4th

ANNUAL

ALABAMA TREASURY MANAGEMENT ASSOCIATION

SUMMIT

SUMMIT 2014

atma
Reaching New Heights

SEPTEMBER
25

HOT TREND:

ACCOUNTS PAYABLE AUTOMATION

Mel Steals, PNC Bank

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Agenda

Accounts Payable Goals

Accounts Payable Challenges

How A/P Automation Works

A/P Automation Savings

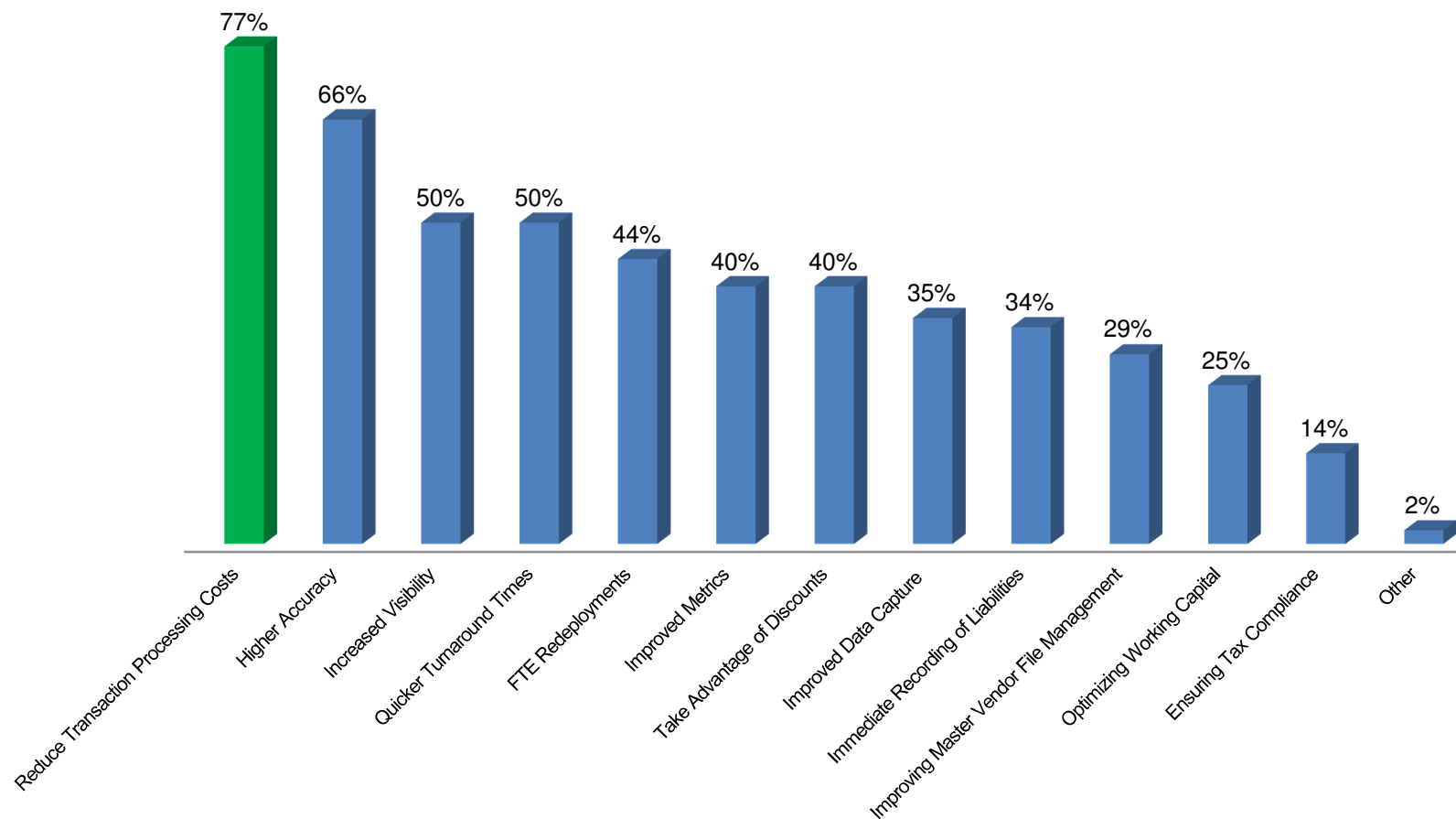The Cost of Doing Nothing

Action Plan

Evaluating Different Providers

ACCOUNTS PAYABLE AUTOMATION
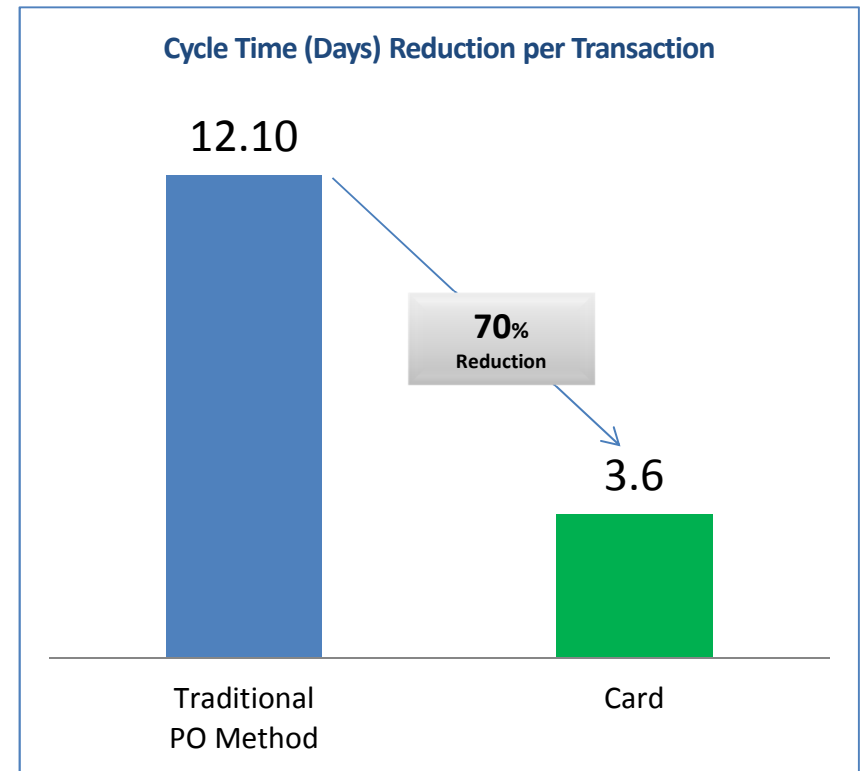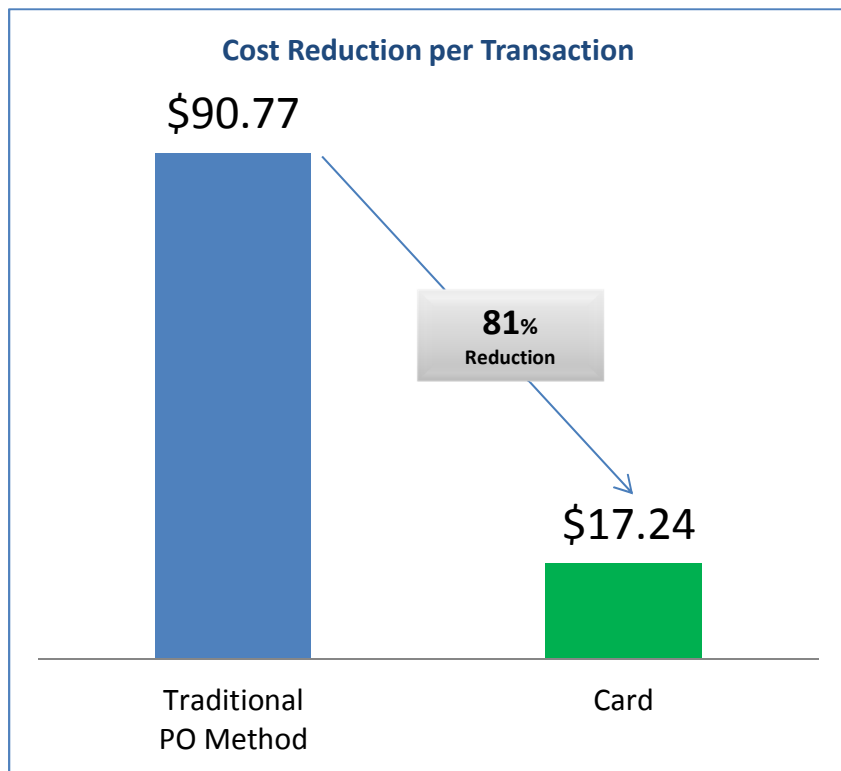
Accounts Payable Goals

Goal: Reduce Costs

Source: 2013 A/P Automation Study by Institute of Financial Operations

Accounts Payable Goals

Goal: Reduce Cycle Time

Cost Reduction per Transaction

$90.77

81% **Reduction**

$17.24

Traditional PO Method

Card

Cycle Time (Days) Reduction per Transaction

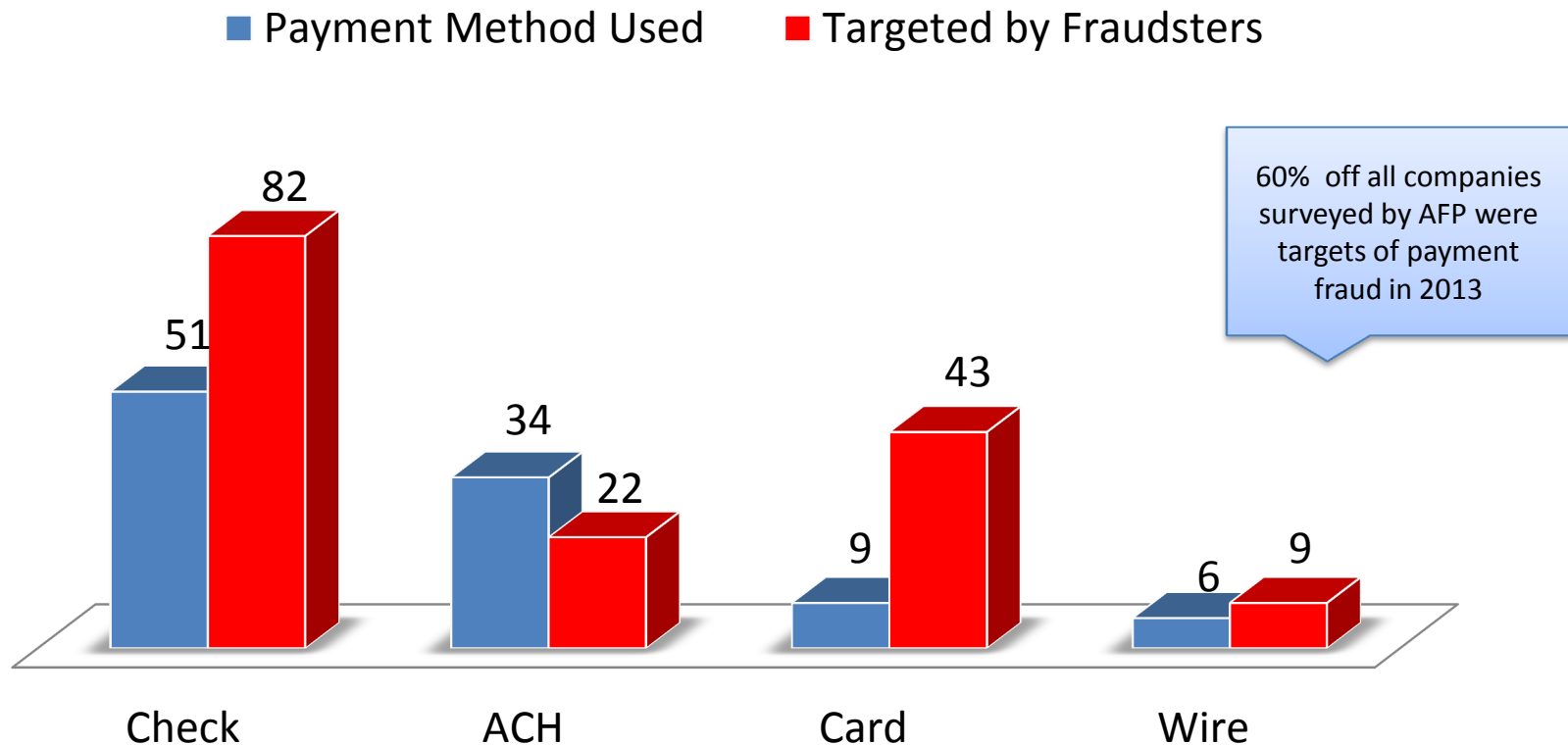12.10

70% **Reduction**

3.6

Traditional PO Method

Card

Sources: 2012 Purchasing Card Benchmark Survey by RPMG Research Corporation

Accounts Payable Goals

Goal: Lower Risk of Payment Fraud

■ Payment Method Used   ■ Targeted by Fraudsters

60% off all companies surveyed by AFP were targets of payment fraud in 2013

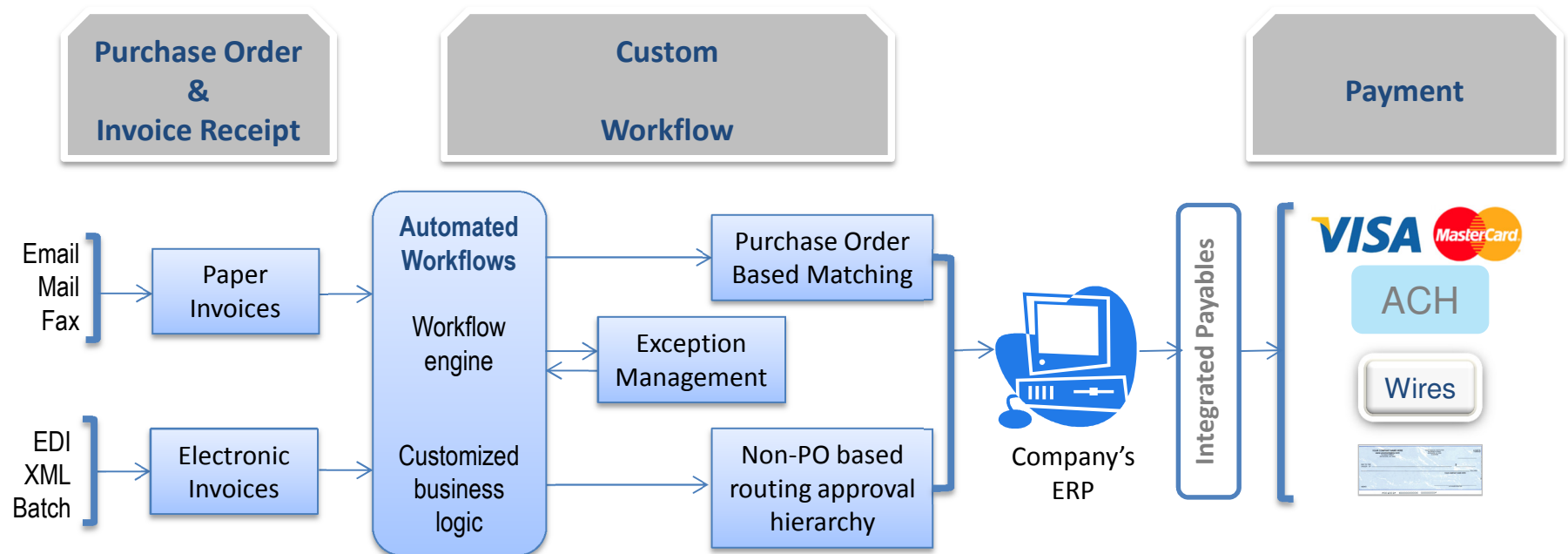|	Check	ACH	Card	Wire
Payment Method Used	51	34	9	6
Targeted by Fraudsters	82	22	43	9

Sources: 2014 AFP Payments Fraud and Control Survey by Association of Financial Professions (AFP) and
2013 AP Automation Study by Institute of Financial Operations

Accounts Payable Goals

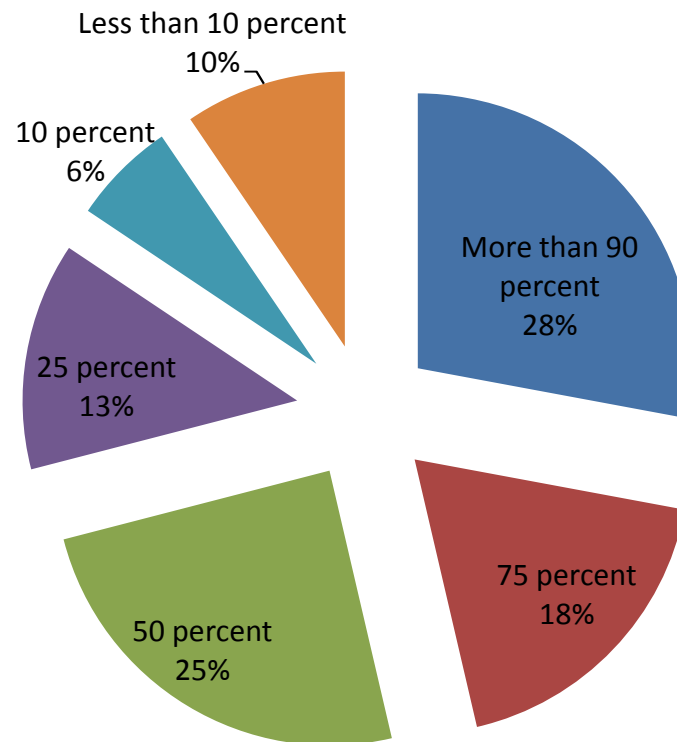## Goal: Fully Automate Process from Invoice to Payment

Accounts Payable Challenges

Challenge: Paper Dominates in A/P

71% of respondents said that at least HALF of the invoices they handle are paper

Less than 10 percent
10%

10 percent
6%

25 percent
13%

More than 90 percent
28%

50 percent
25%

75 percent
18%

What percentage of your total invoice volume is paper-based?

Source: Institute of Financial Management (IOFM) A/P Automation Survey, July 2013
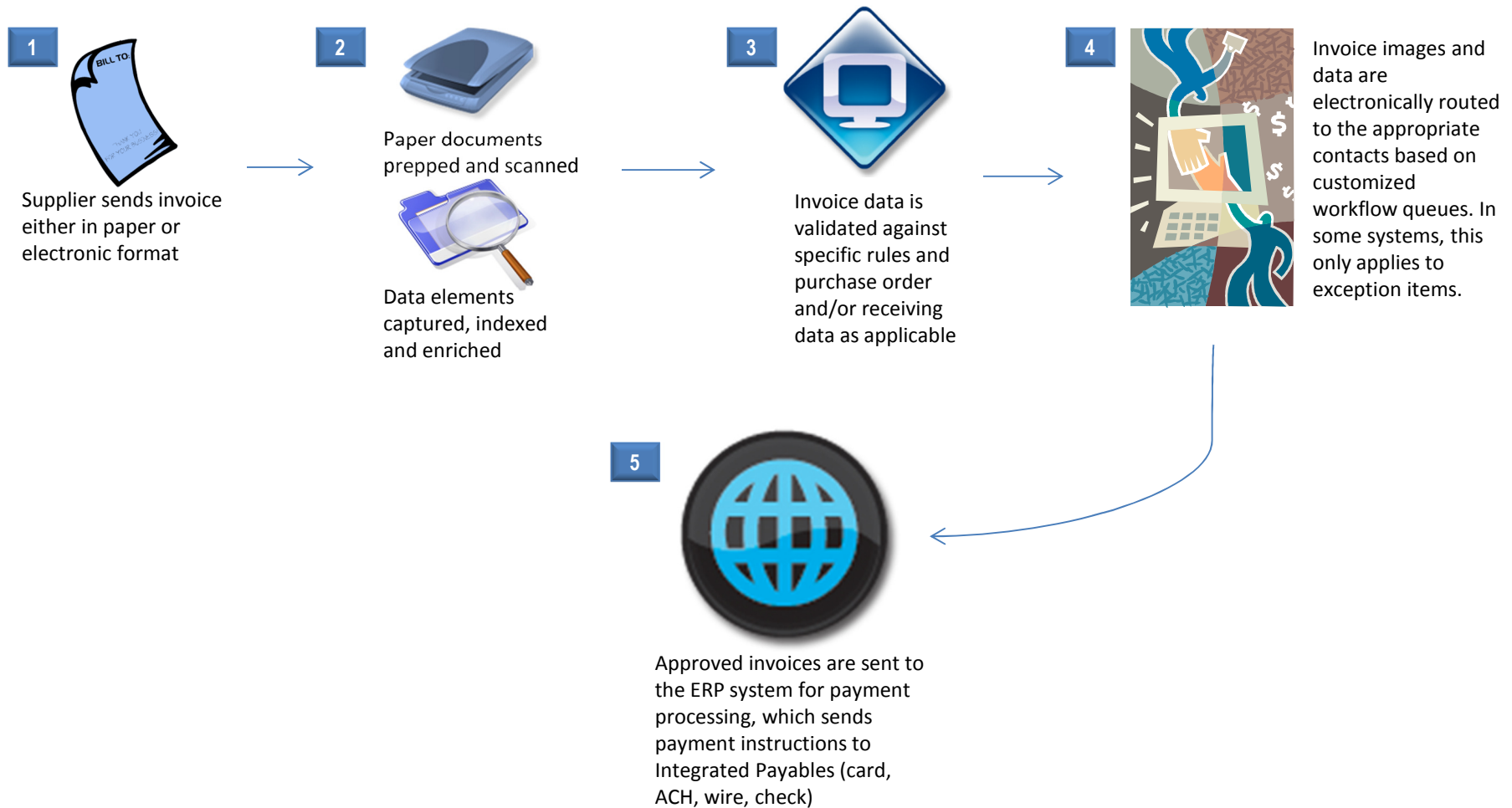
Accounts Payable Challenges

How A/P Automation Works

This is a sample representation of how an A/P Automation system would typically work. There are variances between provider systems.

1 Supplier sends invoice either in paper or electronic format

2 Paper documents prepped and scanned

Data elements captured, indexed and enriched

3 Invoice data is validated against specific rules and purchase order and/or receiving data as applicable

4 Invoice images and data are electronically routed to the appropriate contacts based on customized workflow queues. In some systems, this only applies to exception items.

5 Approved invoices are sent to the ERP system for payment processing, which sends payment instructions to Integrated Payables (card, ACH, wire, check)

How A/P Automation Works

SWEET SMARTS, LTD
INVOICE

BILL TO	Attn: BRS BBVA Compass 15 20th St S Birmingham, AL 35233 (866) 488-1858 Customer ID [BBVAC2014]	SHIP TO	Attn: BRS BBVA Compass 15 20th St S Birmingham, AL 35233 (866) 488-1858 Customer ID [BBVAC2014]

Invoice #	170923
Invoice Date	9/25/2014
Customer ID	KB011

DATE	YOUR ORDER #	OUR ORDER #	SALES REP.	F.O.B.	SHIP VIA	TERMS	TAX ID
9/25/14	876563	874570	Dulce	SSLTD	UPS	20/10	5v7896

QTY	ITEM	UNITS	DESCRIPTION	DISCOUNT %	TAXABLE	UNIT PRICE	TOTAL
240	36730	3	Tasty Globules	-	-	$0.25	$60.00
555	98246	7	Munchable Units	-	-	$0.20	$111.00
910	47428	3	Sugary Devices	-	-	$0.10	$91.00

Subtotal	$262.00
Tax	$23.58
Shipping	$24.57
Miscellaneous	-
BALANCE DUE	$310.15

Please return the portion below with your payment.

REMITTANCE

Invoice #	
Customer ID	
Date	
Amount Enclosed	

Sweet Smarts, LTD.
555 Gumdrop Ln.
Candyland, AZ 80677
USA

PHONE (705) 555-0125
FAX (705) 555-0126
E-MAIL chewy@sweetsmarts.com

Key data elements
1. Vendor Name
2. Vendor Number
3. Invoice/Account Number
4. Amount
5. Tax
6. Freight
7. Gross Amount
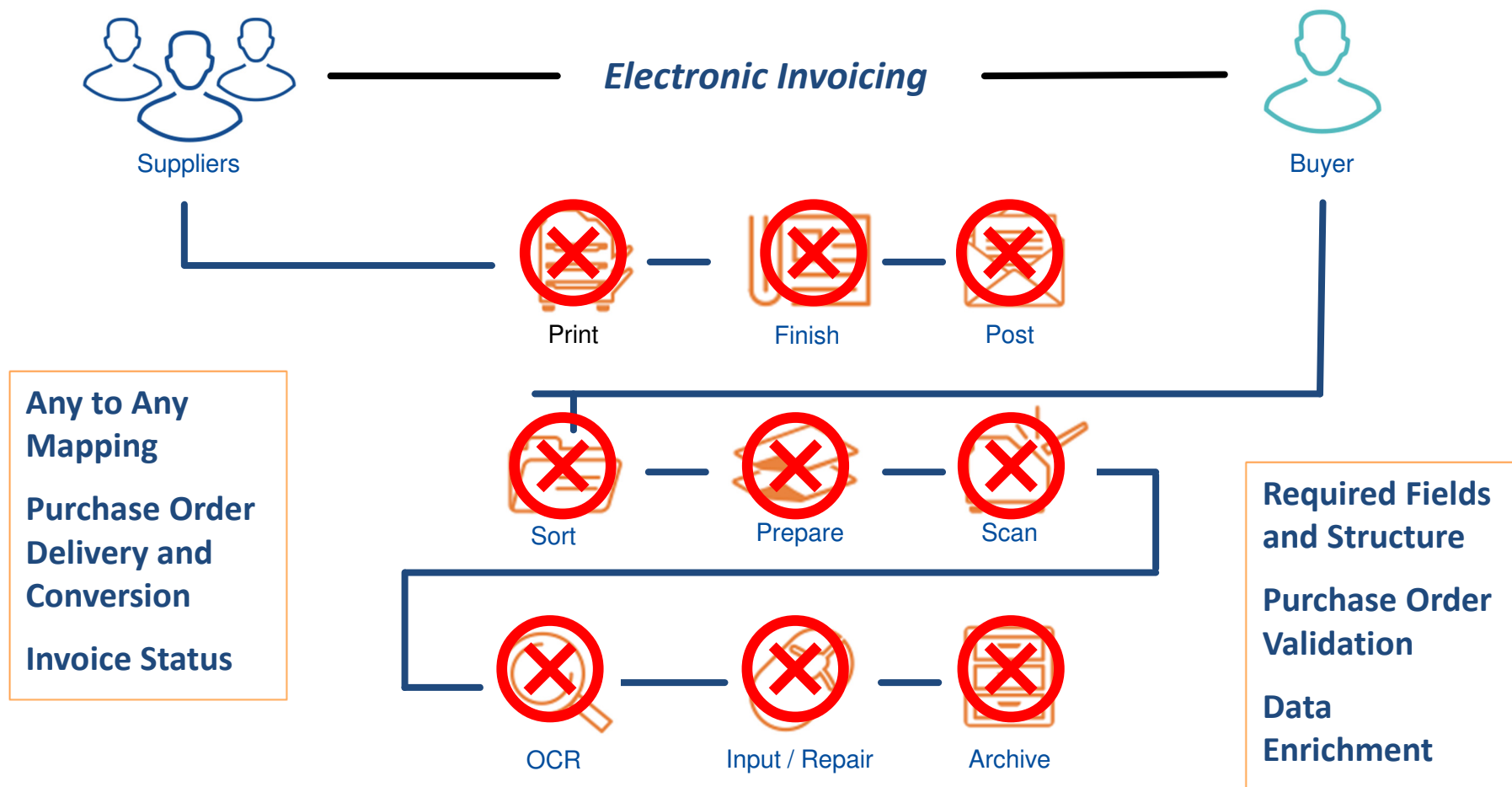
Purchase Order Matching
1. Valid PO # (Validation file)
2. Line Item Detail
3. Matching (Quantity, Price, Receipt)

Reference Matching
1. Validate data to initiate workflow
   a. Name
   b. Zip Code
   c. Division
2. General Ledger Coding by Chart Field
   a. Company
   b. Department / Cost Center
   c. Account
   d. Additional (Property, Tenants, etc)

Electronic Invoicing

Suppliers

Buyer

Print — Finish — Post

Sort — Prepare — Scan

OCR — Input / Repair — Archive

Any to Any Mapping

Purchase Order Delivery and Conversion

Invoice Status

Required Fields and Structure

Purchase Order Validation

Data Enrichment

Status breakdowns based on individual client's business rules

Auto-matched invoices are flagged for easy PO line item adoption

Document images available for entire retention period of 7 years

Vendors submit invoices electronically or in paper format

Uses OCR technology to parse invoices into customer-defined fields

Tables by vendor that correlate each individual line item to a GL code

Unmatched items are considered exceptions for review and approval

Once approved, the invoice is downloaded into to AP module as a voucher

Full routing and approval history

BBVA Compass

Status	Count
Waiting To Process	42
Out for Approval	1
Recently Approved	1
Recently Rejected	1
Exceptions	20

Type	Count
Invalid PO #	3
Invalid PO Type	0
Non-PO No	0
Vendor Approver	
PO-Based	
Specify Approver	?

Refresh
Log Off
Archive
Charts
Admin

KEY_VALUE	Date Received	Vendor Name	Vendor #	Invoice #	Invoi
10059	05/04/2014	BlahWerx Inc	101	23237	$1,837
10065	05/04/2014	Boom Boom Audio	103	71467	$35,10
10066	05/04/2014	Boom Boom Audio	103	71467	$4,000
10074	05/04/2014	Epee Center	106	00042	$79,27
10075	05/04/2014	Epee Center	106	00142	$14,40
10076	05/04/2014	Epee Center	106	00042	$79,27
10077	05/04/2014	Formicida Construction	107	68772	$425.0
10078	05/04/2014	Formicida Construction	107	68772	$1,500
10083	05/04/2014	NatureTech LLC	109	4762945	$2,450
10084	05/04/2014	NatureTech LLC	109	4762945	$2,752
10085	05/04/2014	NatureTech LLC	109	4522941	$450.0
10090	05/04/2014	Sweet Smarts LTD	111	171233	$16.25
70000008	05/04/2014	Boom Boom Audio	103	71467-b	$35,10
70000009	05/04/2014	Boom Boom Audio	103	71467-b	$4,000

Date	Originator	Action	Receiver	Comments
2014-05-04 18:22:14	SYSTEM	Placed in Exceptions: Potential Duplicates		
2014-05-04 18:22:13	SYSTEM	Received		

EPEE CENTER

INVOICE # 00042
DATE: JANUARY 8, 2014

1212 Thrust, Parryvile, AK 67001
Phone (800) 390-STAB Fax (212) 221-1221
sales@epeecenter.org

TO Attn: Jack Sparrow
BBVA Compass
333 Change Ave.
Cashville, OH 49094
(800) DINERO-1
Customer ID [ABC12345]

SALESPERSON	JOB	SHIPPING METHOD	SHIPPING TERMS	DELIVERY DATE	PAYMENT TERMS	DUE DATE
Cathy	2322332	UPS Ground	Whatever	9/23/2011	Due on receipt	11/23/2013

QTY	ITEM #	DESCRIPTION	UNIT PRICE	DISCOUNT	LINE TOTAL
7200	01772	Pirate Cutlass	$10.01	-	$72,072.00
7199	01771	Pirate Cutlass Sheath	$1.00	-	$7,199.00

TOTAL DISCOUNT	-	-
SUBTOTAL		$79,271.00
SALES TAX		
TOTAL		$79,271.00

Quotation prepared by: _____

This is a quotation on the goods named, subject to the conditions noted below: (Describe any conditions pertaining to these prices and any additional terms of the agreement. You may want to include contingencies that will affect the quotation.)

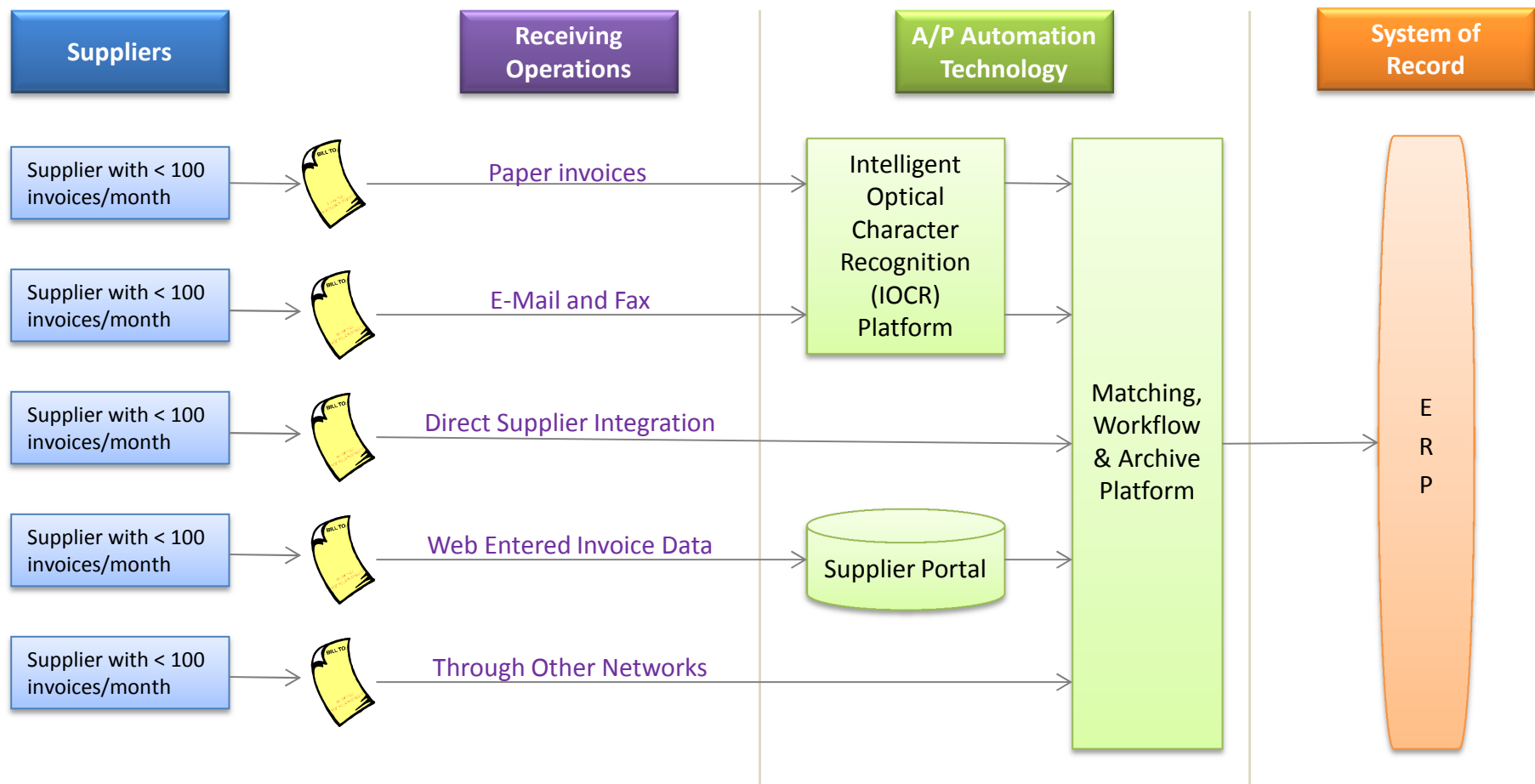To accept this quotation, sign here and return: _____

THANK YOU FOR YOUR BUSINESS!

The Ideal Invoice Automation Back Office

Suppliers	Receiving Operations	A/P Automation Technology	System of Record

Supplier with < 100 invoices/month → Paper invoices → Intelligent Optical Character Recognition (IOCR) Platform

Supplier with < 100 invoices/month → E-Mail and Fax → Intelligent Optical Character Recognition (IOCR) Platform

Supplier with < 100 invoices/month → Direct Supplier Integration

Supplier with < 100 invoices/month → Web Entered Invoice Data → Supplier Portal

Supplier with < 100 invoices/month → Through Other Networks

Matching, Workflow & Archive Platform

ERP

A/P Automation Savings

ACCOUNTS PAYABLE (A/P) DEPARTMENT STATISTICS

Metrics	Best in Class (20%)	Average (33%)	All Others (47%)	Notes
Cost per Invoice	less than $6.00	$14.21	$17.61	Fully loaded cost includes sorting the mail, routing invoices to the correct approver, researching accounts for general ledger distribution, identifying duplicate invoices, entering invoice details to ERP system and a myriad of other tasks to process invoices plus document storage.
Invoices Processed per Employee (per month)	4,814	2,308	1,408	In a manual A/P environment, teams spend time repeatedly resolving exceptions from the same sources instead of eliminating them.
Invoice Processing Cycle Time	3.7 days	12.4 days	17.1 days	Measured from the time of invoice receipt to payment generated.
Invoice Exception Rate	8.0%	13.1%	16.4%	Even a small reduction in the invoice exception rate has a substantial impact in productivity.
Total Percentage of Invoices Processed Using Straight-through Processing (STP)	50.3%	27.0%	12.3%	STP refers to "touchless processing" wherein purchase order (PO) based invoices match all of the pre-configured business rules and can be processed without any human intervention and scheduled for payment.

Survey Demographics: 192 A/P Professionals represented as follows: 56% Large (revenue > $1 billion); 22% Middle Market (revenue between $250 million and $1 billion); 22% Small (revenue < $250 million)
Source: Ardent Partners, ePayables 2014: The Quest, published May 2014

All-in Automated Invoice Processing Cost (per invoice) $4.00

- Per invoice fee includes scanning of invoices in color, indexing of key fields, customized and automated workflow, electronic alerts, online presentment, image archive of invoices, 7-to-10 year online storage, image downloads, business intelligence reporting, receiving system interface, purchase order system interface and accounting/ERP system interface.

Internal Review Cost (per invoice) $1.33

- Systems that include 3-way matching, GL distribution, duplicate detection and approval routing mean that, on average, 50% of invoices require no human intervention, and the rest take 9 minutes or less of employees' time

- Payscale.com estimates that an Accounts Payable Clerk earns an average wage of $14.23 per hour + 25% in benefits = $17.79

Total Cost per Invoice $5.33

This is a sample representation and varies substantially by provider

A/P Automation Savings

Invoices per Month	700
Invoices per Year	8,400

	Invoice Automation	Average	All Others
Cost per invoice	$5.33	$14.21	$17.61
Annual Cost	$44,772	$119,364	$147,924
Invoice Automation Savings		**$74,592**	**$103,152**

The Cost of Doing Nothing

Lost Invoices

- Vendor stoppages
- Poor vendor relations
- Negotiation issues

Slow Payment Process

- Same problems as lost invoices
- Missed discounts

Data Inaccuracies

- Manual data entry errors

Routing Paper Invoices

- Costs of Moving Paper
- Inefficiencies (time lost)

Problem Resolution

- Time spent on responding to vendor calls
- Time spent on low-value tasks

Handling Paper

- Costs of filing, pulling & searching files

Approvals & Purchasing Control

- Purchase orders created after receipt of invoice
- Circumventing controls
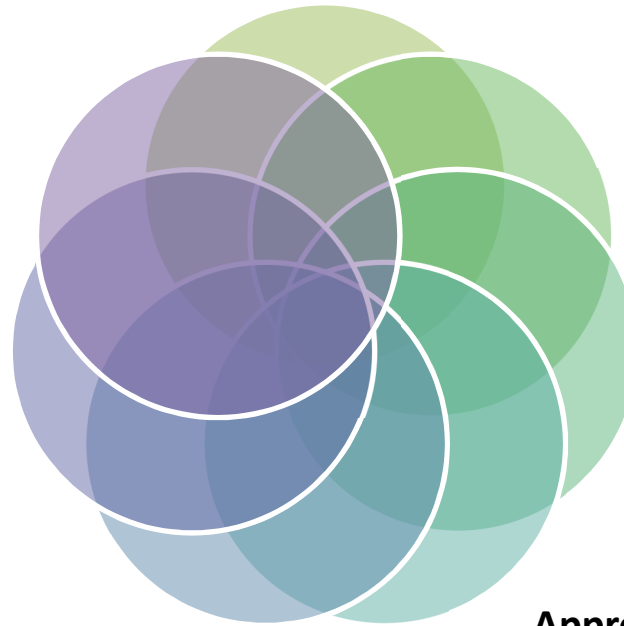
Action Plan

1. Gain Executive Support

2. Document Existing Process, Cycle Times & Associated Costs

3. Evaluate Opportunities for Improvement

4. Gather Budgetary Numbers for Potential Solutions

5. Document a Business Case

6. Line Up Resources

7. Gain Approval and Move Forward

Optical Character Recognition (OCR)

- Template driven or Intelligent learn-by-example
- Line item capture or Header and footer data only
- Scanning responsibility

Workflow

- Predefined process or configurable to different company processes
- Three or four way matching with PO, Receiving and GL applications
- Security, audit logs and user access
- Disaster recovery and failover backups
- Flexibility to handle future changes and growth

Integration, Searching & Reporting

- Integration to existing ERP and other systems
- Document Image retention and retrieval
- Full-text contextual search capabilities
- Intelligent business reporting or need for 3rd party reporting tools

Pricing & Implementation

- All-in per item fee vs Nickle-and-Dime approach
- Implementation / One-time fees
- Custom programming needs
- Equipment – scanners, post office boxes, etc

- Shifting Landscape of A/P: Doing More with Less

- Paper Still a Major Issue

- Digitally Automate Business Processes in AP

- Path to Automated Payment Processing

- Reduce Costs & Strengthen Fraud Control Measures