

Studies on internal control in the context of accounts payable payments have been conducted extensively in the hotel industry and other sectors, but previous research has shown variations in the effectiveness of their implementation (Mufidah & Masnun, 2021). Research at the W Bali Seminyak Hotel, for example, found that the internal control system for accounts payable payments was ineffective due to weak record-keeping and segregation of responsibilities (Mezaluna et al., 2025). Conversely, research at the Le Meridien Bali Jimbaran Hotel demonstrated relatively good internal control implementation with a clear organizational structure and recording procedures (Lim et al., 2024). Several other studies have highlighted weaknesses in certain aspects, such as interdepartmental communication and compliance with recording procedures (Mulyadi, 2016; Mukti, 2017). The differences in these research findings indicate a research gap regarding the effectiveness of internal controls in the accounts payable payment system in the hotel industry, which is influenced by the organizational conditions of each hotel. In the context of Hotel X Bali, this study is relevant because it focuses on analyzing the effectiveness of internal controls for accounts payable payments using the COSO Internal Control – Integrated Framework.

This framework emphasizes five main components: control environment, risk assessment, control activities, information and communication, and monitoring, which, if implemented consistently, can prevent errors, fraud, and late payments (Schandi & Foster, 2019). However, the finding of accounts payable that were overdue for more than 90 days indicates that although most control components were effective, there were weaknesses in communication and information between departments. This underscores the importance of further research to examine how internal controls have been implemented, where weaknesses lie, and how improvements can be made. Based on these conditions, this study seeks to answer the main question regarding the effectiveness of internal control of short-term debt payments to suppliers at Hotel X Bali. This study is expected to provide theoretical contributions by enriching the literature on the implementation of COSO-based internal controls in the hotel industry, as well as practical contributions by providing recommendations for improvements for hotel management. Thus, this study is not only important in an academic context but also has strategic benefits for the financial management practices of star-rated hotels, especially in facing increasingly complex governance challenges in the era of global competition.

METHODS

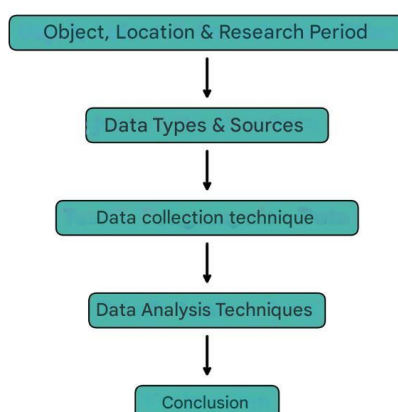


Figure 1. Research Method Flow

This research was conducted in the Finance Department of Hotel X, located in Uluwatu, Badung Regency, Bali, from January to May 2025. The research object was internal control over short-term debt payments in the Accounts Payable section based on the COSO framework. The research method used was descriptive qualitative with the aim of describing and analyzing the effectiveness of the implemented internal controls (Sugiyono, 2021). Data were obtained from two sources: primary and secondary data. Primary data were collected through direct observation, structured interviews, questionnaires, and documentation (Jaya, 2020). Key informants were the Accounts Payable Supervisor, Chief Accountant, and Assistant Finance Controller. Secondary data were obtained from company documents such as the 2024 accounts payable aging report, purchase orders, receiving reports, memos, and other supporting documents. The data analysis technique used was descriptive qualitative analysis, conducted through three stages: data reduction, data presentation, and conclusion drawing or verification. This allows the research results to provide a comprehensive overview of the effectiveness of internal control over debt payments at Hotel X, Bali.

RESULT AND DISCUSSION

Research Object Overview. Hotel X Bali is an international luxury hotel operating under the X brand, a name synonymous with luxury, exclusivity, and a premium image. Inaugurated on September 23, 2006, the resort is located on Jalan Goa Lembeh, Uluwatu, Badung Regency, Bali, an elite tourist area renowned for its dramatic ocean and cliff views. Situated 150 meters above sea level, Hotel X Bali offers stunning ocean views, plus exclusive access to a private beach via a private elevator. This unique feature makes the resort more than just a place to stay, but also a lifestyle destination that blends traditional Balinese architecture with contemporary Italian touches. The resort features 59 private villas and five magnificent mansions, as well as comprehensive facilities including three world-class restaurants, a bar, a spa, a fitness center, exclusive retail stores, and facilities for weddings and high-end events.

To support its operations, Hotel X Bali has a complex organizational structure, including a Finance Department, which serves as the backbone of the hotel's financial management. This department is led by the Director of Finance, who is responsible for all financial activities, from budget planning and reporting to monitoring income and expenses. Several strategic positions are under his/her supervision, including Assistant Finance Controller, Chief Accountant, Assistant Credit Manager, Accounts Payable Supervisor, General Cashier, and Purchasing and Store staff. The division of tasks and responsibilities within this financial structure is designed to ensure effective internal controls and minimize the risk of errors and fraud in financial processes. Each position has a specific, interrelated function, creating a system of checks and balances within the hotel's financial operations.

One crucial section within the Finance Department is Accounts Payable, which manages the company's debts to suppliers. This role is crucial because the majority of a hotel's operational needs—from food and beverage ingredients and housekeeping supplies to technical materials for facility maintenance—are purchased from third parties. Therefore, the accuracy and regularity of debt payments significantly impact the smooth operation of the hotel. The primary functions of Accounts Payable include verifying transaction documents, recording debts, preparing payment schedules, and ensuring payments are made according to contractual agreements with suppliers. Each invoice received from suppliers is first matched with the Purchase Order document from the Purchasing department and the Receiving Report from the Receiving department. After the documents are verified, the Accounts Payable Supervisor compiles a weekly payment list, which is then reviewed by the Chief Accountant, authorized by the Director of Finance or Assistant Finance



Controller, and finally released via KlikBCA Bisnis by the General Manager. This multi-layered process demonstrates the existence of an internal control system aimed at ensuring each payment is made accurately, legally, and free from fraud.

However, despite the well-established systems and procedures, challenges remain in their implementation. Based on observations and data from the accounts payable aging report as of December 2024, it was found that several invoices were 30 days past their due date, as per the SOP, and some were even more than 60 days old. This delay impacted relationships with suppliers, with some delaying the delivery of goods. This situation illustrates that despite an adequate organizational structure and payment procedures, weaknesses exist in practice, particularly in communication and coordination between departments. Thus, this study focuses on analyzing the effectiveness of internal control of debt payments in the Accounts Payable section using the COSO framework approach, in order to identify the extent to which control has been running optimally and which areas still require improvement.

Accounts Payable Procedures and Internal Control Implementation. The accounts payable process at Hotel X Bali is vital for maintaining smooth relationships with suppliers and supporting the continuity of hotel operations. Considering that almost all operational needs, such as food and beverages, housekeeping equipment, technical supplies, and even facility maintenance materials, are purchased on credit, the Accounts Payable department serves as the primary liaison between hotel management and suppliers. Accounts payable procedures are strictly regulated through standard operating procedures (SOPs), which require all invoices to be paid no later than 30 days after the invoice is issued. This policy, known as one-month credit payment, is agreed upon with suppliers at the outset of the partnership. Therefore, regular accounts payable payments not only reflect hotel management's compliance with the contract but also serve as an indicator of credibility and professionalism in conducting business relationships.

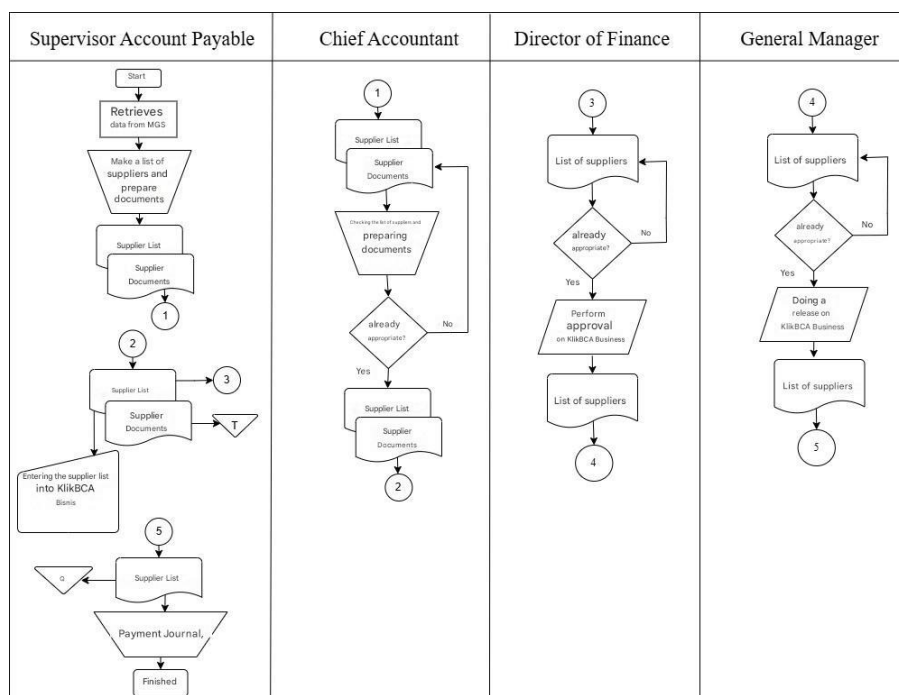


Figure 2. Hotel X Accounts Payable Flowchart

The accounts payable payment process begins with the Store or User function, which submits a request for goods when inventory is low. This request is documented in a Purchase Request form, which is then forwarded to the Purchasing department. The primary task of Purchasing is to find and select suppliers that meet hotel standards, negotiate prices, establish credit terms, and issue Purchase Orders (POs) as the official ordering documents. After the supplier ships the goods, the Receiving department is responsible for checking the quality, quantity, and type of goods received. Each receipt of goods is recorded in a Receiving Report (RR), which serves as the basis for subsequent verification. This creates a multi-layered control flow between requests, orders, and receipt of goods before reaching the financial recording stage. The next step is carried out by the Accounts Payable Supervisor, who is primarily responsible for matching supplier invoices with supporting documents, such as POs and RRs. If the documents are deemed complete and accurate, the invoice is recorded as a company debt. This recording process forms the basis for preparing accounts payable aging reports, which monitor debt maturity.

The Accounts Payable Supervisor then selects invoices that must be paid based on urgency, due date, and the company's cash flow. A payment list is compiled weekly and reviewed by the Chief Accountant. After verification, the payment list is forwarded to the Director of Finance or Assistant Finance Controller for initial authorization. Next, the payment is officially released through the KlikBCA Bisnis platform by the General Manager as final authorization. The Accounts Payable Supervisor then archives all payment documents for audit purposes and management evaluation. The multi-layered mechanism within the debt payment procedure demonstrates a robust internal control system. Each transaction must undergo verification, authorization, and reporting processes at various levels of management to minimize the potential for fraud or error. This aligns with the principle of segregation of duties in internal control, which ensures the separation of duties and responsibilities so that no single party has complete control over the entire transaction process.

Furthermore, this procedure also supports accountability, as each payment can be traced back to official documents signed and approved by authorized officials. However, although the internal control system is designed to be quite comprehensive, in practice, weaknesses remain. Based on the accounts payable aging report as of December 31, 2024, several invoices were found to be unpaid beyond the 30-day due date, with some even exceeding 60 days. These delays have significant impacts, both for suppliers who feel disadvantaged and for hotels, which are at risk of operational disruptions due to supply interruptions. Some suppliers reportedly delayed shipments due to outstanding payments, which in turn disrupted the availability of restaurant food ingredients, housekeeping supplies, and technical needs for hotel facility maintenance. This situation indicates that although the organizational structure and procedures are in accordance with internal control theory, their implementation is not yet fully optimal.

One of the main causes identified was weak communication and coordination between departments. Information regarding urgent invoices was sometimes not promptly forwarded by the Accounts Payable Supervisor to upper management, hindering the payment approval process. This communication barrier becomes even more apparent during peak periods (high season), when some of the officials authorized to issue approvals are not available. As a result, payments that should have been prioritized are not promptly settled, resulting in backlogs in aging reports. This indicates that internal controls in the form of strict procedures have not been balanced by an effective communication system. Therefore, the implementation of internal controls for accounts payable payments at Hotel X Bali has met most of the principles recommended in the COSO framework, particularly in the control environment, risk assessment, control activities, and monitoring.



However, weaknesses remain in the information and communication aspects that could compromise the effectiveness of the overall system. Therefore, improving the internal communication system between units is a strategic step that management needs to prioritize to minimize future payment delays, maintain good supplier relationships, and ensure smooth hotel operations.

Analysis of Internal Control Effectiveness Based on COSO. The Internal Control – Integrated Framework developed by the Committee of Sponsoring Organizations (COSO) serves as the primary reference for analyzing the effectiveness of internal controls for accounts payable payments at Hotel X Bali. This model emphasizes five interrelated main components: the control environment, risk assessment, control activities, information and communication, and monitoring. Through this approach, the study sought to assess the extent to which internal controls in the Accounts Payable department have been implemented according to standards and to identify weaknesses that require improvement. The first component is the control environment, which reflects the organizational culture, integrity, and authority structure within the company. Interview and questionnaire results indicate that the control environment at Hotel X Bali has been operating very effectively. Each position within the Finance Department has a clear job description, a clear separation of authorities, and established authorization limits. For example, the Accounts Payable Supervisor is responsible for processing invoices and compiling payment lists, the Chief Accountant performs verification, the Director of Finance authorizes, and the General Manager releases payments.

Table 1. Analysis of the Effectiveness of Internal Control Elements for Debt Payments at Hotel X

No	Internal Control Elements for Debt Payment	Implemented Indicators	Category
1	Control Environment	$3/3 \times 100\% = 100\%$	Sangat Efektif
2	Risk Assessment	$3/3 \times 100\% = 100\%$	Sangat Efektif
3	Control Activities	$3/3 \times 100\% = 100\%$	Sangat Efektif
4	Information and Communication	$2/4 \times 100\% = 50\%$	Cukup Efektif
5	Monitoring	$3/3 \times 100\% = 100\%$	Sangat Efektif
Total Percentage		$100\% + 100\% + 100\%$	$+ 50\% + 100\% = 450\%$
Average Percentage		$450\% / 5 = 90\%$	(Sangat Efektif)

Source: Arikunto 2016

This division of tasks prevents conflicts of interest and fraud because no single party has full control over the entire process. Furthermore, regular management training and evaluations help maintain staff professionalism, so control in this aspect can be categorized as very effective with a score of 100%. A strong control environment is the foundation for maintaining the credibility of the company's debt management. The second component is risk assessment, which aims to identify and anticipate potential problems in the debt repayment process. Based on research results, Hotel X's management has clear standard procedures regarding the risk of delays and recording errors. The main risks that may arise include delayed approval due to the absence of an authorizing officer, bank transfer errors, and the potential for double payments if document verification is not carried out carefully. The strategies implemented include renegotiating with suppliers if delays occur, correcting underpayments as soon as possible if there are any differences in transfers, and creating corrective journal entries if overpayments occur. This system demonstrates the hotel's readiness to address potential risks, so the risk assessment is very effective. However, it needs to be strengthened with an automatic reminder system or payment alarm to minimize delays early.

The third component is control activities, which relate to the procedures, policies, and actions implemented to ensure transactions are carried out according to regulations. At Hotel X Bali, control



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activities are clearly visible through a multi-layered authorization system, document verification, and financial record reconciliation. Every payment must undergo a review of the Purchase Order (PO), Purchase Order (RR), and invoice before being processed. Furthermore, payments cannot be made directly by the Accounts Payable Supervisor without verification from the Chief Accountant, authorization from the Director of Finance, and final approval from the General Manager. With a multi-layered approval system, internal controls successfully prevent unauthorized disbursements. All payment documents are also neatly archived for internal and external audits. The questionnaire results showed that this control activity received a score of 100%, indicating that this aspect has been implemented well and in accordance with internal control theory.

The fourth component is information and communication, which is a weak point in the internal control of accounts payable payments at Hotel X Bali. Formally, the hotel has established clear communication SOPs, where all information is conveyed via office email, telephone, and printed documents. However, in practice, the communication process has not been optimal. Accounts Payable Supervisors are sometimes less proactive in following up with upper management regarding invoices approaching maturity. This results in late payments because superiors do not promptly receive warnings or payment instructions. This situation becomes even more critical during peak seasons, when transaction volumes increase while some authorizing officials are on leave or busy with other operational activities. The questionnaire showed a score of only 50% in this aspect, indicating that communication is the most vulnerable factor in the overall internal control system. This communication barrier explains why some invoices remain overdue for more than 60 days despite structurally sound control procedures.

The final component is monitoring, an evaluation process to ensure internal controls remain relevant and effective. At Hotel X Bali, monitoring is conducted through periodic internal audits and random checks of accounts payable recording and payments. Furthermore, management conducts regular evaluations through weekly financial meetings to discuss cash flow, payment priorities, and any challenges encountered. This monitoring system is quite effective in detecting weaknesses, such as late payments, and promptly providing solutions. The questionnaire results showed a score of 100% for the monitoring component, indicating that this aspect is functioning well.

Table 2. Internal Control Analysis According to COSO

COSO Theory	Criteria	Reality	Impact
Control Environment	Understanding the limits and functions of each department's authority	Every department involved in the debt repayment process, such as the General Manager, Director of Finance, Chief Accountant, and Accounts Payable Supervisor, understands their respective roles.	This will simplify the debt repayment process.
Risk Assessment	Understanding the SOP for debt repayment and potential risks	The General Manager, Director of Finance, Chief Accountant, and especially the Accounts Payable Supervisor are well-versed in the debt repayment SOP and the risks that could arise if errors occur.	It can reduce risks that may occur during the debt repayment process.
Control Activities	Understanding and mitigating debt repayment risks	The Accounts Payable Supervisor is well aware of the potential risks and how to mitigate them. There are also multiple layers of internal	Higher-ups can be certain about the risks that may occur during the

		controls in place between the General Manager, Director of Finance, and Chief Accountant.	debt repayment process.
Information and Communication	Using quality information as an indicator of effective communication with internal and external parties and ensuring compliance with SOPs	Information is provided via office email, phone call, or in person with documents. This has been implemented by every department involved in the debt repayment process, but the feedback received has not been optimal.	Some payments were delayed due to the approval process.
Monitoring	Internal evaluation or audit of the debt repayment process at Hotel X Bali	Random internal audits are always conducted by senior management regarding debt and payment records, as well as complete backups.	Knowing that debt repayment has been carried out according to the hotel's SOP.

Source: Processed Data 2025

Based on the overall analysis, the average effectiveness of internal controls for debt payments at Hotel X Bali reached approximately 90%, which, according to Arikunto's (2016) criteria, falls into the highly effective category. Four of the five COSO components have been optimally implemented: the control environment, risk assessment, control activities, and monitoring. However, information and communication remain weak points that could reduce the system's overall effectiveness. Therefore, management needs to strengthen communication mechanisms, for example, by implementing a digital alert system, scheduling specific coordination meetings for payments, or implementing a real-time invoice monitoring application so that all authorized parties can receive information more quickly. With improvements in communication, the internal control system at Hotel X Bali will be even more robust in maintaining compliance, transparency, and smooth relationships with suppliers.

CONCLUSION

The research results indicate that internal controls for debt payments at Hotel X Bali have generally been very effective, based on the COSO Internal Control – Integrated Framework. Four of the five control elements—the control environment, risk assessment, control activities, and monitoring—have been implemented effectively, supporting order, accuracy, and accountability in the debt payment process. However, weaknesses remain in the information and communication aspects, where a lack of coordination and delays in information delivery between departments have resulted in some payments being past their agreed-upon due dates with suppliers. This finding confirms that despite a robust control system, its successful implementation remains highly dependent on effective inter-unit communication.

Based on these conclusions, this study emphasizes the importance of improving internal and external communication mechanisms to optimize the internal control system. Implementing more disciplined follow-up procedures, utilizing information technology for due date reminders, and additional oversight from top management, especially during the high season, can be solutions to reduce the potential for late payments. Furthermore, this research opens the door to further, broader studies, such as examining internal control aspects in other departments or comparing five-star hotels, so that the results can provide a more comprehensive contribution to the development of financial governance in the hotel industry.



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