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AP and Payment Automation

WHAT CFOs NEED TO KNOW ABOUT Automating Accounts Payable

Tools and strategies for adding value to the invoice-to-pay process

CFO

Today's CFO is tasked with ensuring that the finance team operates at peak performance, with an eye toward lowering costs, increasing speed, and reducing bottlenecks in the system. With competing priorities and busy teams, it's hard to know which initiatives will best move the needle. Because it is not necessarily viewed as strategic or innovative, the Accounts Payable department is often overlooked.

Despite increasing pressure to streamline the accounts payable process, challenges remain. According to the Institute of Finance & Management (IOFM)'s *2015 Accounts Payable Survey*, nearly one-quarter of companies (24 percent) cite too many competing projects as the primary obstacle to automating the invoice-to-pay process. Other top barriers include a lack of capital funding (17 percent) and limited IT resources (12 percent).

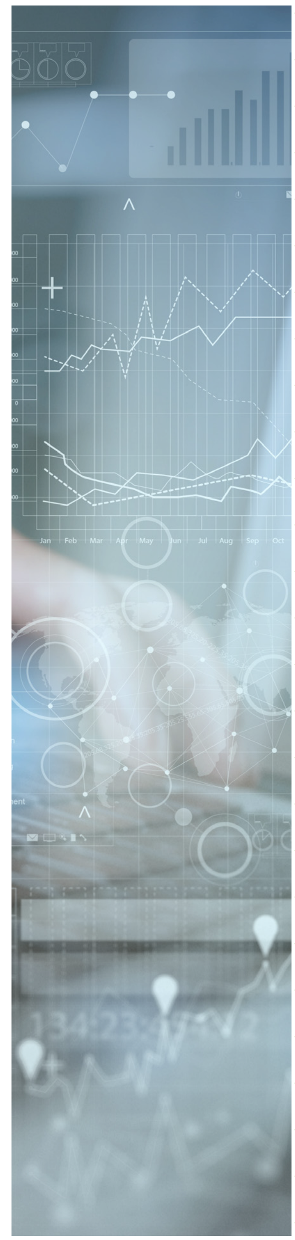
Progressive finance chiefs are looking to implement tools and processes to help elevate the accounts payable function from its traditional role as a cost center to one that provides a competitive advantage. These "tech-savvy" CFOs understand that there are a host of cloud-based finance solutions that don't require IT resources to implement or rise to the level of requiring budget committee approvals. Organizations with highly automated invoice-to-pay processes have more predictable cash flows, easy access to financial data, fewer duplicate payments, and better supplier relationships.

Clearly, there are opportunities to improve the invoice-to-pay cycle. Average performers manually key 58 percent of invoices into their financial system, while top performers only manually key 42 percent. This is according to the *Blueprint for Success: Accounts Payable* survey conducted by the American Productivity and Quality Center (APQC), a non-profit business benchmarking and research firm.

This eBook explores some of the key issues that CFOs need to consider when revamping the invoice-to-pay process, including:

- Identifying the current bottlenecks in the invoice-to-pay process
- Understanding best practices for invoice-to-pay automation
- Learning the benefits of moving AP spend onto corporate credit cards
- Building better relationships with vendors through better payment processes

BENCHMARKING TO HELP IDENTIFY **PAIN POINTS**



To understand where their organizations stand in terms of accounts payable productivity, CFOs should look at how labor productivity, activity speed, and error rates stack up to their peers, according to experts.

Late payments and missed discounts are among the major pain points when it comes to accounts payable, and manual routing of invoices is a large contributor to the problem, according to Ernie Humphrey, CEO and Founder of 360 Thought Leadership Consulting. "Slow interoffice mail, waiting for someone to respond to an email to approve an invoice, missing invoice information, and lost invoices can all cause issues."

Discounts can be lost due to a lack a visibility, which is hampered in a manual accounts payable process. Humphrey said automation enables monitoring of payment schedules to maximize discounts, "and it almost always makes sense to take those discounts," Humphrey said. Access to real-time payments, such as virtual cards or corporate credit cards also improves the ability to capture discounts, since these payments are able to be precisely timed.

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> — **MARY DRISCOLL, SENIOR RESEARCH FELLOW, APQC**

Slowdowns in the invoice-to-pay process also occur if there is a problem that requires multiple phone calls or emails to resolve. "This is a good indicator of how well the accounts payable process is working," said Mary Driscoll, Senior Research Fellow for APQC. "While the goal is to have a low incidence of problems, when problems inevitably occur they should be handled quickly. Top performers resolve issues in three days or less, while the bottom performers can take seven days or longer."

It is critical to benchmark your accounts payable department to identify opportunities to improve. However, according to *e-Payables 2015: Higher Ground*, a study by Ardent Partners, only 40 percent of best-in-class AP departments have the ability to measure key AP metrics, versus 29 percent of all others.

BEST PRACTICES FOR STREAMLINING **INVOICE-TO-PAY**

Once the existing roadblocks to optimizing the invoice-to-pay cycle have been identified, finance chiefs need to develop strategies for improving the process.

Invoice capture is an important component of automating the AP process, experts noted. This process converts paper invoices to searchable PDF documents. Automatically extracting invoice header and general ledger-coded line item data improves accuracy and speeds the process by eliminating manual invoice entry.

Bryan DeGraw, Senior Director, Finance Advisory Program, The Hackett Group, recommends assessing how many transactions are completed electronically, as well as looking for ways to decrease the volume of paper invoices. "For those transactions that aren't electronic, the goal should be to digitize those documents as quickly as possible."

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Driscoll suggested mapping the invoice-to-pay process from beginning to end. "If you go through a process-mapping exercise it will help you to understand the workflow and how automation can solve some of the issues."

Once everyone agrees on the optimal workflow, the system should enable automated routing and approval, preferably with mobile access, so that invoices are not delayed because someone missed an email or is out of the office, for example. This will also improve the productivity of the accounts payable team, as they can focus on exceptions and working with vendors on favorable terms rather than manually pushing invoices through the approval and payment stages.

BENEFITS OF MOVING SPENDING TO **VIRTUAL PAYMENT CARDS**

One of the goals of invoice-to-pay automation is reducing paper. While digital invoices help achieve that goal, many CFOs are also considering moving some of the AP spend currently being paid by check to virtual corporate cards. These virtual cards can be configured to control spending by dollar amount or purchase categories, for example. When integrated with invoice-to-pay tools, virtual cards can help optimize cash flow, mitigate risk, earn valuable rebates, and secure early pay discounts.

Virtual cards also have a lower incidence of fraud than paper checks. The ABA estimates $1.3M in fraud check losses annually, while loss on cards is less than one percent of spend. Not only are there limits on the dollar amount and categories of spending, there is additional security as the corporate credit card number is not revealed during the transaction.

According to the *2016 AFP Payments Fraud and Control Survey*, 73 percent of all organizations experienced attempted or actual payments fraud in 2015. Nearly the same number (71 percent) of companies with annual revenue of less than $1 billion reported attempted or actual fraud.

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>
> — BC KRISHNA, CEO, MINERALTREE

According to BC Krishna, CEO of MineralTree, "Virtual cards enable you to put controls in place so that if someone violates the rules — whether intentionally or unintentionally — the issue is caught and handled immediately, without having to wait for an invoice to be submitted and then disputed."

The virtual cards also provide visibility into spending across departments by category, for example, so that finance chiefs can leverage the complete relationship with a vendor to ensure that all eligible discounts and rebates are applied.

BUILDING BETTER SUPPLIER RELATIONSHIPS WITH **BETTER AP PROCESSES**

Experts also recommended ensuring that the system has optimal visibility so that internal and external stakeholders can easily access pertinent data. “Being able to communicate with suppliers continuously and with the most accurate information possible is a big part of automating the invoice-to-payment process,” said Driscoll.

“Data and automation can help ease the tensions that can sometimes develop between customers and vendors,” said Humphrey of 360 Thought Leadership Consulting.

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Automation can ensure that suppliers are being paid based on the terms of their agreements when invoice data is captured and digitized.

In addition, suppliers can be automatically alerted during the invoice-to-pay process so that they know when to expect payment (which is confirmed with electronic remittance details) and can address any problems, such as faulty product or non-delivery, early in the cycle. This results in fewer back-and-forth phone calls and emails when there is an issue, easing the strain on the resources of the vendor and the customer.

CONCLUSION: A COHESIVE APPROACH TO INVOICE-TO-PAY

In many organizations, the process of paying for goods can be fraught with delays and errors that can seriously impact profitability. The workflow is often disjointed and data is frequently entered manually, causing serious headaches for the finance team.

While many companies are striving for process excellence in the invoice-to-pay cycle, there are some obstacles to achieving that vision, including a lack of tools, poor workflow management, and a high rate of exceptions.

Modern CFOs are seeking the tools and strategies to propel the invoice-to-pay process into a value-added function rather than a drain on resources. By automating much of the standard steps in the process, such as invoice and payment approvals, companies can contain costs by reducing errors and freeing up staff to spearhead strategic growth. Rebates earned from moving AP spend on to virtual or commercial credit cards help transform AP from a cost center to a revenue generator.

When done well, accounts payable can provide a strategic advantage as suppliers want to work with companies that have a well-managed process for procurement and payment.

Looking ahead, companies will leverage the data and analysis that is fueled by automating the process. “This will lead to true collaboration with suppliers going forward and a better flow of information between customers and suppliers to strengthen the partnerships,” Krishna concluded.

ABOUT THE SPONSOR

MineralTree provides the easiest to use Accounts Payable and Payment Automation solutions for finance professionals at middle market companies. Serving 1000+ business customers and processing $1.5B in annual payments, MineralTree solutions automate either the full invoice to pay or payments processes and reduce the time spent on those activities by an average of 70 percent.

Both of the company's products support multiple payment options, including check, ACH, wires, virtual cards and corporate credit cards. Taking advantage of these various payment rails enables customers to optimize their payables, maximize early pay discounts, manage working capital, and earn credit card rebates and rewards.

Invoice-to-Pay streamlines AP, giving customers unparalleled visibility into financial data and significant cost savings, in an affordable, integrated platform that is guaranteed secure. It is the only end-to-end solution that automates the four phases of AP, includes bi-directional integration with the ERP/accounting system and processes payments directly with the customers' bank. The solution has API level integrations with QuickBooks (Desktop and Online), NetSuite [including P.O. matching functionality], Intacct, Microsoft Dynamics GP and Sage 50.

FlexPay, an enterprise integrated payables product that works with any accounting system, is designed for businesses making 500+ payments monthly that need to automate their payments. The unified payment execution process allows businesses to release a high volume of payments while following the approval controls that suit their business and compliance needs. It includes:

- the ability to onboard any business or commercial credit card, enabling businesses to earn valuable rewards and cash back
- integrated security with two-factor verification
- SilverGuard fraud protection.

MineralTree products provide advanced payment security features including two-factor authentication, two-factor payment verification, segregation of duties and payment limits. By using these features, MineralTree guarantees protection against online payment fraud. Losses are covered up to $100,000 per year.

For more information visit www.mineraltree.com.