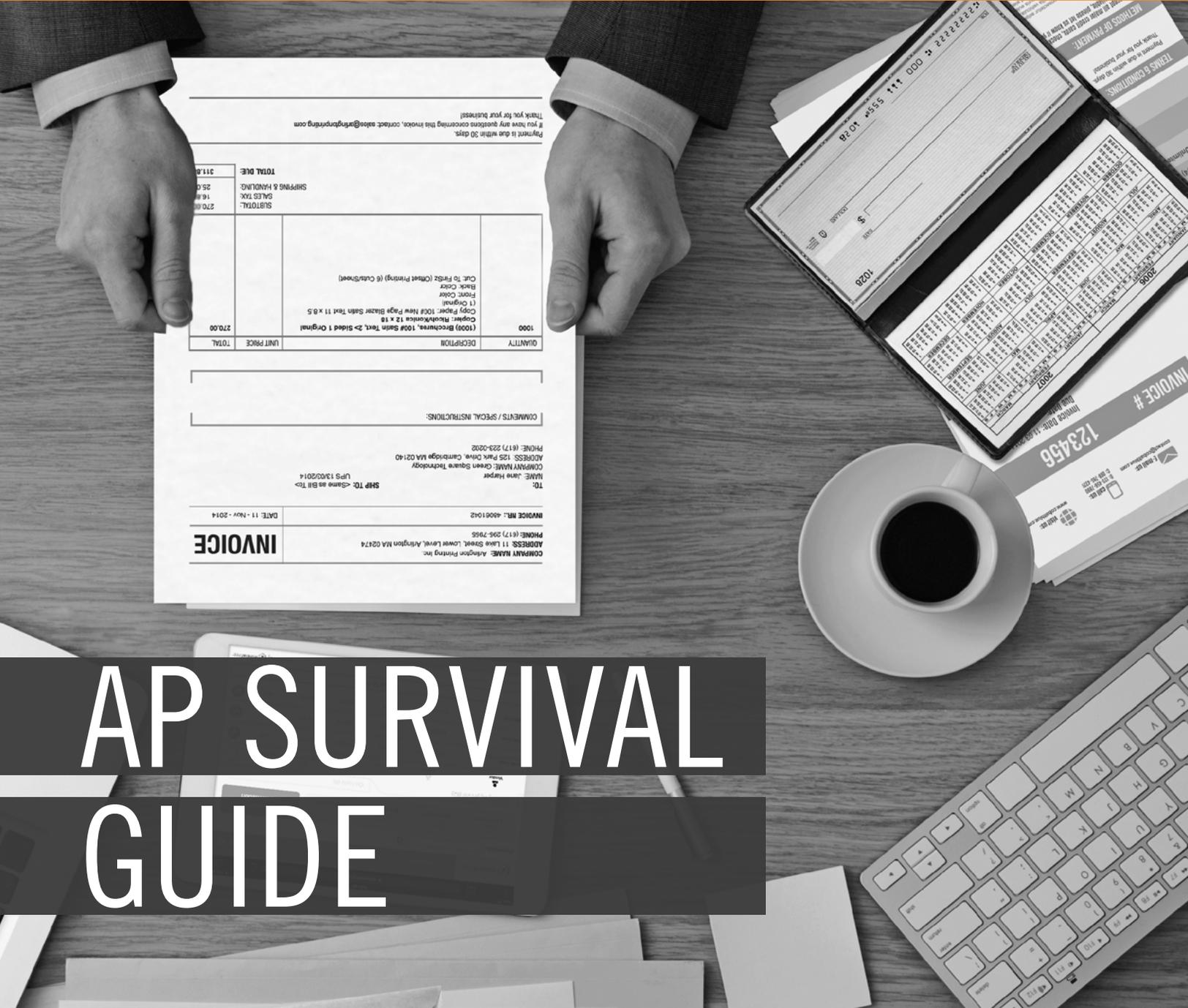


How Accounts Payable Automation Helps You Survive An Audit



AN AUDIT SHOULDN'T CONTAIN SURPRISES.

An audit, as defined by Merriam-Webster, is “a formal examination of an organization’s or individual’s accounts or financial situation.”¹

Whether public or private, most companies undergo an audit once a year. An upcoming audit is stressful for both the finance and accounting team and the organization as a whole. However, if handled correctly, an audit can become a useful way to review your operations, ensure things are in order, and find areas where processes can be improved.

¹ Merriam-Webster

The invoice-to-pay process is well-known. However, each company has their own protocols that continually change, especially as a business grows. Growing companies are facing the age-old problem of eliminating the error-prone, manual, paper-based AP process while maintaining a lean staff. With Accounts Payable (AP) Automation, the audit process becomes increasingly easier and less painful for the entire team. AP Automation provides greater visibility into invoice and payment processing and an automatic audit trail. By integrating with your accounting package and financial institution, AP Automation is quick and simple to implement and doesn't break your current process or workflows. And, the most important part, it assists immeasurably in preparing for and dealing with an audit.

Below, we break down the major areas in which AP automation will improve the audit process.

AREA I: CHECK FOR SIGNS OF FRAUD

Accounts Payable is a key locus for fraud. Growing businesses often keep a closer eye on their sales growth and business plans than on fraud prevention, particularly if they were once a small company with a known and trusted staff. But fraud can cost a business a lot of money—and once gone that money is hard and expensive to recover. Bank protection for businesses is much less than it is for consumers, so you need to rely on your own processes.

There are three main types of fraud associated with Accounts Payable: check, vendor, and employee, each of which can be eliminated by ensuring that internal controls are followed. A fundamental internal control element is the segregation of duties, meaning no employee should be in a position where they can both perpetrate and then conceal errors or fraud. In general, the duties that should be segregated are authorizing a transaction, executing or processing that transaction, and reporting on that transaction.

With AP Automation, it is more difficult to commit fraud and much easier to detect. Since AP Automation impacts the entire invoice-to-pay process, it allows for advanced and secure payment controls, including segregation of duties, dual approvals, and two-factor authentication.

When paying vendors with an AP Automation solution, segregation of duties enforces that an invoice approver is never the payment approver—eliminating any concern of potential fraud. Dual approvals can also be required for payments that are above certain thresholds. This adds an extra layer of security to ensure that the invoice is internally approved. And, lastly, two-factor authentication should always be enabled. Two-factor authentication allows the payment authorizer to receive a secure code on their mobile device that they must input into the platform before being able to execute the payment.

Overall, AP Automation maximizes the effectiveness and minimizes the possibility of check, vendor, or employee fraud.

AREA II: ENSURE PROPER DOCUMENTATION

When preparing for an audit, it is crucial to examine and be ready to provide supporting details for any unusual transaction—including an atypically large payment to a vendor, a large number of payments to the same vendor in a short period of time, or a large payment to a new and unknown vendor.

Every purchase made must have proper documentation recorded, such as invoices, contracts, purchase orders, or receipts. These documents

GIVING THE FALSE APPEARANCE OF A DEDICATED EMPLOYEE

The FDIC recommends that bank officers have a mandatory two-week vacation annually. Is that just to ensure well-rested bankers? That may be a positive side effect, but consider that for those two weeks, someone else will need to take over that person's responsibilities, and a red flag is almost certain to pop up over that time. Sadly, experience shows that the employees who never take a day off, work early and late, and come in on weekends, are sometimes those who are perpetrating fraud.

demonstrate what was purchased, the price agreed to before purchase, including any discounts and the reasons for them, and confirmation that the goods or services were actually received and that the expenditure was classified correctly.

As a business grows, the amount of documentation increases quickly and paper becomes a problem. When it comes to Accounts Payable, you should not have to search through file cabinets or banker boxes to find the documentation an auditor requires. AP Automation is key in storing, maintaining, and retrieving documentation quickly and easily.

AP Automation reduces the paper problem. By enabling invoices to be submitted electronically, businesses have all pertinent documentation stored in one centralized location. Furthermore, each document becomes a searchable PDF providing finance professionals with the flexibility to find specific information within an invoice.

AREA III:

PROVIDE VALIDITY FOR PURCHASES

When preparing for an audit, businesses need to ensure that all vendor and supplier transactions are accurate. Internally, they need to make sure that all purchases follow proper protocols on approvals and the goods were received as promised. For example, many organizations have rules regarding approval threshold that are typically consistent with current position and level in the organization. Every purchase that is authorized and approved must be in line with these regulations.

With an AP Automation solution, you can automate the approval process following the same protocols

that already exist, including dual approvals or hierarchical approvals. By automating the approval process, businesses have electronic record of all approvals associated to a specific invoice. This ensures that the invoice has been reviewed and approved, making it simple for anyone to access old records.

For complex or high value purchases that require multiple approvals, it is extremely useful to have the ability to store the associated email chain as well. If enabled, this feature allows for associated emails to be saved as a PDF allowing businesses to have a record of all important email conversations.

By automating the invoice approval workflow, an AP Automation solution drastically shortens the approval process while maintaining proper procedures and processes. Beyond the efficiency improvements, any time an auditor questions an invoice, you can quickly access the necessary information without searching through hundreds of emails or file cabinets of signed invoices.

AREA IV:

ELIMINATE DUPLICATE PAYMENTS

Duplicate vendor payments are still a significant problem for finance and accounting teams. Payments are frequently issued twice due to misplaced envelopes, lost mail, and even miscommunication within the finance team. For example, a vendor may contact you saying they have yet to receive payment even though you issued and mailed the check two weeks ago. You issue another payment after reviewing and in that time period the vendor locates the original payment and deposits it without notifying you. Now, there is another check en route and could

easily be cashed upon arrival to the vendor. Oddly enough, vendors typically don't contact you about overpayments or duplicate payments.

With AP Automation, executing duplicate payments is nearly impossible. AP Automation solutions are able to instantly recognize that a duplicate invoice is being entered by invoice number and vendor name, eliminating the worry of duplicate payment being issued. Upon payment execution, payment is posted and applied to the corresponding invoice within the platform and synced back to your accounting system with the appropriate check number. This ensures information is accurate and up-to-date.

An automated solution should also send remittance detail directly to the vendor so that they are aware of payment date and reconciliation. By providing visibility into payment execution with remittance details, both you and your vendor know the date payment was issued. The remittance detail is essential to minimizing duplicate payments.

TIME TO REDUCE AUDIT STRESS WITH AP AUTOMATION

A good AP Automation solution will eliminate the stress of an audit by ensuring that you have all the necessary documentation, there have been no duplicate vendor payments, approvals have been made appropriately, and you have implemented the appropriate internal controls to decrease fraud. It minimizes the demands on your staff and keeps them working on essential day-to-day operations. And, it enables you to keep your senior leadership informed and confident that AP operations are completely under control.

TAKE THE NEXT STEP

For more information about how MineralTree Invoice-to-Pay can help your business streamline the payment process, call us today at **617.299.3399** or email **info@mineraltree.com**.

APSG-APA - (0505016)