

Spend control for not-for-profits



 **ApprovalMax**

Vertical solution playbook

Understanding the specifics of not-for-profit organisations

A not-for-profit, by definition, is not intended to make a profit for its owners. All money earned by or donated to such an organisation is used to achieve its purpose as well as support its operations. Many not-for-profits (NFPs) rely on funding from external sources, including local and federal governments, charitable donations or membership fees.



Areas in which NFP operate

Charities	Education	Religion	Sports organisations				
			Professional associations	Culture	Community service	Research and science	

All these types of NFPs have the following in common:

1. Accountable to donors
2. Strict compliance rules
3. Tight budgets

So they need:

1. Day-to-day spend control
2. Transparent reporting
3. Efficient communication with external stakeholders

Why spend control is critical

The challenges NFPs face in terms of spend control are manifold:

Many stakeholders	Stakeholders of a not-for-profit may include its board members, employees, beneficiaries, volunteers, donors, members of the community this not-for-profit serves, and the government. There is a vast variety of people making financial decisions and generating expenses.
Higher level of accountability	At the same time, not-for-profits are accountable to even more parties (including donors, the community and the government). In general, NFPs face much stricter requirements in terms of authorisation transparency, spend traceability and audits.
Strict budgets	Due to their business model, typical not-for-profits have rather strict budgets that mostly depend on external funding. However, the spending needs of NFPs are not that different from those of profit-oriented businesses as they too have utility bills, purchase goods and reimburse expenses.
Limited resources in terms of accounting staff	Due to resource constraints, not all NFPs are able to invest as much as they would like in accounting specialists and exploring accounting technology. Being tight on funds means that they usually cannot afford to hire people who would focus on accounting tasks exclusively.

How to set up proper financial controls

NFPs and financial service outsourcing practices who work with such organisations need to go well beyond common compliance. NFPs need support in identifying and implementing financial controls across their operations and ensuring the controls are appropriate. At the very least this involves:

- Working closely together to identify how the NFP's money is spent. In other words – getting a real-life picture of who spends what, when and why.
- Setting up proper approval processes that make sure all spending is duly authorised by the appropriate people within the client's organisation – before payment takes place.
- Providing detailed audit trails to document that the implemented approval process has been duly followed.

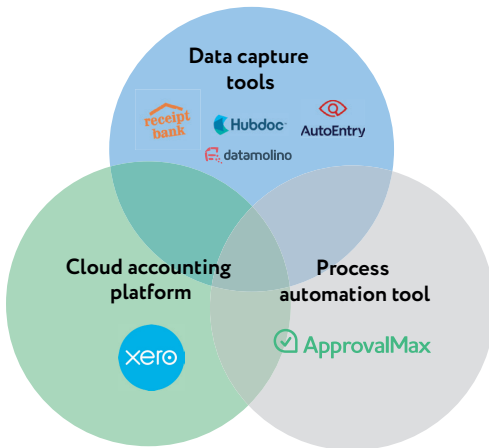
Spend control options – or control layers

Establishing spend control for any organisation: the right approach for particular needs

Needs/specifics	Approach	Explanation
<ul style="list-style-type: none"> • Formal buying process with purchase orders • Value for money is crucial • Many participants in purchasing activities • Need to monitor spend against budget 	Proactive spend control	By setting up controls around purchase orders (who is authorised to raise them, what goods can be ordered, which suppliers can be selected, etc.) and establishing a robust review and authorisation process, proactive spend control can eliminate, or at least significantly reduce, unwanted spending before it occurs. Introducing proactive spend control is the right choice for not-for-profits that have many people engaged in similar, regular purchasing activities either in one or multiple locations.
<ul style="list-style-type: none"> • Informal buying process based on trust • Details like amount and accounts need to be verified before paying the bills 	Reactive spend control	Reactive spend control ensures that incoming bills are actually correct and to be paid by the organisation. This is achieved by establishing a transparent review and authorisation process for all invoices to verify details like the amount, supplier payment account, etc. before any money is paid. It also serves as an additional fraud control layer by allowing to filter out fraudulent or erroneous bills.
<ul style="list-style-type: none"> • End-to-end comprehensive control over expenses is essential 	The hybrid approach	The hybrid approach combines the two options above and serves as a comprehensive spend control framework. It enables to check the details of finance documents, to compare what has been ordered in a proactively controlled process with what is being billed and confirms that the ordered goods or services have actually been received.

Spend management app stack

Data capture tools automate the manual entry of data into the accounting system from paper documents with pinpoint accuracy, and organise all data using a mix of AI and human sorting. Document data is captured by simply taking a photo with this app, or by forwarding receipts to a dedicated email address.



The **process automation tool** ApprovalMax moves the approval process outside of the accounting platform and helps manage access to the financial information. Multi-layered bill and purchase order approval processes keep a record of who approved what. ApprovalMax is also very useful for audit purposes because it automatically creates searchable reports that show a complete picture of all approval-related details.

A **cloud accounting platform** such as Xero is at the core of the app stack, it also serves as the system of records for all pre-integrated apps. A cloud accounting platform can be accessed from anywhere, any time.

Benefits of implementing this app stack

- Transparency, shared responsibility and clear handoff points between a practice and its clients while dealing with purchasing and accounts payable activities (processes)
- Real time data capture that can be achieved to facilitate the review of cash flow for spend committed on a more regular basis
- Fully paperless, web-based and mobile spend control solution that increases overall efficiency considerably and also provides the client's decision makers and purchasers with a convenient tool for acting on the go
- Easy-to-use communication channel between client and practice, along with a fully automated trail of all communications related to the authorisation of purchase orders and bills

Enabling easier audit and reporting processes

Statutory requirements for not-for-profits are usually very strict in terms of financial reporting. Audits can be a pretty laborious procedure, especially when requirements are high and resources scarce. Collecting, storing and auditing paper documents makes it even more difficult. However, this is a point that can be optimised.

Moving authorisations to a digital environment is the first step to easier audit and reporting. ApprovalMax delivers all approval data in audit-ready form and enables generating default and custom reports.

Automated audit trails and audit reports: what ApprovalMax can do

- For all finance documents such as bills or purchase orders processed in ApprovalMax an audit trail is generated automatically as part of the approval process flow.
- Audit trails contain all authorisation decisions and exceptions that have occurred and include comments, delegations, rejections and other details.
- On completion of the approval workflow, an audit report is generated for and attached to every approved document. Both will be kept in the general ledger, where the audit reports can be viewed without having to log into ApprovalMax.

Pre-built and custom reports

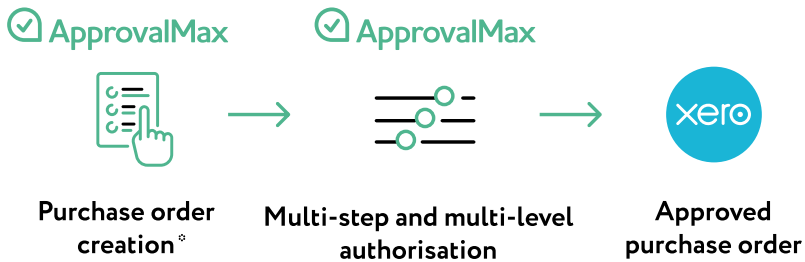
ApprovalMax generates a number of pre-built reports as well as the option to quickly create new reports using various filters. Depending on which general ledger ApprovalMax is connected to, pre-built reports include the following information:

- Purchase orders pending approval
- Bills pending approval
- Purchase orders approved this month
- Bills approved this month
- Potential fraud detected

Proactive spend control with ApprovalMax

Setting up controls around purchase orders (e.g. specifying who is authorised to raise them and which suppliers can be selected) eliminates unwanted spending. After a purchase order has been created, it gets approved digitally by the relevant stakeholders.

This is how it works:



* Purchase orders can also be pulled from Xero

✓ Purchase order creation

Purchase orders are created in the ApprovalMax web version or mobile app. Requesters are limited in terms of what they can order, which suppliers they can select, what amount they can spend, etc. Note: at this point committed spend can be allocated to the budget.

✓ Multi-step and multi-level authorisation

After creation, purchase orders are sent to the approvers based on the workflow settings defined by the administrator. Approvers receive requests via email or in the mobile app, and can leave a comment for the requesters in case of rejection.

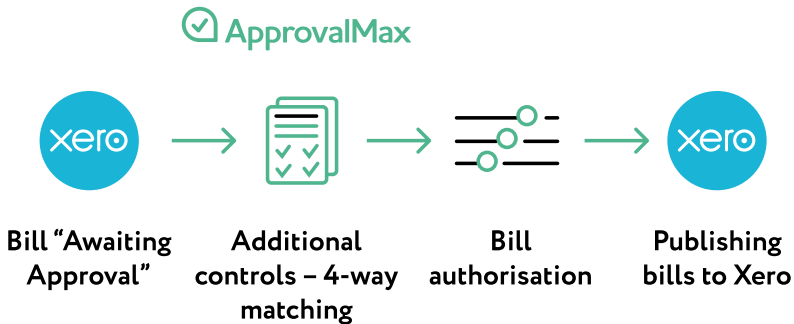
✓ Approved purchase orders

Approved purchase orders are automatically created in Xero or another general ledger and can be automatically sent to suppliers.

Reactive spend control with ApprovalMax

Even when there is no need for a strictly formalised purchasing process, it is still important to ensure that incoming bills are actually correct before paying them. A transparent review and authorisation process also serves as an additional fraud control layer by allowing to filter out fraudulent or erroneous bills.

This is how it works:



✓ Fetching bills for review and approval

The most common way of bill fetching is that ApprovalMax pulls all bills in the "Awaiting Approval" status from Xero.

✓ Bill review and coding

The review and potential changing of a bill's coding by a user who holds the reviewer role ensures the correctness of finance coding and spend allocation.

✓ Multi-step and multi-role authorisation

The automated approval workflow routes bills through a multi-step and multi-role authorisation process, which is based on one or several criteria pulled from Xero; such as supplier, amount, GL code and tracking category.

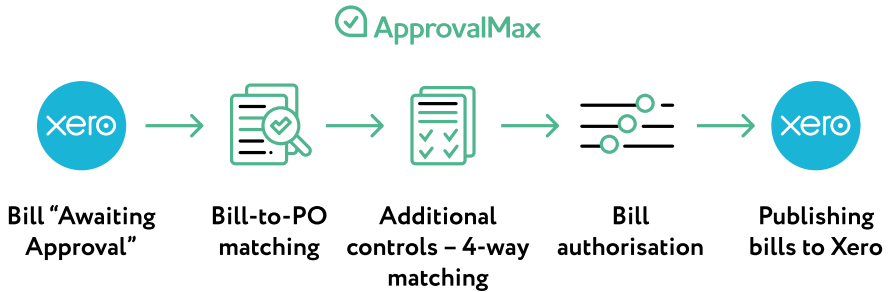
✓ Pushing bills to Xero

Once fully authorised, bills are pushed to Xero in the "Awaiting Payment" status. An audit report that captures the complete authorisation history including approver comments is created automatically.

Hybrid spend control with ApprovalMax

A comprehensive spend control framework enables to check the details of finance documents. This facilitates a comparison of what has been ordered in a proactively controlled process with what is being billed, and confirms that the ordered goods or services have actually been received.

This is how it works:



✓ Bills “Awaiting Approval”

ApprovalMax automatically picks up all bills in the “Awaiting Approval” status from Xero. Once this has happened, it is possible to start the matching.

✓ Bill-to-PO matching

One or several bills and a list of purchase orders from the same supplier that have not yet been billed are shown side-by-side. The purchase orders can be matched with the bill(s) at hand. ApprovalMax supports two scenarios for linking bills and purchase orders: either multiple bills to a single purchase order, or one bill to multiple purchase orders.

✓ Additional controls: 4-way matching

In ApprovalMax, any document can be attached as a comment to bills and purchase orders. This extends bill-to-PO matching with the option of matching bills to purchase orders to proof of delivery and (if required) to proof of acceptance, which is a great enhancement to spend control and finance planning.

✓ Bill authorisation

When a bill has been matched to the correct purchase order(s) and its coding has been reviewed and validated, the bill authorisation process will start.

✓ Pushing bills to Xero

After matching, review and authorisation has been completed, bills are synced to Xero in the “Awaiting Payment” status with a full audit trail report attached to them.

Building resilience in the time of uncertainty: how ApprovalMax helps

The abrupt switch to a work-from-home mode, furloughed employees, cut budgets and scaled down operations – the current crisis affects all types of organisations to a varied extent. So, how can they achieve resilience and stay in control of the situation?

Having the right spend management app stack helps achieving resilience in the finance function because it allows to:

- **Keep processes on the surface** with well-defined workflows
- Have a cloud solution and single source of truth, ensuring **timely data enrichment**
- **Support BYOD** as all functions are available on-the-go
- **Ensure tight financial controls** and shared accountability with clients

ApprovalMax provides the following safety-catch features to make working from home more convenient and efficient for all participants:

- Approval process on the surface
- Approving from mobile phones
- Comments for approved/rejected documents
- Automated, secured audit trail
- Delegation, exception handling, forcing the approval decision



The Approval App You'll Love Using

ApprovalMax allows accounting and advisory practices to set up approval-driven financial controls for accounts payable and accounts receivable. It replaces paper- and email-based approvals with fully automated multi-role and multi-tiered approval workflows. This ensures full regulatory compliance, simplifies audits and facilitates client collaboration.