


## An Analysis of Internal Control Effectiveness in Improving Accounts Payable Payment Accuracy at the St. Regis Bali Resort

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Article Info	ABSTRACT
<p><b>Keywords:</b> Internal Control, Payment Accuracy, Account Payable</p>	<p>The hospitality industry faces challenges in maintaining the accuracy of accounts payable payments due to the high volume of transactions and the complexity of financial procedures. This study aims to analyze the effectiveness of internal control in improving the accuracy of accounts payable payments at The St. Regis Bali Resort. By using descriptive qualitative research methods through interviews, observations, and documentation, data was obtained from the accounts payable department and related departments. The results showed that although the hotel had implemented internal controls based on the COSO framework, there were still weaknesses in the form of lack of document verification, delayed payments, and weak separation of duties. This condition has an impact on the risk of recording errors and decreasing the reliability of financial statements. The study concluded that the internal control system was not fully effective in ensuring the accuracy of accounts payable payments. The implication is that management needs to strengthen the separation of functions, integrate financial information systems, and improve interdepartmental coordination to minimize the risk of errors and improve relationships with suppliers. The findings provide a practical contribution for hotel management in improving the financial system as well as adding to the academic literature related to internal control in the hospitality industry.</p>
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### INTRODUCTION

The Indonesian hospitality industry plays a crucial role in supporting the tourism sector, particularly in Bali, known as a leading destination. Hotel operations are highly dependent on the smooth procurement of goods and services, which is typically conducted through credit transactions, resulting in accounts payable obligations. The accounts payable department plays a vital role in ensuring timely and accurate payments, as inaccuracies can pose financial risks and damage supplier relationships (Lukito, 2024). At The St. Regis Bali Resort, a five-star hotel under Marriott International, accounts payable payments are made daily in large volumes. However, internal observations revealed issues such as late payments, incorrect amounts, incomplete documentation, and weak cross-departmental coordination. This situation indicates that although the hotel implements an internal control system based on the COSO framework, its effectiveness in ensuring payment accuracy is still suboptimal.

The explicit formulation of this research question is: "How effective is internal control in improving the accuracy of accounts payable payments at The St. Regis Bali Resort?" This question stems from the gap between the implementation of the internal control system and the actual results, which include payment errors and untimely payments. This phenomenon is clearly evident in the 2024 accounts payable aging report, which recorded Rp6.93 billion in outstanding debt exceeding 30 days, indicating weaknesses in internal control management. By formulating this problem, this study seeks to assess the extent to which internal control elements can mitigate the risk of payment errors and improve the accuracy of hotel financial transactions.

The purpose of this study is to analyze the effectiveness of internal control in improving the accuracy of accounts payable payments at The St. Regis Bali Resort. The analysis focuses on the application of the five main COSO components: control environment, risk assessment, control activities, information and communication, and monitoring. Using a descriptive qualitative approach using interviews, observations, and documentation, this study not only describes the actual conditions but also evaluates whether the implemented control system is capable of ensuring payment accuracy. The results are expected to provide an in-depth understanding of internal control practices in the international hotel sector and provide relevant recommendations for improvement.

Academically, this research addresses a relatively understudied gap. Previous studies have focused more on the role of accounts payable in ensuring smooth hotel operations (Widodo & Yuasiah, 2024) or the debt payment system in general (Riskiani, 2020; Lukito, 2024). However, studies specifically linking the effectiveness of internal controls to the accuracy of accounts payable payments in five-star hotels are limited. Therefore, this study provides a scientific contribution by strengthening the perspective that payment accuracy is not merely an administrative function, but rather the result of an integrated internal control system. This research also enriches the hospitality accounting literature with a contextual case study of The St. Regis Bali Resort, an international hotel with high transaction complexity.

Practically, the research findings provide direct benefits for the management of The St. Regis Bali Resort in evaluating existing internal control weaknesses, particularly those related to segregation of duties, completeness of documentation, and interdepartmental coordination. The research findings also contribute to the academic world as an empirical reference regarding the importance of effective internal controls in managing accounts payable. Furthermore, this research has broad implications for the hospitality industry, raising awareness of the financial and reputational risks resulting from control weaknesses and encouraging more accurate, transparent, and internationally standardized accounting practices.

## METHOD

This study employed a qualitative, descriptive approach aimed at providing a comprehensive overview of the effectiveness of internal controls in accounts payable payments at The St. Regis Bali Resort. A qualitative approach was chosen because, according to Moleong (2017),

it allows researchers to understand phenomena in depth and context, making it highly appropriate for exploring the processes and perceptions of actors involved in internal control. Furthermore, Creswell (2014) stated that a descriptive approach in qualitative research focuses on systematically and in detail describing the actual conditions of an event without intervention, thus providing a clear, factual picture of the situation under study.

Data were collected through three main techniques: direct observation to obtain concrete information related to procurement and payment activities; in-depth interviews with purchasing and accounts payable personnel to obtain detailed information about the process and challenges encountered; and documentation in the form of Purchase Orders (POs), invoices, and receiving reports as objective supporting evidence. According to Sugiyono (2018), the use of diverse data collection techniques (triangulation) such as this can increase the validity and reliability of research data by allowing cross-checking between data sources.

After the data was collected, the analysis was conducted based on the five elements of internal control formulated in the Committee of Sponsoring Organizations (COSO) framework, namely environmental control, risk assessment, control activities, information and communication systems, and monitoring activities. The COSO framework was chosen because, according to Sarens and De Beelde (2006), COSO is the most widely used standard for evaluating the effectiveness of internal control in various organizations, including the hospitality sector. Each of these elements is used as a reference to assess the extent to which internal control is implemented effectively in hotel operational practices, so that the results of the study can provide relevant recommendations for improving the quality of internal control at The St. Regis Bali Resort.

## RESULTS AND DISCUSSION

### Research Results

Payment of accounts payable at The St. Regis Bali Resort is a crucial part of the hotel's financial management cycle, ensuring smooth operations and maintaining good relationships with suppliers. This payment process is carried out by the accounts payable department, which is fully responsible for recording, identifying, scheduling, and executing payments for all transactions that give rise to accounts payable obligations to suppliers. These obligations generally arise from purchases of goods or services on credit, such as food, beverages, guest supplies, office stationery, and other materials for technical and operational needs of the hotel. All purchases are intended to support the ongoing operation of the hotel in accordance with the high service standards maintained by The St. Regis Bali Resort.

Payment procedures are carried out based on a cooperation agreement or contract agreed upon between the hotel and the supplier. This contract outlines commitments from both parties, both regarding the supply of goods and services from the supplier and the hotel's payment schedule and method. Typically, accounts payable payments are made using a monthly credit payment system, where debts incurred in the previous month are repaid in the following month. Based on interviews (attachment), The St. Regis Bali Resort reported that the payment method used by the hotel is based on a monthly credit payment system. The St. Regis Bali Resort categorizes healthy accounts payable as accounts payable less than 30

days old. To ensure accuracy and timeliness of payments, the accounts payable department makes routine payments every Wednesday. If Wednesday falls on a national holiday, payments can be advanced or delayed in accordance with established internal policies. The accounts payable recording procedure at The St. Regis Bali Resort uses the voucher payable procedure, with the following steps:

#### **Purchase Requisition Procedure**

In this procedure, the department requiring goods must create a Purchase Requisition (PR) that has been approved by the relevant department head. Furthermore, the Purchase Requisition (PR) must also receive approval from the purchasing manager, director of finance, and general manager. It is then submitted to the purchasing department for further processing. A Purchase Requisition (PR) is a purchase request document created in the Birchstreet system by each department requiring goods before making a purchase. This multi-step approval process ensures that each procurement is carried out accountably, in accordance with operational needs, and within the planned budget. This procedure also serves as a form of internal control to prevent excessive, non-urgent, or non-priority procurement.

#### **Goods Purchasing Procedure**

Purchase Requisitions (PR) received by the purchasing department, after being approved by the department head, purchasing manager, director of finance, and general manager, are then processed by sending initial price quotation requests to several suppliers for price comparison. The goal is to obtain information on the price, quality, and quantity of goods that meet hotel standards and to reach agreement. The purchasing department will then create a Purchase Order (PO) for the selected supplier based on the Purchase Requisition (PR) received from the user. A Purchase Order (PO) is a document created to order goods or services from a supplier, created in the Birchstreet system. Triplicate Purchase Orders (POs) are prepared: distributed to the supplier as the basis for shipping the goods, the receiving document as the basis for receiving the goods, and the document archived by the purchasing department. This step is part of internal control, which aims to ensure that the procurement process is conducted objectively, transparently, and properly documented.

#### **Goods Receipt Procedure**

Goods receipt at the hotel is handled by the receiving department. This department is primarily responsible for ensuring that goods received from suppliers comply with the standards and procedures established by the hotel. This process begins when the supplier delivers goods to the hotel in accordance with the Purchase Order (PO). The goods are then inspected by the receiving department for quantity and quality. This ensures that the ordered and delivered goods match. This inspection is conducted by referring to the Purchase Order (PO) and the invoice provided by the supplier.

If the goods are deemed to be in accordance with the received goods, the original invoice will be stamped "received" and signed by the receiving staff and the user who requested the goods, as proof that the goods have been received in good condition and meet operational requirements. This user signature serves as final confirmation that the goods have

been received by the required party and is part of the accountability and transparency system in the hotel's procurement process.

After the verification and signing process is complete, the invoice will be entered into the Birchstreet system, the hotel's procurement system for recording and monitoring the purchasing process. This posting process aims to produce a Daily Receiving Report (DRR), a daily report of goods receipts that summarizes all receipt transactions made during a single day. The Daily Receiving Report (DRR) is a crucial document used by the accounts payable department as a basis for matching and recording accounts payable, as well as an internal monitoring tool to ensure the accuracy of goods receipt data. This procedure allows the hotel to ensure that every incoming item has been systematically verified, thereby minimizing the risk of errors, loss, or fraud in the procurement process and payment of accounts payable to suppliers.

### **Accounts Payable Recording and Payment Procedure**

Accounts payable recording and payment are carried out by the accounts payable department, beginning with checking documents provided by the receiving department, such as the original signed invoice, Purchase Order (PO), and receiving report. Afterward, details in the deferred accounts payable system are reconciled to ensure all purchase invoices for the relevant date are complete. Next, the supplier's purchase invoice is transmitted, transferring data from the Birchstreet system to the PeopleSoft Accounts Payable (PSAP) system for payment processing. Accounts payable deferred is a report or display within the accounts payable recording system used by the Courtyard by Marriott Bali Nusa Dua Resort to monitor the status of supplier debts being processed for payment. While accounts payable recording systems typically use accounts payable aging reports to show the age of debts based on their maturity, accounts payable deferred also focuses on monitoring the status of debts based on their maturity. Supplier debt payments are processed once the accounts payable department receives complete supporting documentation.

The Courtyard by Marriott Bali Nusa Dua Resort manages supplier debt payments through the People Soft Accounts Payable (PSAP) system, which is connected to Birchstreet and displays details such as the voucher number, supplier name, invoice date, and invoice amount. Voucher status serves as a key reference in the payment process. There are three types of vouchers: MIH for invoices without complete documentation, FUN for vouchers that are still pending and have not been authorized, and Blank, indicating the invoice is ready to be paid. Debt payments are made every Wednesday after data and documentation verification by the accounts payable department and approval by the accountant, director of finance, and general manager.

The hotel uses two payment methods: automatic payment through the Citibank system and manual payment for suppliers not registered in the system. However, this process is not without challenges, such as the lack of supporting data required by the accounts payable department, such as tax invoices from suppliers. Work overload due to the high transaction volume is not commensurate with the number of available workers. The lack of a dedicated cost control officer can also affect the effectiveness of the accounts payable department. The

hotel's cash flow condition also contributes to late payments to suppliers at the Courtyard by Marriott Bali Nusa Dua Resort.

### Discussion

The following is an analysis of the implementation of internal control elements at The St. Regis Bali Resort and the actual results in accordance with the COSO internal control elements (as outlined in Claudia, 2023):

**Table 1.** Analysis of the Effectiveness of Internal Control Elements for Accounts Payable Payments at The St. Regis Bali Resort

Components	Subcomponents	Implementation	Appropriate (YES)	Not Appropriate
Control Environment	Integrity and ethical values	Consistent monthly invoice cutoffs and transparency with vendors	✓	
	Commitment to competence	Training provided by Marriott regarding the system	✓	
	Organizational structure	AP tasks are divided into two categories: regular invoices and project invoices	✓	
	Segregation of accounts payable duties	AP tasks are divided into two categories based on invoice type	✓	
	Good HR policies	No written SOPs, only routine payment policies		✓
Risk Assessment	Regular risk identification	Regular checks on down payments and AP aging	✓	
	Error/fraud prevention	Multi-level approval: accountant → ADOF → DOF → GM	✓	

Components	Subcomponents	Implementation	Appropriate (YES)	Not Appropriate
	Risk updates	Vendor data is updated when there are changes to the account	✓	
	Delays/overpayments	Payments are made on time, overpayments are reported and refunded immediately	✓	
Control Activities	Proper authorization of transactions and activities	Payments must go through tiered approvals	✓	
	Segregation of duties	Segregation of duties within AP and use of the system for verification	✓	
	Adequate documentation	All invoices are recorded in the PSAP system and entered into AP aging	✓	
	Securing assets and records	Payment documents are scanned and stored in the AP Aging folder		✓
Information and Communication	Identifying and recording all valid transactions	Only invoices entered into AP aging are processed	✓	
	Classifying transactions appropriately	The system supports invoice classification by purchasing and receiving	✓	

Components	Subcomponents	Implementation	Appropriate (YES)	Not Appropriate
	Recording transactions in the appropriate accounting period	Cutoff is on the 25th of each month	✓	
	Presenting transactions and related disclosures in appropriate financial statements	AP aging reports are sent to ADOF at each closing	✓	
	Effective supervision	AP tasks are monitored and reviewed at the end of each month	✓	
Monitoring	Using a responsibility accounting system	The PSAP system is used to document transactions	✓	
	Evaluating control systems	Performed at the monthly closing	✓	
	Conducting periodic audits	Owner audits are conducted every The overpayment was followed up with a refund from the vendor.	✓	
	Follow-up on findings	Implementation	✓	

Overall, based on the analysis of the five COSO components, the following effectiveness scores were obtained: control environment 80% (fairly effective), risk assessment 100% (very effective), control activities 75% (fairly effective), information and accounting 100% (very effective), and monitoring 100% (very effective). The overall average effectiveness was 91%, which according to the assessment category (Arikunto, 2016) is included in the very effective criteria because it is in the range of 81%–100%. Although internal control has generally been running very effectively, the company still needs to pay more attention to the preparation of written SOPs and asset security, to ensure the completeness of policies and prevent administrative errors in the future.

**Table 2.** Analysis of the Effectiveness of Internal Control Elements for Accounts Payable Payments at The St. Regis Bali Resort

No	Internal Control Components According to COSO (2022)	Implemented Criteria
1.	Control Environment	$4/5 \times 100\% = 80\%$
2.	Risk Assessment	$4/4 \times 100\% = 100\%$
3.	Control Activities	$3/4 \times 100\% = 75\%$
4.	Information and Communication	$4/4 \times 100\% = 100\%$
5.	Monitoring Activities	$5/5 \times 100\% = 100\%$
	Total Percentage	$80 + 100 + 75 + 100 + 100 = 455$
	Average Percentage	$455\% / 5 = 91\%$

Source: Research Results at The St. Regis Bali Resort

This study shows that the effectiveness of internal controls has a significant impact on the accuracy of accounts payable payments at The St. Regis Bali Resort. The implemented internal control system, which adheres to the five COSO components, has contributed to creating an accurate, timely, and accountable payment system. The implementation of these components minimizes the potential for administrative errors, prevents delays, and ensures that all debt payment transactions to suppliers are carried out according to procedures.

Accounts payable payment accuracy was measured using technical triangulation and source triangulation methods to obtain accurate and valid data. Technical triangulation was conducted by combining the results of in-depth interviews, field observations of the payment process, and documentation such as aging reports and summary payment vouchers from the PSAP system. Meanwhile, source triangulation was obtained by gathering information from various parties directly involved in the payment process, namely accounts payable staff. This approach ensures that the information obtained is not one-sided but reflects the actual conditions from various perspectives and levels of office.

## CONCLUSION

Based on the results of a study conducted on the effectiveness of internal control in improving the accuracy of accounts payable payments at The St. Regis Bali Resort, it can be concluded that the implemented internal control system has had a significant impact on the timeliness and accuracy of payments to suppliers. This system was analyzed based on the five COSO components: control environment, risk assessment, control activities, information and communication, and monitoring. Internal Control Effectiveness is in the Highly Effective Category. Based on the analysis of the five internal control components according to the COSO framework: control environment (80%), risk assessment (100%), control activities (75%), information and communication (100%), and monitoring (100%), the average effectiveness of internal control at The St. Regis Bali Resort was 91%, categorized as very effective. This indicates that the overall internal control system is functioning well and is capable of preventing errors and ensuring accurate and timely payments of accounts payable.

2. Internal Controls Have a Significant Impact on the Accuracy of Accounts Payable Payments. The implications of implementing effective internal controls are reflected in the

accuracy of the accounts payable payment system, achieved through the implementation of monthly invoice cut-offs, multi-level approvals, digital documentation through the PSAP system, and consistent audits and monitoring. Payment accuracy was measured using technical triangulation (interviews, observations, documentation) and source triangulation (information from various key positions such as the Accountant, Accountant-Defendant, and Credit Manager), all of which demonstrated that payments were made according to procedures and with minimal errors.

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