

Brought to you by:



Accounts Payable Automation

for
dummies[®]
A Wiley Brand



Understand the
difficulties in manual AP

Explore the potential
of AP automation

Start your AP
automation journey

Tipalti
Special Edition

Lisa Bucki

About Tipalti

Tipalti is a global finance automation company helping finance teams drive business growth by automating and streamlining accounts payable, mass payments, procurement, and employee expenses in one connected suite. Tipalti takes the complexity, cost, and risk out of time-consuming financial workflows, making it easy for finance teams to collaborate with employees and suppliers. Tipalti partners with blue-chip banks and financial institutions such as Citi, Wells Fargo, J.P. Morgan, and Visa, enabling global companies to efficiently and securely pay millions of suppliers across 196 countries, 6 payment methods, and 120 currencies. Over 4,000 growth-minded companies globally use Tipalti's suite of solutions to reduce their manual finance workload by 80 percent and accelerate close by 25 percent, all while strengthening financial and spend controls. For more information, visit tipalti.com.



Accounts Payable Automation

Tipalti Special Edition

by Lisa Bucki

**for
dummies[®]**
A Wiley Brand

Accounts Payable Automation For Dummies®, Tipalti Special Edition

Published by
John Wiley & Sons, Inc.
111 River St.
Hoboken, NJ 07030-5774
www.wiley.com

Copyright © 2024 by John Wiley & Sons, Inc., Hoboken, New Jersey. All rights, including for text and data mining, AI training, and similar technologies, are reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

Trademarks: Wiley, For Dummies, the Dummies Man logo, The Dummies Way, Dummies.com, Making Everything Easier, and related trade dress are trademarks or registered trademarks of John Wiley & Sons, Inc. and/or its affiliates in the United States and other countries, and may not be used without written permission. Tipalti and the Tipalti logo are registered trademarks of Tipalti. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc., is not associated with any product or vendor mentioned in this book.

LIMIT OF LIABILITY/DISCLAIMER OF WARRANTY: THE PUBLISHER AND THE AUTHOR MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE CONTENTS OF THIS WORK AND SPECIFICALLY DISCLAIM ALL WARRANTIES, INCLUDING WITHOUT LIMITATION WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE. NO WARRANTY MAY BE CREATED OR EXTENDED BY SALES OR PROMOTIONAL MATERIALS. THE ADVICE AND STRATEGIES CONTAINED HEREIN MAY NOT BE SUITABLE FOR EVERY SITUATION. THIS WORK IS SOLD WITH THE UNDERSTANDING THAT THE PUBLISHER IS NOT ENGAGED IN RENDERING LEGAL, ACCOUNTING, OR OTHER PROFESSIONAL SERVICES. IF PROFESSIONAL ASSISTANCE IS REQUIRED, THE SERVICES OF A COMPETENT PROFESSIONAL PERSON SHOULD BE SOUGHT. NEITHER THE PUBLISHER NOR THE AUTHOR SHALL BE LIABLE FOR DAMAGES ARISING HEREFROM. THE FACT THAT AN ORGANIZATION OR WEBSITE IS REFERRED TO IN THIS WORK AS A CITATION AND/OR A POTENTIAL SOURCE OF FURTHER INFORMATION DOES NOT MEAN THAT THE AUTHOR OR THE PUBLISHER ENDORSES THE INFORMATION THE ORGANIZATION OR WEBSITE MAY PROVIDE OR RECOMMENDATIONS IT MAY MAKE. FURTHER, READERS SHOULD BE AWARE THAT INTERNET WEBSITES LISTED IN THIS WORK MAY HAVE CHANGED OR DISAPPEARED BETWEEN WHEN THIS WORK WAS WRITTEN AND WHEN IT IS READ.

For general information on our other products and services, or how to create a custom *For Dummies* book for your business or organization, please contact our Business Development Department in the U.S. at 877-409-4177, contact info@dummies.biz, or visit www.wiley.com/go/custompub. For information about licensing the *For Dummies* brand for products or services, contact BrandedRights&Licenses@Wiley.com.

ISBN: 978-1-394-27632-5 (pbk); ISBN: 978-1-394-27633-2 (ebk); ISBN: 978-1-394-28369-9 (ePub). Some blank pages in the print version may not be included in the ePub version.

Publisher's Acknowledgments

Some of the people who helped bring this book to market include the following:

Project Manager and Editor:

Carrie Burchfield-Leighton

Sr. Managing Editor: Rev Mengle

Acquisitions Editor: Traci Martin

Client Account Manager:

Cynthia Tweed

Table of Contents

INTRODUCTION	1
About This Book	1
Icons Used in This Book.....	2
Beyond the Book.....	2
CHAPTER 1: Introducing AP Automation.....	3
Reviewing the Full Cycle AP Process	3
Recognizing the Downsides of Manual AP	5
Demands on finance staff.....	6
Stress on supplier relationships.....	6
Errors and compliance issues	7
Limits to strategic decision making	7
Impacts on the bottom line	8
Complexity and lack of scalability	9
Previewing the Potential of AP Automation.....	9
CHAPTER 2: Making the Case for AP Automation	13
Facilitating Competitiveness	14
Capturing real-time data.....	15
Enabling timely decision making.....	16
Providing cash flow insights	17
Putting Downward Pressure on Operational Costs	17
Enhancing Supplier Relationships and Sustainability.....	18
CHAPTER 3: Examining AP Automation Results	21
Maximizing Staff Value and Efficiency	22
Right-Sizing Costs	22
Reducing Payment Cycles.....	23
Enhancing Decision Making	23
Finding faulty budgeting and rogue spending	24
Closing the books faster	24
Delivering accurate data	25
Monitoring key performance indicators	25
Reducing Fraud, Errors, and Compliance Problems	26
Scaling Processes	27

CHAPTER 4: Starting Your AP Automation Journey 29

- Mapping Existing Manual AP Workflows 30
- Adopting Core ERP and Cloud Systems 31
- Assessing Needs and Requirements with Stakeholders 32
- Selecting an AP Automation Solution 33
- Conducting a Pilot Test and Training 34
- Implementing and Evaluating the Solution 35

CHAPTER 5: Ten AP Processes to Automate 37

- Managing Purchase Orders 37
- Processing and Matching Vendor Invoices 38
- Performing ACH Verification 38
- Streamlining Approval Routing 38
- Scheduling Payments 39
- Managing Month-End Workflows 39
- Meeting Tax Reporting Requirements 40
- Adding Integrated Banking Updates 40
- Coding Transactions 41
- Onboarding Vendors 41

Introduction

Companies in tech and related fields throughout the world continue to expand the ways in which software tools enhance and expand on human capabilities. From robotics on assembly lines to artificial intelligence (AI), revolutionary new developments transpire daily. A lesser newsworthy computing discipline, automation, has been emerging as an important technology that changes how consumers, customers, employees, and organizations perform key tasks.

In particular for finance teams within businesses, automating accounts payable (AP) processes streamlines their operations and drives significant cost savings.

About This Book

Accounts Payable Automation For Dummies, Tipalti Special Edition, introduces key aspects of AP automation and how it replaces manual AP processes. The book also provides an overview of AP automation for business leaders, chief financial officers, and other finance professionals and provides foundational information about these new systems, presented in an accessible way without being too technical.

This brief guide covers the following key topics:

- » The aspects of AP automation and a comparison to manual processes
- » AP workflows where automation has the biggest impact
- » The benefits your business may realize by automating its AP processes
- » A roadmap for implementing an AP automation system within your company
- » AP tasks that can be automated

Icons Used in This Book

To highlight important information throughout this book, I use four icons. Here's what each icon means:



REMEMBER

The Remember icon reinforces must-know, fundamental concepts. After you're done reading this book (if you read the entire thing), you can always jump back to these items to refresh your memory.



TECHNICAL
STUFF

The Technical Stuff icon highlights details and facts beyond the basics. You may find this information interesting even though it's not essential.



TIP

The Tip icon points out ideas that can save time and frustration in your AP automation journey.



WARNING

The Warning icon identifies actions or situations to avoid along the path to AP automation.

Beyond the Book

This book helps business leaders, chief financial officers, and other finance professionals discover more about AP automation. Given the breadth and complexity of the field, you may want to take a deeper dive into the subject on your own. To learn more, visit www.tipalti.com/fintalk.

- » Evaluating the AP process
- » Looking at the difficulties involved in a manual AP process
- » Considering the potential of AP automation in your organization

Chapter 1

Introducing AP Automation

Forward-looking companies constantly seek improvements that eliminate challenges and enhance their performance and profits. Using technology to perform repetitive, time-consuming manual tasks delivers such improvements. Emerging and modern software can automate an expanding number of business functions, including the accounts payable (AP) cycle, long considered a manual, time-consuming, and non-value-added task.

This chapter introduces you to AP automation, including how adopting AP automation provides the potential for significant workflow improvements in your organization's finance department.

Reviewing the Full Cycle AP Process

At a high level, AP involves managing an overabundance of best practices and standards, business rules, industry regulations, and auditor guidelines to oversee suppliers, their invoices, and payments. At ground level, however, the full-cycle AP process involves numerous detailed tasks that require timely execution,

which is the complete cycle that a finance department goes through to complete, record, and settle a purchase. The interdependence between some AP tasks means that a slowdown or failure in one part of the process can impact other downstream tasks and create further admin.

While organizations may differ in some specifics of the full AP cycle, generally the cycle involves six overall functional areas:

- » **Supplier management:** This area includes activities such as collection of contact details for new vendors and suppliers, verifying vendor banking information, and validating vendor tax information (such as a tax ID number). Supplier communications also falls in this category, including providing invoice and payment status updates.
- » **Tax compliance:** For tax reporting, AP must maintain and verify vendor payment records — a burden that expands as your company grows and uses more suppliers. If your company operates in multiple countries, this adds further complexity to complying with tax requirements.
- » **Purchase order (PO) management:** PO management involves requesting, documenting, and approving POs, as well as sending POs to vendors.
- » **Invoice management:** Activities in this area include receiving invoices from vendors, inputting invoice data into ERP and accounting software, matching invoices to POs, routing invoices for approval, and finally, scheduling payments.
- » **Global remittance:** Procuring goods and services from a global pool of suppliers requires businesses to make cross-border payments in multiple currencies. The AP department may use a variety of payment methods, including domestic and global Automated Clearing House (ACH) payments, wire transfers, or even digital wallets. As the number of freelance and gig workers proliferate, even small businesses may need to make global payments.
- » **Reconciliation and reporting:** Reconciling invoice and payments data from the period and closing the books completes the full-cycle AP process.

WHAT IS PROCURE-TO-PAY (P2P)?

Procure-to-pay (P2P) refers to the entire set of processes your company uses to obtain and pay for goods and services, roughly overlapping with the full cycle AP process. P2P functions fall into one of two areas or directions:

- Upstream P2P functions include sourcing, supply chain management, contract negotiation, risk management, vendor onboarding, and issuing POs.
- Downstream P2P functions cover receiving, matching, processing, and paying invoices, as well as recording transactions and reporting. These processes occur after the receipt of goods or services.



TIP

According to the Institute of Finance and Management (IOFM), 63 percent of controllers say that the AP process presents a priority area for improvement, and as many as 14 percent of AP departments still use a fully manual process.

Recognizing the Downsides of Manual AP

Many finance leaders consider AP the most time-consuming finance function. This thought isn't surprising based on the many manual tasks included in the AP cycle. According to research from Insight Avenue, 66 percent of finance leaders agree that AP is the most time-consuming manual process in finance.



REMEMBER

While this section covers the downsides, keep in mind that the solution is an automated system that easily handles changes such as increased transaction volumes, increasing supplier numbers, and operational complexity. These cloud-based systems typically can scale without the need to completely redesign the AP workflow, invest in other new systems, or add additional headcount.

When your finance team uses manual AP processing instead, it remains subject to numerous drawbacks that result in real-world negative impacts to your business.

Demands on finance staff

Manual processes require significant staffing and often lead to slow data output with human-generated errors. As a business expands its offering, the demands on existing staff grow accordingly because manual processing consumes time and resources that your AP staff could be spending on strategy and planning and other higher-level functions.

Manual processes include the following:

- » Data entry
- » Follow-up tasks, such as verifying due dates and seeking approvals
- » Managing cash
- » Manually generating reports
- » Matching invoices to POs and processing invoices



TECHNICAL
STUFF

By some estimates, a typical AP team member can process four to five invoices per hour, the equivalent of up to 40 per day. This demonstrates that even experienced team members falter under human limits to the amount of workload they can handle. AP automation can reduce manual workloads by up to 80 percent.



WARNING

Increasing demands on staffing levels, such as growing transaction volumes and tight payment and reporting deadlines, can lead to stress, errors, and ongoing burnout, creating an environment where performance suffers. In the worst-case scenario, employee turnover and upward wage pressure can increase, especially in a high-volume department.

Stress on supplier relationships

Manual AP processing can lead to late payments to suppliers. Late payments can cause loss of early settlement (early payment) discounts, negatively impacting cost control for your company. Alternatively, a vendor may request partial payment of a late invoice, further increasing AP workload and complexity. AP staff members may have to spend significant time fielding phone calls or answering emails from vendors seeking payment, preventing them from performing other time-sensitive duties.

Sparse communication or payment visibility with a vendor combined with late payments can damage the vendor relationship

or eventually lead to vendor attrition. The loss of a key supply chain partner over payment issues could cause serious production delays, stoppages in a manufacturing setting, and ultimately a loss of customers.



WARNING

A security risk is also posed by the easily-copied paper records used in manual AP processing. Keeping vendor tax ID or pricing information confidential remains a top imperative.

Errors and compliance issues

We use the term *human error* for a reason. Most of us can't type perfectly, remember every appointment on the calendar for the next month, or recall on-the-spot details about every regulation or procedure in life.



WARNING

Error and compliance issues arising from a human-driven manual AP system can include the following:

- » Late payments to vendors (see the preceding section)
- » Data entry errors when creating POs, entering invoices, or making payments, as well as when onboarding vendors
- » Numerical errors or other mistakes, such as using the wrong hourly rate or per unit cost when calculating a PO or missing a discrepancy between a PO and the matched invoice
- » Processes, such as fake invoicing and double payment of invoices, that expose your company to fraud
- » Lost paper documents or files, including the permanent loss of information
- » Inaccurate financial reporting
- » Missed tax filings, payment dates, and regulatory filings

Most AP team members consider tracking down and correcting these errors a tedious and time-consuming process.

Limits to strategic decision making

Agile, strategic decision making requires access to the most current, up-to-the-minute, accurate information that a finance department can produce. Manual AP procedures largely communicated on paper or limited to an accounting system make real-time visibility of data impossible. For strategic decision making under a

manual AP system, your company and finance department leaders may experience these limitations:

- » **Reduced spending control:** The lack of real-time spend visibility rules out the possibility of making the most accurate cost-cutting decisions, such as choosing a less-costly vendor or raw material.
- » **Increased competitive risks:** Delayed or incomplete AP reporting limits timely decisions about competitive pricing for your company's offering, alongside the need to make expenditures on such vital items as special product sales and discounts, advertising, and marketing.
- » **Increased financial risks:** Delayed or incomplete AP reporting can alter the ability of the leadership team to make financially prudent decisions in future planning, such as whether making a capital investment or taking on debt makes commercial sense.

Impacts on the bottom line

Using a manual AP process produces fairly obvious financial downsides, such as the potential for increased AP department staffing costs. Most organizations consider the AP department as a cost center, even though this important function safeguards your company's funds. Other bottom-line impacts that may result from sticking with a manual AP processing system include the following:

- » **Distorted financial decisions:** Your company leadership needs accurate financial data to make the best decisions about business operations. If the information reported through a manual AP process creates an inaccurate picture of your company's expenditures, your leadership may make decisions detrimental to the long-term health of the company.
- » **Business opportunity costs:** If a manual AP process overstates your company's expense position or the PO process inhibits timely receipt of vendor quotes, your company may be limited in creating new products or entering new markets.
- » **Tax filing and compliance penalties:** The possibility of tax filing and compliance issues can result in penalties or, even worse, lawsuits.



WARNING

Consider the fact that processing AP manually usually requires purchasing, handling, and storing large amounts of paper. Transferring paper between team members naturally slows down any process and can result in lost documents and files and long delays. Storage costs, whether in house or offsite, also drag down the bottom line. One records storage company in the United States charges from 50 to 95 cents per box, per month for records storage.

Complexity and lack of scalability

Many AP departments use accounting software with a decentralized workflow that may make use of spreadsheets and other non-integrated tools. This complexity factor, coupled with the labor intensiveness of a manual AP process, provides a significant barrier to scaling AP operations at rates required to keep up with a growing business.

When a growing business needs to process an increasing number of invoices and transactions, manual systems only “scale” through the addition of more employees, which drags on the bottom line. Paper-based systems also scale the need for equipment such as printers and storage for all the paper used, creating additional, otherwise avoidable costs. Non-integrated systems lead to duplicated work and conflicting data sets.



WARNING

If your company’s AP team fails to adequately manage vendor relationships and payments, the situation may result in reputational risk that could impact the broader business.

Previewing the Potential of AP Automation

Largely manual systems slow down the AP process and consume an outsized share of resources. While your company may already have an accounting system or enterprise resource planning (ERP) system in place, these systems often rely on manual AP processes and involve AP team members handling significant amounts of paperwork, such as POs, invoices, and checks. Some companies may be running parallel systems by using both their accounting or ERP systems and paper systems.



TECHNICAL
STUFF

Electronic data interchange (EDI) developed in the 1960s was the first effort to digitize AP departments and enable some manual functions to be handled by computers. The first software to automate manufacturing workflows came later in the 1970s, followed by ERP systems in the 1990s. Improvements to optical character recognition (OCR) tools first introduced in the 2000s, along with other new technologies such as cloud computing and artificial intelligence (AI), finally paved the way for more robust workflow automations in a host of industries, including finance and AP. Technology has continued to advance, but many finance teams still rely on tools that are limited to basic invoice scanning.



REMEMBER

AP automation software integrates with your company's underlying AP systems to automate tasks, making the AP cycle paper-free and touchless.

AP automation software includes such technologies as OCR, used to scan and digitize invoices. Digitized documents enable the system to perform once-manual tasks, such as invoice classification, matching invoices to POs, verifying invoice data, and automatically sending the invoice to the accounting or ERP system for further processing.

In addition, AP automation handles additional functions in the AP workflow:

- » Approval routing
- » Payment authorization, scheduling, and execution
- » Vendor management
- » Expense reporting and reimbursement
- » Fraud monitoring
- » Tax compliance and reporting
- » Business analytics reporting for decision making
- » Reconciliation and reporting

AP automation typically also involves implementing a new financial workflow with positive outcomes that help you do the following:

- » Improve efficiencies.
- » Reduce transaction costs and errors.

- » Ensure compliance with laws and regulations.
- » Convert overseas currencies.
- » Protect against fraud and control risks.
- » Pay suppliers on time.
- » Improve the bottom line.
- » Close the books faster.
- » Gain control and visibility over corporate spending.

Cloud-based enterprise and AP automation systems that are available 24/7 also provide real-time visibility to executives, managers, finance team members, and even vendors, who all can access reports and information any time by using Internet-enabled devices. In addition, cloud-based systems offer the benefits of backups, disaster recovery, secure access, and encryption.

Advances in technology continue to emerge and impact businesses of all types. AI, robotic process automation (RPA), and machine learning (ML) may come to be important components that advance AP automation even further in the coming years. AP automation tools also expand in depth and sophistication every day. AP automation positions your organization to better adapt to rapidly evolving market dynamics, regulations, and customer preferences.

HOW AP AUTOMATION HELPED REALWEAR CONTINUE TO INNOVATE

RealWear gives industrial workers in the field the tools they need to safely operate hands free. The company's flagship product, a ruggedized head-mounted tablet computer, frees a worker's hands and works via voice control, even in noisy environments. The company's staff accountant faced the challenge of handling 90 percent of the company's AP processes on her own. To support RealWear's pace of innovation, the finance team needed to act as a partner to the rest of the organization and streamline processes where possible. The company required an automated solution to reduce close times,

(continued)

(continued)

implement seamless supplier onboarding, execute domestic and international payments, and provide a centralized source of truth for audit tracking.

RealWear selected Tipalti's AP automation solution that integrated and synced directly with its existing ERP system, NetSuite. Tipalti delivered the following impacts:

- Automated invoice approvals using two-way and three-way PO matching
- Reduced the financial close process by seven days
- Increased team visibility to improve tracking and eliminate payment errors

Through implementing AP automation, RealWear streamlined its payables workload by 200 percent, eliminating three hours of payables workload per month.

- » Enhancing your company's competitive edge
- » Relieving cost burdens in your AP operation
- » Making positive impacts on relationships and sustainability

Chapter 2

Making the Case for AP Automation

Changing economic times challenge businesses of all sizes. Companies may be tempted to adopt a “growth at any cost” mindset in order to stay competitive, but such strategies often come at the expense of sustainability.

High-growth, high-performing businesses often experience extreme volatility in the face of economic swings, making sustainable business practices even more important. As many as 78 percent of financial leaders in high-growth companies say that sustainability takes precedence over growth at any cost in the current environment.

This chapter makes the case for accounts payable (AP) automation as part of improving business sustainability, longevity, and competitiveness.



Many of the statistics in this chapter come from research conducted by the firm Insight Avenue in March 2024. (The research was commissioned by Tipalti.) The firm interviewed hundreds of finance and AP leaders for high-growth companies across

the United States, United Kingdom, and Europe. The researchers defined high growth as companies with anticipated top-line revenue growth of 20 percent or more in the next 12 months. The companies that were surveyed employ 50 to 1,000 people.

Facilitating Competitiveness

Effective AP management helps your business remain competitive by offsetting costs caused by inflation, rising interest rates, and other economic factors.



TECHNICAL
STUFF

Eighty-two percent of finance leaders say that AP inefficiencies and a continued reliance on manual processes are contributing to challenges in supporting the growth objectives of the business. And 79 percent say they're spending more time on manual AP than in 2023.

Beyond the obvious return on investment (ROI) resulting from using AP automation to reduce AP costs, AP automation delivers many indirect benefits to make companies more competitive, including

- » Risk and fraud mitigation
- » Improved cash flow from benefits like better payment terms and early payment discounts
- » Optimized capital allocation strategies resulting from more timely, robust data
- » Support to seamlessly collaborate with global partners, so your company can choose the best partners in every situation
- » The flexibility to adapt its operations when the business as a whole needs to pivot to a new market segment or product or service offering
- » Opportunities to identify areas for cost reduction, strengthening business agility

- » Improved corporate governance through better internal controls and higher-quality financial statements
- » Reduced or eliminated barriers to growth



REMEMBER

Companies deploying an AP automation solution typically reduce AP operational workload by up to 80 percent.

Capturing real-time data

More visibility and transparency in finance departments accelerate reporting. AP automation means that your business can measure and understand financial performance faster, as well as directing investments toward opportunities that yield the best returns. With all data accessible from the cloud, stakeholders experience instant access to the information they need instead of waiting for reports to be generated and sent to them.

As automated processes enable real-time invoice processing, AP team members can evaluate financial data almost immediately. Cloud systems provide a single source of data available 24/7 to the AP team. Decision makers have immediate visibility into issues, such as unpaid invoices, invoice exceptions, and other irregularities, as well as trends in cash flow and other metrics.

Automated AP systems also deliver a real-time digital audit trail because such systems systematically capture every step of every transaction. This provides a complete audit trail to auditors, regulators, and others who need to review transaction details.

KEEPING YOUR EYES ON THE DASHBOARD

Automated solutions offer superior visibility to the data in the system, putting information at the user's fingertips. Some AP automation solutions include dashboards — each of which presents a graphical summary of key AP information.

For example, an automated AP system may include a spend dashboard that summarizes performance data that otherwise would have to be derived from toggling between multiple reports. With these

(continued)

(continued)

dashboards, AP department members and other stakeholders gain the ability to get real-time status updates, as well as the ability to do the following:

- Track spend within the dashboard.
- Identify savings opportunities and bottlenecks.
- Dive deep into critical spend data to extract important insights.
- Use custom fields to enhance reporting.
- Search, filter, and export data to create custom reports with little time and effort.

Enabling timely decision making

On average, the process of closing the monthly or quarterly books in a high-growth company takes 15 and 17 days respectively. This is up from 11 days in 2023. AP automation can deliver a 25 percent faster financial close. Having a real-time view of cash flow, expenses, and revenue enables timely, informed decision making. For example, AP team members may use reports from the system to make decisions about how much inventory to buy, when to buy it, and how to pay for it. Or, real-time data may facilitate choosing one vendor over another when your business experiences an unexpected surge in customer demand, as well as enabling more informed vendor negotiations.



Among finance leaders, 80 percent think AP should be leading the business in identifying growth and cost savings opportunities. Seventy-nine percent say AP inefficiencies and reliance on manual processes create a feeling that finance isn't keeping up with the rest of the business. Finally, 72 percent see it as very important that their organization makes meaningful improvement or investment in AP efficiency in the next 12 months.

Financial uncertainty restricts your company's ability to plan for growth. Without a clear understanding of your company's cash and financial position, your leadership team can't make informed decisions about new investments or initiatives. As a result, your business may stagnate or fall behind competitors.

Providing cash flow insights

Cash flow management involves monitoring, analyzing, and optimizing cash receipts and expense payments. A strong positive cash flow signals a healthy business operation because cash flow provides a key engine for future growth in the business. Cash flow typically comes from one of three sources:

- » **Cash flows from operations (CFO):** These flows include income from the sale of goods and services, less ongoing bills and expenses.
- » **Cash flows from investing (CFI):** This figure reflects cash made or spent on investment activities during a particular time period.
- » **Cash flows from financing (CFF):** This metric tracks the net flows of cash and working capital used to fund your business.

Using AP automation to help track these money flows in real time gives financial leaders insights for better operational decision making. CFF information provides insight into your company's cash position and management of its capital structure.

When your company experiences a cash flow deficit, AP may decide to delay payment on certain invoices to conserve cash. This practice may cause late fees, lower credit ratings, and other negative impacts. On the other hand, settling invoices too quickly lowers your company's cash position. AP automation can easily maintain the delicate balance between prompt payment and having adequate cash on hand. Automated systems offer reports such as an invoice aging report, enabling decision makers to better manage cash.

Putting Downward Pressure on Operational Costs

The operating costs of your business include cost of goods sold (COGS), as well as ongoing expenses such as rent, payroll, subscriptions, and other overhead costs. The importance of

controlling costs intensifies when economic and business conditions become volatile.

Automated AP delivers an immediate reduction in costs of processing invoices and other transactions. It also eliminates the costs associated with errors, such as late payment fees.



TECHNICAL
STUFF

Among finance leaders, 59 percent say they've considered leaving their jobs because of the stress associated with using manual AP processes.

Beyond the costs directly related to transaction processing, AP automation results in additional downward pressure on costs, such as

- » Eliminating the need to use outsourced staff
- » AP department growth without adding head count
- » Providing a high level of visibility and control over expenditures, including employee expensing
- » Enabling AP processes to be consolidated or eliminated
- » Optimizing vendor selection for cost control
- » Enhanced performance of AP staff being freed from manual labor and instead using their time perform other high-impact duties

Enhancing Supplier Relationships and Sustainability

Your company's AP department represents your company in relationships with vendors and suppliers. Maintaining and enhancing these relationships helps your business run smoothly and reduces costly frictions, such as having to replace a vendor due to late payment issues. Key concerns that finance leaders believe are issues include the following:

- » Focusing on nurturing supplier and partner relationships is needed (88 percent).

- » AP failures can damage supplier relationships (37 percent).
- » A lack of timely information weakens the company's negotiating position with suppliers (32 percent).
- » Obtaining and validating vendor or supplier information is one of the most inefficient parts of the AP process (41 percent).
- » Chasing invoice approvals can be automated (76 percent).
- » Supplier invoice processing can be automated (73 percent).
- » Dealing with suppliers following up on invoices can be automated (72 percent).
- » AP automation enables more timely supplier invoice payments (86 percent).



REMEMBER

On the bright side, moving to an automated AP system can reduce up to 66 percent of supplier payment errors.

Other positives include vendors being able to onboard themselves into the system, so the onboarding process moves more quickly and becomes more error-free. The vendor portals included in most automated AP systems give vendors direct access to PO, invoice, and payment updates. This transparency leads to stronger vendor partnerships, improved communications, and faster resolution of payment errors or disputes. The overall user experience for vendors improves.

Beyond AP automation's impacts to overall business sustainability, in the area of environmental sustainability, AP automation delivers some obvious and not-so-obvious benefits. Obvious benefits include the reduction in the use of paper, which reduces demand for wood pulp and energy used to manufacture, transport, store and dispose of paper.

AP automation also helps your company maintain environmental sustainability policies as outlined in your company's environmental, social, and governance (ESG) policy. The system can track vendor and supplier environmental policies to ensure they comply with your own guidelines. Decision makers could evaluate a vendor's practices before contract signing.



According to management and strategy consulting firm McKinsey & Company, strong ESG policies can benefit a company's bottom line. ESG may attract new pools of customers, allow cost saving from reduced energy consumption and similar factors, attract talented employees, boost morale and performance, and drive better capital allocation choices through pursuing long-term sustainability. Company chief financial officers can use AP data and other company financial data to drive decisions leading to ESG-friendly efficiencies and savings.

HOW NOOM ADOPTED HEALTHIER AP PRACTICES THROUGH AP AUTOMATION

With more than 3,000 employees helping health-conscious consumers worldwide make better decisions about diet, fitness, and lifestyle, Noom needed scalable solutions to help it continue to grow. Before automating, Noom issued all payables as paper checks, with multiple approval signatures required. Outsourced AP staff used unwieldy combinations of Google Drive, Excel, and personal email to manage bills and payables. AP bore the burden of managing and paying hundreds of individual partners, and many lost payments were reissued manually.

Through implementing Tipalti's end-to-end AP automation solution integrated with NetSuite ERP, Noom centralized its financial operation, brought finance entirely in house, and eliminated the need for outsourced staff. AP automation also enabled Noom to

- Save time on data entry.
- Stay compliant with international vendor requirements.
- Gain visibility in its approval processes by automating invoice approvals.
- Streamline and automate vendor onboarding.

IN THIS CHAPTER

- » Getting the most out of your AP staff
- » Identifying opportunities for cost reductions
- » Speeding up payment cycles
- » Leveraging AP automation for better decision making
- » Addressing fraud, errors, and compliance issues
- » Taking advantage of scalability

Chapter 3

Examining AP Automation Results

Only about 31 percent of businesses have automated accounts payable (AP) processes, according to recent estimates. That means more than two thirds of companies remain disadvantaged by a manual AP workflow. With the United States business-to-business (B2B) payments market exploding above the \$22 trillion level, according to reporting by *Business Insider*, payment volumes and other factors such as managing remote workers and global supply chains will likely drive non-digitized AP departments to seek out automated solutions.

This chapter focuses on the results your company could experience by adopting advanced, automated AP technology.



TECHNICAL
STUFF

This chapter features statistics from research conducted by the firm Insight Avenue in March 2024. (The research was commissioned by a major AP automation provider.)

Maximizing Staff Value and Efficiency

Implementing AP automation removes the bulk of manual labor, giving your AP staff the opportunity to make better strategic decisions and explore efficiencies and cost savings. Your staff can then focus on the business intelligence (BI) side of the AP function, delivering data-driven decisions that address the following:

- » Overall procurement strategy
- » Supply chain cost reduction
- » Vendor selection and consolidation
- » Order timing, such as if ordering a raw material on a particular day of the month results in added savings
- » Payment terms and available rebates
- » Inventory levels and the impacts on cash flow



TECHNICAL
STUFF

According to the Institute of Finance and Management (IOFM), manual tasks such as entering data, organizing papers, correcting mistakes, chasing down information, and responding to supplier inquiries wastes up to 84 percent of your AP team's daily activities. And 76 percent of those folks say that chasing down invoice approvals represents a major AP concern. With up to nearly 51 percent of daily work still being spent on manual processes, this means that most end-to-end AP processes are still manual and push paper.

Right-Sizing Costs

The primary savings derived from AP automation comes in the form of reduced invoice processing costs. Did you know that manually processing a single invoice costs between \$16 and \$23, depending on the size of your business? In its 2019 paper, Goldman Sachs stated that businesses around the world collectively were spending as much as \$2.7 trillion on manual, paper-based payment processing.

Smaller businesses (50 to 500 employees) may process as many as 100 invoices per month, and large businesses (500 or more employees) can process 10,000 or more invoices per month.

(The definition of a small versus large businesses can vary by industry and country.) With AP automation, you get lower processing costs — as little as half the cost than manual systems! The cost per invoice now falls to between \$5 and \$7.

Automation will save these businesses thousands of dollars per month. The opportunity to slash operational costs by such large amounts doesn't come around often, so with AP automation, you have a chance to significantly boost your company's bottom line.

Reducing Payment Cycles

AP automation reduces manual processing that requires eight or more steps with the following more streamlined workflow:

- 1. The vendor digitally submits the invoice directly to the AP platform, or an AP staff member scans a paper invoice into the system.**
- 2. The system captures all items of data from the invoice, even non-standard invoices.**
- 3. The system routes approvals and otherwise processes the invoice.**
- 4. After approval, the system schedules digital payment delivery to the supplier.**

While the traditional manual processing cycle might have taken anywhere from 30 to 90 days, the automated process can deliver approvals and payments in less than a week, depending on the payment method. Most vendors welcome faster payments.

Enhancing Decision Making

Automation helps your company's chief financial officer (CFO) run an efficient and effective finance and accounting operation. Through AP automation, the CFO and AP team can gain insights about making decisions relevant to AP and the business as a whole.

Finding faulty budgeting and rogue spending

AP automation provides visibility to all transactions within the data repository. When the AP team focuses on data rather than tasks, it can identify instances of poor budgeting and rogue spending.

On the budget front, AP automation helps identify errors such as items assigned to the wrong budget or line item. By analyzing the data, AP staff may also uncover instances where a supplier is charging two different rates for the same materials or services. Finding these discrepancies can open up the opportunity to renegotiate more favorable rates and achieve better budgeting transparency.

AP automation also can help reduce rogue spending in your organization. Your AP team can make rules in the system to prevent certain kinds of spending or to require additional forms of approval before that spending occurs.

Closing the books faster

On average, the process of closing the monthly books can take 15 days while the quarterly books can take 17 days to close in a high-growth company. AP automation accelerates closing the books by 25 percent.



REMEMBER

Why is closing the books more quickly a concern? Because it allows for more time to analyze the period-end reporting, potentially resulting in action items such as

UNDERSTANDING ROGUE SPENDING

Rogue spending refers to unexpected, unauthorized expenditures charged to your business. They may include purchases made outside the normal process and situations where an employee uses company funds to purchase something for personal use or even resells or makes purchases from a non-approved supplier. By some estimates, rogue spending accounts for 5 to 10 percent of the spend in a typical business.

- » **Making timely strategic decisions:** This may include pivoting on existing plans or making company restructuring decisions.
- » **Finding irregular or non-recurring transactions:** For example, such transactions may have specific current and future impacts.
- » **Examining your company's cash position:** Analyzing payables helps your company plan for cash flow.
- » **Comparing actual values to budgeted values:** Evaluating actual performance uncovers looming problems and promotes more accurate future budgeting.

Delivering accurate data

In manual AP systems, a matching error describes a discrepancy in the data between the purchase order, invoice, and receiving report. A majority of financial professionals share the concern that manual data entry consumes significant AP resources. For example, the general ledger (GL) coding and validating vendor data are two of the most inefficient parts of the AP cycle.

AP automation eliminates the human error that naturally occurs when humans enter data. It eradicates both data entry errors and duplicate data entry. Such errors create inaccuracies that can negatively impact decision making in your business.

AP automation supports data accuracy in other ways, as well. For example, with three-way matching between the PO, supplier invoice, and delivery receipt, the system can process a payment more quickly while avoiding exceptions and double-payments. The process prevents premature payments while also paying each invoice early enough to receive any available vendor discounts.

Monitoring key performance indicators

Companies measure many metrics to monitor business health. In modern business practice, companies identify the most important metrics, called *key performance indicators* (KPIs). Each KPI tracks a measurable item pertaining to a specific goal or objective. (Otherwise known as *objectives and key results*, or OKRs.)

KPIs differ from company to company. Mature, high-growth companies may use a variety of metrics to track the efficiency of

its AP system. The AP solution may present the KPIs via a dashboard that summarizes the information graphically. Flip back to Chapter 2 for more information.

Top AP metrics to keep tabs on include

- » Number of invoices received
- » Percentage of digital invoices
- » Percentage of straight-through invoices (ones that make it through the system without exceptions)
- » Average payment processing time
- » Invoices processed per employee
- » Exceptions versus total invoices processed
- » Number of payment errors
- » Percentage of discounts captured
- » Money saved by captured discounts
- » Number of late payments

Reducing Fraud, Errors, and Compliance Problems

Organizations handling money may be subject to problems with fraud, compliance, and other errors. Automating a manual AP system can help root out existing problems and prevent future ones.



TIP

You may see improvements such as the following:

- » **Enhanced financial controls:** The term *financial controls* refers to your company monitoring its cash flow statement, balance sheet, and profit-and-loss (P&L) statement in order to uncover problems and make business decisions.
- » **Safeguards against fraud:** Automated AP systems can proactively identify and prevent fraud, such as extra payments to a vendor where an employee receives a kickback. Tools in the system perform detailed payee monitoring. System should include fraud management measures such as a blocked payee list and perform risk checks to see if a new payee has any

relationship to a payee that's already on the blocked payee list or happens to be on any other fraud watchlist.

- » **Solutions for tax compliance:** Global companies especially need to take great care to comply with tax laws in the various countries where they operate and pay suppliers and other partners. A robust automated AP system can help vendor users select the correct tax form based on their country and business structure. Based on the form selected and built-in validation, the AP system can automatically apply needed tasks compliance rules from the thousands of available rules. At year end, the system can generate all necessary reports and calculate necessary taxes, such as the Internal Revenue Service (IRS) withholdings in the United States.
- » **Rules for complying with anti-money laundering (AML) measures:** The system verifies that a new vendor has provided all the information required for due diligence at the initiation of a business relationship.

Scaling Processes

AP automation creates a uniform business process for receiving, approving, and paying invoices. The AP department can enter rules for how, where, and when vendors submit invoices, as well as specifying necessary data to include on each invoice. The AP team can also create rules in the system specifying payment terms, methods, early payment discounts, and automatic or recurring payments.

After an invoice is submitted or scanned into the system, optical character recognition (OCR), combined with machine learning (ML), identifies each field of data on the invoice and captures each item in the system. The system automatically notifies the budget owner that an invoice awaits approval. The budget owner can then choose exactly when to approve the invoice.

Automated AP operates on automatic rules and routings, so it provides operational scalability without adding headcount. What does that mean? Here's a breakdown:

- » The system can handle growth in volume without degrading accuracy or performance.

- » Automated AP also decentralizes the AP function, so many users and stakeholders have 24/7 access to the system data.
- » Because AP automation platforms are cloud based, they can scale without limits related to hardware or software upgrades.
- » AP automation systems offer consistent reliability and security, automating such tasks as data backups.



REMEMBER

Automating more of the AP cycle workflow removes barriers to scaling the business as a whole because the system can scale to handle more vendors, transactions, and payments.

ZEGO DRIVES EFFICIENCY USING AP AUTOMATION

European company Zego provides auto insurance for self-employed drivers, such as for-hire taxi or rideshare drivers, delivery and courier drivers, and other independents delivery van drivers. It's sold more than 40 million policies in nine countries worldwide.

As a relatively young business, Zego had outgrown countless different accounting systems used to manage complex global payments. Zego sought out and implemented Tipalti, an AP automation solution, to streamline its workflows so the business could grow more quickly.

Zego needed to ensure that cash flow remained uninterrupted while transitioning to a new workflow and system. The new AP automation system solved a number of problems and achieved numerous goals:

- Fully automating the company's procure to pay (P2P) process, including AP, and eliminating all manual processes
- Centralizing finance operations in one streamlined, scalable solution
- Controlling business spend through improved oversight of costs, as well as increasing other financial controls
- Seamlessly integrating with NetSuite

IN THIS CHAPTER

- » Examining current AP workflows
- » Implementing overall ERP and cloud systems for AP
- » Gathering stakeholder feedback
- » Setting up for success with an AP automation solution
- » Preparing properly with a pilot and training
- » Going live with AP automation

Chapter 4

Starting Your AP Automation Journey

Manual accounts payable (AP) systems suffer from slow completion and high operational costs. Many AP and finance leaders in high-growth companies agree that automating processes should be a priority.

With end-to-end AP automation solutions now available, your company can automate the entire AP cycle, from supplier onboarding to payments and reconciliations. Doing so streamlines the AP process, reduces costs, and delivers high-quality, real-time data to the C suite, decision makers, and other organizational stakeholders.

This chapter provides a roadmap to help you and your company get started on your AP automation journey and shares key steps to take when implementing an AP automation solution.

Mapping Existing Manual AP Workflows

Automating your company's AP process requires a solid understanding of the current processes, including any operational gaps. You should strive to make the most complete map possible, including every task and person in the workflow.



TIP

Start by identifying the different stages and interactions an invoice goes through, from requisition or purchase order (PO) generation through payment to the supplier, and finally reconciliation. Create a physical process map or diagram illustrating the workflow. Some planners go so far as using standard flowchart symbols when creating the diagram.

Where possible, each symbol or node on the map should include the following information:

- » The individuals who perform any action at that point, such as handling or approving an invoice
- » The task or specific step to complete at that part of the process
- » The systems, such as databases, Excel files, and enterprise resource planning (ERP) or accounting, currently used to perform the task
- » The information required for the task or action, such as forms, documents, files, and more

The map should break down the process into a series of simple steps that answer questions such as

- » When and how are POs initiated and approved?
- » How is data extracted from invoices and entered into the current ERP or accounting system?
- » How many supplier invoices need to be processed each month?
- » What's the monthly frequency for payment runs? And when do they take place?
- » How does your current system capture payment details?

You may need to assemble a team and consult with specific AP team members to populate the map. The mapping process provides the added benefit of documenting process for long-term knowledge retention. It can also be shared with external auditors who need to understand your AP procedures. They may also have tips on how to improve processes further.



TIP

Save time by using flow chart software, such as Lucidchart or Microsoft Visio, to create the AP cycle map. Developing a clear map generates an understanding of all the processes to automate and identify process inefficiencies, which in turn helps to clarify goals for the ultimate AP automation solution that your company selects.

Adopting Core ERP and Cloud Systems

AP automation software integrates with leading cloud ERP and accounting platforms. If your company doesn't currently use cloud-based ERP or accounting tools, you'll need to select and implement one. This may cause a bit of a which-came-first situation (the chicken or the egg?), where you need to know if your ERP or accounting system of choice integrates with your preferred AP automation system.

Most major AP automation systems enable direct integrations with major platforms including (but not limited to)

- » Intuit QuickBooks
- » Sage Intacct
- » Oracle NetSuite
- » Acumatica
- » Microsoft Business Central
- » SAP
- » Xero



TIP

Many ERP suppliers provide their own checklists for selecting and implementing ERP systems.

While large organizations may have adequate in-house technical resources and information technology (IT) staff to handle an ERP

implementation, smaller companies may choose to partner with an accredited consultant to increase the chances of project success. Some consultants may also provide post-implementation support services.

Assessing Needs and Requirements with Stakeholders

Transitioning to any type of new technology can be daunting. Companies invest significantly in existing systems, and employees become comfortable doing their jobs in a particular way. Regular communication and research will make it easier to convince skeptics in your company that going forward with AP automation enhances the company's bottom line and positions the company for future growth.

You should consult with people at all levels of the organization, including the C suite, IT team, team members handling other levels of AP functions, employees who receive and handle invoices, and even the suppliers and partners your company pays. After you've identified the key stakeholders, gather data from relevant sources to gain insights to AP function needs. This process is known as a *needs assessment*. A robust needs assessment process should

- » Identify specific challenges to fix and new functions to add.
- » Define specific project goals, such as a return on investment (ROI) target and other key performance indicator (KPI) targets.
- » Gather specific requirements, including overall functional areas and more specific deliverables.
- » Include a gap analysis comparing where the AP organization stands now versus where it needs to be in the future.
- » Analyze the data to identify the most critical needs both for now and in the future.
- » Produce a specific plan of action, including cost, timeline, deliverables, and team members tasked with managing the project.
- » Provide the findings to stakeholders so they can validate and verify those findings.



The needs assessment should result in an action plan and lead to establishing a project team that represents key stakeholders in the organization. That team then spearheads the remaining steps in the implementation: selecting a solution, conducting a pilot and training, and completing and evaluating the implementation.

Leadership and stakeholders within and outside of your AP department may naturally worry about the cost of AP automation. The average payback period for a typical AP automation implementation is 6 to 18 months, making the automation investment a prudent use of company funds.

Selecting an AP Automation Solution

In the last few years, a number of AP automation solutions, including Tipalti (the sponsor of this book), have emerged in the payables landscape. As is typical, the offerings vary in scale, features, price, available integrations with underlying ERP and accounting platforms, and so on.

Your company can use its standard IT vendor selection process to evaluate the pros and cons of the various competitors relative to the completed needs assessment. You also can search the web to find online checklists for choosing a software partner. Many of the solution providers, including Tipalti, provide a host of online demonstrations and videos that various stakeholders can use to preview functionality and compare the tools offered in the different AP automation solutions.



Key requirements to consider include ERP and accounting integrations, global currency support, implementation time, ease of use, and price.

In addition, Tipalti recommends that your company evaluate potential AP automation partner solutions using the FUSE method:

- » Features of the solution provide end-to-end seamless financial workflow.
- » Usability of the solution leads to high satisfaction in your company's AP team.

- » Scalability to ensure the solution grows with your business.
- » ERP integration that's robust enough to work seamlessly with your company's existing or planned ERP system.

Conducting a Pilot Test and Training

A pilot project or pilot test enables your company to assess how well new concepts or tools work, as well as exposing challenges and pitfalls to avoid. In other words, a test provides the opportunity to iron out kinks in the new system or tweak how it operates before risking business disruption caused by a company-wide rollout.

For example, if your organization includes a small overseas subsidiary with few transactions with larger groups in the company, you could run the pilot test on that division without disrupting the rest of the business. This creates a controlled environment where you can swiftly troubleshoot potential issues.



TIP

For the pilot(s) you run KPIs — such as transaction processing speeds and transaction accuracy — that you want to use to assess the effectiveness of the pilot.



WARNING

A project of this scope impacts business operations, IT, and the employees and vendors who need to adapt to the change. During the pilot process, it makes sense to develop a plan to deal with organizational changes to positively affect the acceptance and adoption of the new processes, which is critical to the ultimate success of the automation implementation.



TIP

The pilot period presents an ideal time to begin training AP team members to use the newly automated system. Adequate training will increase team member buy-in and build comfort with the change. Major IT platform and AP automation providers, including Tipalti, provide a robust offering of online training videos, webinars, training events, and other training opportunities. Some, like Tipalti, even offer training along with other implementation services. To explore Tipalti's webinar offerings, visit tipalti.com/webinars.

Implementing and Evaluating the Solution

Prior to the implementation of the AP automation solution, the project team should develop a specific plan for executing the implementation. This plan should cover the scope, timeline, budget, roles, responsibilities, and deliverables of the project. It can also define criteria for success and KPIs for the implementation itself.

The length of the implementation process varies depending on the size and scope of your organization and the specific AP automation solution provider's process. According to Tipalti, its AP automation solution can be implemented in as little as a few weeks.



TIP

Implementation timing matters. Your company can minimize disruption to AP processes and operations by completing AP automation integrations using clean ledgers at year end.

The work for the project team continues after implementation. The team needs to monitor and evaluate the results includes gathering and analyzing data. This should cover

- » System performance
- » Employee usage levels and satisfaction
- » Satisfaction of previously-set goals and metrics, including ongoing costs of the system versus overall cost reductions
- » Feedback from key stakeholders and system users, including vendors using the system
- » Impacts on any other business processes

Continuing to monitor and assess the results enables the project team to identify and address any ongoing issues or gaps in operations, as well as to assess the success of the project and the improvements to the AP cycle workflow.

AKIXI KICKS TEDIOUS AND RISKY PROCESSES TO THE CURB WITH AP AUTOMATION

Akixi offers cloud-based, real-time call reporting and business insights software to SME telecommunications companies across the world. It has more than 10,000 customer sites worldwide and more than 450,000 monitored global users.

Akixi's finance team struggled with time-consuming, error-prone manual work. In addition, its AP processes weren't integrated with the company's accounting platform, Xero. Even worse, a single person created, approved, and issued all payments.

The company partnered with Tipalti, which provided an end-to-end AP automation solution for Akixi. As a result, Akixi was able to

- Automate all AP processes to minimize headcount.
- Improve the onboarding experience for suppliers.
- Process supplier payments more efficiently, including achieving faster invoice approvals and enhance invoice tracking.
- Reduce errors and inaccuracies in its financial reporting, making the organization less subject to fraud.
- Seamlessly integrate its AP process with its Xero accounting platform.

IN THIS CHAPTER

- » Processing paperwork
- » Verifying ACH transactions
- » Achieving more rapid approval routing
- » Managing payments, workflows, taxes, and banking
- » Taking the pain out of general ledger coding
- » Enabling suppliers to onboard themselves

Chapter 5

Ten AP Processes to Automate

Are you overwhelmed by questions about which specific parts of your accounts payable (AP) cycle could be automated? This chapter gives you a sense of the possibilities.

Managing Purchase Orders

Automating your company's purchase order (PO) system provides numerous benefits. This workflow can

- » Automatically generate POs in your enterprise resource planning (ERP) system with no coding required, minimizing manual work, as well as notifying stakeholders for approval workflow routing.
- » Sync PO details to ERP for easy spend tracking.
- » Send POs to suppliers automatically.
- » Mark goods received notes for three-way PO matching.

Processing and Matching Vendor Invoices

Automation makes the invoice workflow seamless and simple without the need to hire outside help. In this case, machine learning (ML) in the system makes the invoice process seamless. Systems can

- » Scan, capture, match, and process invoice data at the header and line level. This includes matching invoice numbers, dates, due dates, payment terms, item numbers, item description quantities, and amounts due with the information in the PO.
- » Allow suppliers to upload invoices directly via a supplier or vendor portal.
- » Automatically seek payment approvals.

Performing ACH Verification

The Automated Clearing House (ACH) payment network enables businesses to send and receive electronic payments, offering greater speed and convenience. The ACH verification process enables businesses to verify a supplier's bank account information to ensure proper routing of payments.

Streamlining Approval Routing

The AP cycle requires approvals through many points in the process. For example, approving an invoice for payment may involve a two-way approval (matching the invoice with the PO) or a three-way approval (matching the invoice with both the PO and the receiving report). Seeking approvals used to be a manual process requiring authorization from one or more persons in your organization. The person with cost center budget responsibility usually serves as the key point of approval. More expensive invoices may require additional approvals, depending on your company's policy.

AP automation intelligently handles the required routing. It uses routing email templates along with attached electronic signature documents. When the recipients digitally sign the approvals, the automated payment process can begin. The automation system also can implement controls or limits on certain routine costs, such as office supply purchases.

Scheduling Payments

Within the automated supplier management process, invoice payment approvals initiate payment executions. The system automatically initiates the payment by using the method specified by the supplier, including ACH or global ACH, wire transfer, digital wallet, debit card transfers, or prepaid debit card. The system may even use validation to reduce fraud, checking payees against sanctions screening lists and other global regulatory compliance lists.

Managing Month-End Workflows

AP automation streamlines the payables month-end close process, which entails verifying all transactions, adjusting and finalizing balances as needed, and generating reports on monthly business performance. In manual systems, this process traditionally requires at least a full business week and is at risk of human error. For example, under reported payables and other liabilities can skew business metrics.

AP automation eliminates or handles essential month-end close tasks. Automation reduces or eliminates the need to verify transactions manually because transactions have already been verified in an earlier part of the workflow. AP automation also helps ensure that as many invoices as possible have been closed out when due, increasing the accuracy of month-end reporting, especially with regard to future cash flows.

Finally, AP automation makes the month-end close process faster overall, provides the AP team and others with easier access and increased visibility to current information and analytics, and allows for more time to analyze data.

Meeting Tax Reporting Requirements

Finance leaders consider tax non-compliance to be a serious organizational risk. Its downsides include financial exposure, damage to brand equity, and disruption to operations.



TIP

An automated AP workflow helps your company collect, verify, and validate vendor tax data before processing vendor payments in order to remain in compliance with government tax authorities (for example, IRS and HMRC) regulations and regulations in other countries or jurisdictions, including international tax and value-added taxes. Automation simplifies the burden of adhering to various international laws and regulations. Further automation capabilities include e-filing; automatically generating 1099, 1042-S, and other forms; and verifying vendor tax identification numbers.

Adding Integrated Banking Updates

The landscape for financial services technology has changed dramatically over the past decade, and AP automation should leverage the latest and greatest banking offerings to enable your company to make payments to suppliers, domestically and globally *and* quickly and easily. Global payments can now be sent and received in seconds, and that speed of processing provides your business with unparalleled visibility and control of cash reporting. The status quo of manually uploading CSV files to bank accounts to execute payments is plagued by errors, so finding an AP solution that includes embedded payment technology not only provides a better experience with supplier payments but also reduces the risk of manual processing errors.

In addition, many digital wallets make instant payments delivered within five to 30 seconds. As more traditional banking institutions add instant payments, AP automation software should include the ability to keep up and track such payments in real time for accurate cash reporting.

Coding Transactions

The AP process requires assigning general ledger (GL) codes to invoices to assign each expense to a specific cost category, cost center, or project. Coding invoices allows for more visibility and detail about your company's spending, providing actionable insight for decision making.

Historically, most coding systems have been slow, time-consuming, and prone to errors. However, when an automated AP system captures an invoice through optical character recognition (OCR) or digital submission, it extracts data from the invoice and — among other things — assigns the appropriate GL code to the invoice amount based on predefined rules. The process ensures accuracy and eliminates the need for manual coding, but not all OCR tools are equal — and reliability of invoice scanning and coding can be very different between suppliers based on technology and machine learning.

Onboarding Vendors

Many AP automation systems enable your company to establish a self-service vendor portal. Vendors use the portal to onboard themselves, including entering basic business information, specifying tax ID and tax form requirements, and choosing their preferred payment methods. Vendors also can use the portal to check invoice and payment status.

Explore the benefits of automating AP

This book provides an overview of accounts payable (AP) automation for finance professionals and gives you foundational information about these new systems, presented in an accessible way. You explore the challenges with some current AP processes and dive into the benefits of adopting AP automation to help significantly improve workflows in your organization's finance department.

Inside...

- What is AP automation
- Making the case for automation
- AP automation in action
- Examining AP automation results
- Automating ten AP processes



Lisa A. Bucki is an author and content expert who's educated others about computers and business topics since 1990. Bucki is cofounder of 1x1 Media, LLC (www.1x1media.com), which publishes books and courses on how-to topics for entrepreneurs, startup founders, makers, and other business professionals.

Go to **Dummies.com™**
for videos, step-by-step photos,
how-to articles, or to shop!

ISBN: 978-1-394-27632-5

Not For Resale

for
dummies®
A Wiley Brand



WILEY END USER LICENSE AGREEMENT

Go to www.wiley.com/go/eula to access Wiley's ebook EULA.