

VISIBILITY, CONTROL AND SCALABILITY: WHY AP TEAMS SHOULD AUTOMATE NOW



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The landscape for AP teams is becoming more challenging. You are asked to do more than ever while maintaining flexibility to support organizational growth, shifting work environments and working remotely. Accurate payments, controls, compliance and visibility into your AP operation are all of critical importance—you can't afford to let any of that slip.

In this whitepaper, we discuss why you should consider AP automation today and how it can help you support your AP operational needs. We will look at the importance of transparency, control and scale in conducting efficient accounts payable operations, and how automation can make that possible.

In summary, some of the key themes that will be covered in this whitepaper include:

- Visibility - Understanding where bills are in the process, what the next steps are and ensuring you have insight into your AP process at all times
- Control – Minimizing operational risk and supporting the financial health of your organization
- Scalability – Your automation solution's ability to grow and change with the needs of your business



VISIBILITY

- Tracking
- Routing
- Reporting
- Exceptions



CONTROL

- Managing
- Accuracy
- Monitoring
- Process



SCALABILITY

- Compatibility
- Cloud-based
- Auto-updates
- Flexibility

The IOFM Study

According to IOFM's study of nearly 400 AP practices conducted between 2017-2019, highly manual AP departments typically process about 10,000 invoices per person per year. That volume can quickly become unmanageable, however, if the AP team is small and the business is growing. The day-to-day workload pulls you away from key strategic tasks, but the bills must still be paid.

And now more than ever, AP departments need the flexibility to perform those same tasks from any location.

IOFM partnered with Bill.com to discover how small-to-medium organizations paying fewer than 10,000 invoices per year can solve the unique challenges they face. Working smarter (with technology enablement) is your best bet to boosting efficiency, increasing transparency and gaining control within your AP operation. Read on to get a better understanding of how your pain points can direct you to the best solution—not only showing you where you need help, but providing important indicators about how to best meet those needs.

Making It Crystal-Clear

One of the biggest challenges for many organizations is keeping track of where the bills are in the process. Who has them? Who should be approving them—but isn't? What's the holdup?

A manual system does nothing to provide insight into the AP process. Instead, it creates black holes where invoices disappear, get stalled and don't get paid timely. There's no efficient way to retrieve information about a particular invoice or vendor, aside from digging through files and hoping to find the missing document. Numerous emails and phone calls for help from somebody who might have seen it are a huge time sink for the entire organization and may not even produce useful results.

And if certain invoices have approval exceptions, there's often no way to know that in a manual setup unless the AP specialist has it memorized.

That can mean delayed payment for something that should have been expedited.

“A manual system does nothing to provide insight into the AP process.”

One financial services firm, Merchant e-Solutions, an Atlanta-based online platform for merchant processing of card payments, experienced these very issues. Lori Brown, the company's SVP and controller says, “There were times we were behind on paying an invoice simply because we didn't have a practical tracking tool in place.” Ironically, a company that specialized in funding customer transactions was struggling to pay its own bills efficiently.

Brown knew all too well that invoices that go astray typically get paid late and trying to create a manual

audit trail for them is next to impossible. If bills get hopelessly lost in the process, it may necessitate a call to the vendor to obtain a duplicate copy, which can result in payment delays, lost discounts, duplicate payments, late payment penalties and damage to the relationship with the vendor.

To manage that, she implemented an automated payment solution that offered crystal-clear transparency, with trackability of where everything was in the process, who had touched it, and where it was stalled. Two-way communication through the solution enabled deep insight and collaboration between AP and approvers in order to get things paid timely. Instead of relying on endless back-and-forth messages that got lost in her inbox, she was able to access the ongoing dialogue among all team members in a single view, in a single application—and that included relevant screenshots and document attachments. There was no longer a need to go back and sift through email archives, hoping to find the right information.

This was further enhanced by a seamlessly integrated mobile app with all the same functionality, enabling everyone to stay on top of pending invoices, even while some might be traveling.

Invoices could be automatically assigned through it, routed to the right people and the progress tracked through the app, both by payers and approvers.

A mobile app also reduces processing delays and the tedious collection of paper receipts. If someone receives a bill or obtains a slip while out of the office, a quick photo can be snapped of it and the image instantly uploaded to the solution. The more sophisticated apps even permit bill payment directly from within them.

Further, being able to generate detailed reports, analyze expenses and view real-time P&L statements while managing the workflow via a dashboard not

only makes life easier for the organization—it provides a level of financial insight that is impossible to get through a manual process. Since AP controls the company’s cash, it’s best positioned to report on what’s being spent, with whom and when.

Brown says, “We now pay our bills in a timely manner that’s improved our cash flow and enhanced our reputation with our vendors.”

Staying in Control

Control and compliance—these are important concerns essential to maintaining the financial health of your organization, but they can be overlooked in the frenzy to keep up with paying invoices manually. Yet with a small team, mitigating operational risks can be truly challenging.

Especially now, with many AP departments compelled to work from home, a manual process that involves paying from paper invoices is not only cumbersome and impractical, it’s outright risky. A cloud-based automation solution mitigates that risk while allowing the AP team to work remotely.

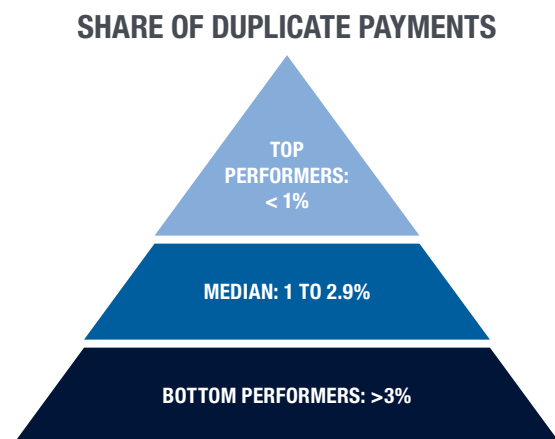
“The risk of making a mistake with a manual process is high.”

On the most basic level, the risk of making a mistake with a manual process is high. Even if everything is aboveboard, it’s easy to pay the same invoice twice, particularly if you’ve requested it be resent because you couldn’t find the original. Because verifying that each and every invoice hasn’t already been paid is so time-consuming, manual operations don’t often do that—and then pay it a second time. Once the money’s gone, retrieving the duplicate payment may be difficult and time-consuming, if it’s even possible.

However, automation makes this process simple. Once the invoice is entered into the system, it recognizes it and it simply won’t let you create a duplicate payment.

The top performers in this category can reduce their share of duplicate payments to less than one percent, while the bottom performers issue duplicate payments more than three percent of the time. That can be phenomenally expensive. (See Figure 1.)

Figure 1. *



An automation solution not only prevents duplicate payments—it should be configurable to handle exceptions. For example, utility and cellphone invoices may need to be paid right away to ensure continued services, without having to go through the normal approval routing process. The software needs to recognize those bills and manage them appropriately.

“Paper checks are easy to steal and forge.”

Then there’s the looming threat of fraud. Paper checks are easy to steal and forge, much more so than automated electronic payments that must be validated to be processed. IOFM has reported on numerous examples of small AP departments in which one trusted employee was given full control of the checkbook and the vendor file—with disastrous results.

Requiring two people to approve a payment is a must—one that a good automation solution facilitates. This ensures separation of duties, not only reducing the likelihood of fraud, but limiting errors by requiring a second set of eyes. IOFM says, “AP best practice requires rigorous enforcement of separation of duties to ensure fraudulent accounts aren’t set up and fake payments aren’t sent to them.” This is difficult to enforce with a manual process, but automation can ensure that this is prevented by requiring approval by two separate individuals, each with a secure login and password.

Proactively staying ahead of regulatory compliance is also something that should be top-of-mind, but it often slips to a secondary priority in small organizations with limited resources and minimal expertise in these matters. Fines and penalties for failure to do so can be devastating to any company, but particularly to those with limited resources. An automation solution should provide you with the information you need to monitor each of these things.

Today and Tomorrow

If your organization is poised for growth, your automation should be able to grow with it. Scalability and compatibility with your other systems are critical considerations. One thing you’ll want to avoid is having to replace your solution with something more robust if your business outpaces its capacity or if you switch up ERPs. The smart move is to plan and choose something that can handle the additional work as you grow and has the flexibility to interface seamlessly with many ERP systems should you need to make a change.

David Ostrowe, president of O&M Restaurant Group, started using his solution when he was only operating fast-food stores for one brand. Since then, he’s expanded his business into two other franchises for a total of 39 stores.

He’s doubled his revenue as well—all without increasing AP headcount and with zero paperwork. A key factor in his choice was scalability—he was able to add the different accounts to his system without adding complexity.

“Cloud-based solutions offer data security and constant updates that you don’t have to manage.”

By using a solution that’s cloud-based (often known as software-as-a-service, or SaaS), Ostrowe discovered how streamlined and efficient his solution really was. He received an invoice at his house, was able to snap a photo of it and seamlessly upload it to his AP system. “I was blown away,” he says. Not being tethered to a desktop-only, onsite application gives busy executives like Ostrowe tremendous flexibility to be out in the field, taking care of business.

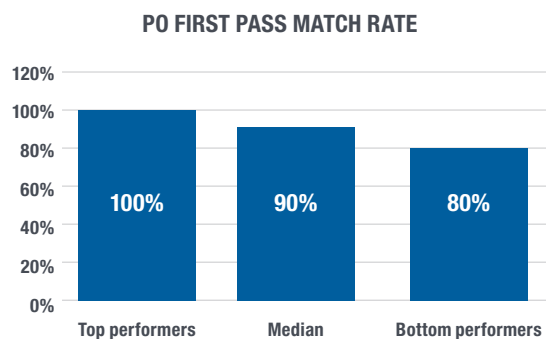
If data security is a concern—and it should be—cloud-based solutions make that effortless with controls you don’t have to manage yourself and a constantly updated application that you don’t need an expensive onsite IT team to deploy. Should you decide to move off a platform, your provider should archive all your data onto electronic storage media and supply it to you.

Another benefit of a good solution is that it will also integrate with your existing applications, including your ERP. Even if this changes over time—you may switch ERP systems or move to several different ones—it’s important to make sure that the software you choose is flexible, with a broad number of applications it can support without needing expensive customization.

“Manual PO matching can become a frustrating time sink.”

Also consider the time savings you can realize through automated matching of purchase orders to invoices. If you use POs—or anticipate moving to them—two-way matching is difficult at best with a manual AP process, requiring that somebody track down the PO. At its worst, a manual matching process can become an enormously time-consuming task. Here’s where automation shines: An IOFM benchmarking survey* indicates that top performers in the small-to-medium market can match their PO invoices 100 percent of the time. (See Figure 2.)

Figure 2.



As your business expands, will your reach extend into other countries? That comes with its own set of issues with different currencies. Bill.com partner Countsy, a financial management firm for startups, got a huge benefit to the currency conversion process by way of automation. Instead of having to calculate it themselves and adjust for the before- and after-payment exchange rate, the solution does the job for them, reporting the difference in an unrealized gains and losses report.

With growth, your workflows may also change in other ways. You may add a layer of approvals or impose approval limits by title. Like Ostrowe, you may expand your product offerings and need to set up separate business units within your solution.

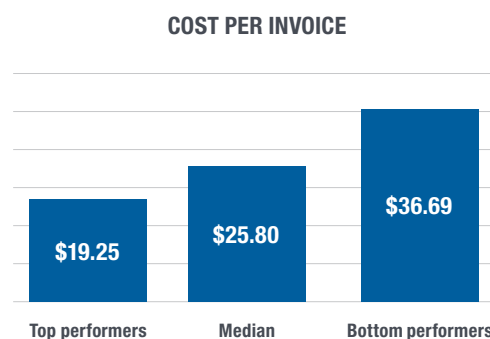
Think ahead—your software should be customizable so that when you’re ready to grow, it grows with you.

Consider the benefits of automation not just for today, but for the future of your business.

Your ROI

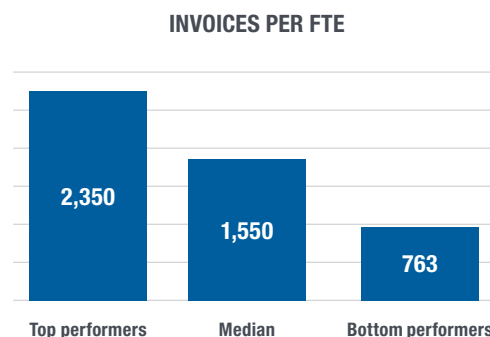
Efficiency isn’t the only reason to consider automation—your expenses should be more than offset by the gains you get in error reduction and greater compliance. Figure 3 tells the tale: Those who empower their operations with automation can reduce their per-invoice processing cost by almost half.

Figure 3.



The volume numbers are equally impressive. Top-performing small-to-medium-sized organizations can more than triple their per-person invoice processing with optimized automation. (See Figure 4.)

Figure 4.



By significantly improving productivity and reducing invoice processing costs, you realize real benefits that fall right to the bottom line. Taken in combination with improved compliance and control, reducing the chance for penalties and fraud, it becomes a sound business decision.

Finally, remember that some solutions are complex, requiring considerable training and configuration to become workable. A solution that's right-sized should be intuitive to learn and easily deployable so that you can start reaping the benefits right away. A couple hours of training should get your team up and running. Brown selected her solution, [Bill.com](#), based on its simplicity and ease of use, as did Ostrowe.

Automation can help your organization grow and thrive while reducing manual labor and the potential for fraud and errors. But first, you must find a solution that will work for you—now, and as your business grows—so that you can fully turn your attention to making that happen.

* All graphs in this whitepaper apply to organizations that process fewer than 10,000 invoices per year. Source: IOFM's benchmarking study of nearly 400 AP practices conducted between 2017-2019. (IOFM members can access the three-part report here: www.iofm.com/ap/benchmarking/latest-iofm-data.)

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