agreement on both sides.

Some purchasing contracts are straightforward, while others are more complex, with multiple variables and contingencies. No matter their complexity, all contracts should undergo a thorough legal review.

The contract stage of the procurement process may or may not include negotiations. Any element of a purchasing contract could be up for negotiation, including details related to responsibilities, financing, delivery dates, payment schedules, and more.

Naturally, both parties have their own objectives, but when everyone bargains in good faith, negotiations can go a long way toward producing a solid contract that everyone is committed to honouring.

Drafting Contracts as Part of the Procurement Process:

1. Clarify the Main Points of the deal Before Drafting a Contract

Sit down with your supplier and write down the main terms of the agreement as a list or outline. This takes the focus off the legalities of contracting and puts it on fulfilling the requirements for the job. The main points include what needs to be done, when, and by whom. These points will serve as the basis of your contract going forward.

2. Use Customisable Online Forms to Draft the Contract

Online templates provide a good starting point for the structure of a purchasing contract. Alter them as necessary to include your most important terms, and reuse your templates for future deals.

Not only does this process save time, but it also reduces the likelihood of mistakes. Free, [customisable contract templates](#) can be reviewed and signed electronically or printed as PDFs.

3. Include Any Necessary Exhibits or Attachments

The contract itself is the primary document, but in some cases, relevant ancillary documents may help clarify and expand on contract terms.

Some exhibits or attachments are lengthy and, thus, too unwieldy to include in the contract itself. An example might be the [terms and conditions](#) of sale (payment methods, product warranty rules, and other included services under a purchase) or various schedules to be followed as part of the contract.

4. Have a Legal Expert Review the Contract

It's never a bad idea to ask a legal professional for input. For complicated purchasing contracts — complex IT services, highly engineered products, and healthcare services, for instance — seek guidance from a skilled legal team with expertise associated with that type of service.

But even if your contract is simpler, a legal expert has the experience to spot potential problems and may be able to point out where key information is missing. Note that this step isn't intended to benefit just you. An objective third party will make sure the contract is fair for both parties, which helps foster trust in the relationship.

5. Store Your Contracts Online for Future Reference

Drafting and completing contracts is hard work; don't let it all go to waste. Save your contracts online for easy accessibility. You may need to reference them in the future for terms and conditions, pricing

amounts, or responsibilities, especially if key people in your workforce leave – and take that knowledge with them.

When you use Jotform contract templates, like [this supply agreement](#), all your customisations are securely stored in Jotform's cloud storage database, so you can access them anytime for easy reference, reporting, or auditing.

This template also offers life cycle tracking, such as terms, automatic renewals, pricing changes, and notification requirements. Be sure to include notification rules ensuring review before the contract expires or auto-renews.

Beyond online forms, another option is to invest in a contract management platform that allows for better oversight through the entire contract process and provides digital storage space for purchasing contracts.

Next up: Your goods are about to be delivered – so what's involved in the receiving process?

Chapter 7:

Receiving and

Validating Goods

Receiving and Validating Goods

After your business has drafted the purchasing contract and placed an order with the supplier, the next step is receiving those goods or services.

Though it might seem like the most crucial procurement hurdles have already been handled in previous steps – and in many cases, they have – receiving the product can present its own set of challenges. Having a solid receipt-of-goods procedure in place ensures that you get what you expected – and paves the way for smooth completion of the procurement process.

9 Components of Effective Goods Receiving Procedure:

The following are nine components of a thorough receipt-of-goods process. The details of your procedure might vary depending on the purchased goods or services, but your overall receiving process flow should be the same in every case and with every supplier to make sure nothing falls through the cracks.

1. Order Receipt

Contrary to what you might think, the receiving process begins well before the goods arrive in your building or warehouse. The process starts when the supplier confirms the order.

While vendors most often fulfil orders in a straightforward manner, there may be times when suppliers ask questions for clarification. As the customer, you may also need to communicate last-minute changes about order modifications, revised shipping dates, etc.

2. Order Processing

When the purchase order is clear and questions have been resolved, the supplier begins processing the order. Some suppliers use sales

order processing systems capable of giving customers insight into the progress of their order fulfilment.

3. Order Shipment

When your order has been fulfilled, you (or the designated party as identified to the supplier) should receive a shipment notification from the supplier.

In the contract stage, you may have supplied the vendor with specifications as to how they should package and ship your goods. If not, the supplier will use their standard packaging and delivery methods, as well as their preferred courier service.

Regardless of the method, the supplier should provide you with shipment tracking information so you can stay on top of the anticipated delivery time.

4. Order Receipt

When an order arrives, compare the contents and shipment label to verify all items are included. Some orders may be split into multiple shipments, and companies should be aware of items arriving at a later date. If anything doesn't match, contact the supplier immediately for clarification or resolution.

Online tools can help streamline this process. For instance, you can customise Jotform's [receiving checklist](#) to collect the important information about a delivery. That information is automatically stored online for future reference.

5. Quality Review

A quality review is also critical. Quality checks can be time-consuming, but it's essential to do them at the time of arrival for quick issue

resolution. For items like perishables, contact the supplier immediately if those items don't meet freshness expectations.

Jotform's sample [inspection form templates](#) standardise quality information and remind personnel of all the necessary checks during the quality review.

6. Item Returns

If any item fails the quality review, set it aside and contact the supplier. During the discussion, be sure to gather return shipping information and a return merchandise authorisation (RMA), a document that gives consent to return a purchased product.

Be sure to include the RMA on any returned items and packaging, and add the RMA information into your online system, along with shipping information.

7. Purchase Order Completion

Assuming all materials arrived as expected, mark the PO as complete. Then record the packing list and any other pertinent information.

8. Supplier Scorecard

Evaluate the transaction using a supplier scorecard system. Basic areas of measurement include quality, responsiveness, timely delivery, and price variance, but there may be other metrics you find useful. Include both qualitative and quantitative data that will help you recall the context of the transaction – and make it more useful for future reference.

9. Inventory Update

Add the newly purchased goods to your inventory system. That could mean adding a barcode and scanning the item with the reader. Some

items might require an RFID tag. Using an online system, as discussed in an earlier chapter, simplifies this process.

Chapter 8:

Procurement

Payments

Procurement Payments:

Once your business has received the goods or services, suppliers expect prompt payment. This means your accounts payable department is crucial in this last stage of the procurement-to-payment process.

In our final chapter, let's take a closer look at the accounts payable (AP) function, as well as some steps you can take to streamline the approval and record-keeping processes.

The Role of Accounts Payable

When you purchase goods or services from a supplier or vendor, your company most likely won't pay for them at the time of purchase but instead will agree to pay at a later date (usually within 30 or 60 days). Whenever that happens, you create an account payable, which is money your business owes to suppliers for completed purchases.

An accounts payable team — or, for small companies, possibly just a single person — handles those payments.

Depending on your organisation's procedures, this team is responsible for paying preapproved purchase orders, as well as invoices sent by suppliers after you've received the goods. Occasionally, they will process payments before all items have actually arrived, but this only happens under mutual agreement between your company and a supplier.

Accounts payable teams are charged with paying legitimate and accurate invoices only. False billing, overbilling, and duplicate invoices are common types of accounts payable fraud that can only be stopped with rigorous processes and conscientious, vigilant employees.

Tips for Effectively Managing Procurement Payments:

Here are some tips for ensuring all vendor bills are properly paid.

1. Use an Authorisation Process to Approve Invoices

Many accounts payable teams use a “three-way matching” method to confirm the legitimacy of an invoice. They compare three different documents – the invoice, the purchase order, and the order receipt – to make sure the details match.

Doing such a comparison is a sure-fire way to uncover discrepancies, which can then be reviewed before you pay the invoice. Only invoices that have passed this test move on for final approval from management.

Organising and managing large numbers of paper-based invoices can quickly get overwhelming. That’s where digital forms – like Jotform’s [payment authorisation form](#) – come in handy.

You can fill in the details at the comparison stage and pass the document along for digital approval. The AP team stores the digital authorisation form online so it’s easily retrievable.

2. Keep Records of Receipts

Payment receipts document your company’s expenditures and purchases, so it’s important to organise and retain these records. Digital forms are also useful here because they can be stored in a single central repository.

You can customise this standard [payment receipt](#) form to record transactions with suppliers, including the vendor name, date, payment amount, receipt number, goods or services received, and the name of the receiver.

3. Align Procurement and AP

One of the top challenges of procurement identified by 30 percent of organisations is its lack of communication with AP. Traditionally, these functions operate separately, but this lack of coordination can slow

down payments and create an environment that leads to wasteful spending.

To foster collaboration, take advantage of digital forms and procurement systems that are compatible with AP to provide better visibility of the process for both departments. Also, encourage information sharing among both groups.

For instance, AP should inform procurement if and why they've not yet paid a past-due invoice, so procurement can be transparent about the issue with the relevant supplier.

4. Track Relevant Metrics to Improve Your AP Operations Flow

The functioning of your AP department can have a big impact on relationships with your suppliers. Invoices that are consistently paid late or incorrectly could damage the partnership.

Tracking the performance of accounts payable with some key metrics can help identify problems with AP operations. It can also give you a better sense of what's working and what's not in terms of how AP connects with the larger procurement process.

Relevant metrics to consider tracking are

- Invoice cycle time: the average receipt-to-pay time
- Average cost per invoice, including items like software fees and staffers' time
- Number of supplier inquiries, discrepancies, and disputes

Conclusion

Securing the right goods and services to carry out your organisation's work is a crucial part of your survival – and one that affects your bottom line. An efficient and effective procurement process will not only improve your profitability but also keep your business running smoothly.

Jotform's forms can help optimize your procurement process flow — just check out our numerous, easy-to-use [templates](#) that make processing procurement data easier and faster. Our forms can get nearly any job done — and if you don't see a form you need, you can create one yourself or [ask us for help](#). Visit <https://www.jotform.com/contact/> today.