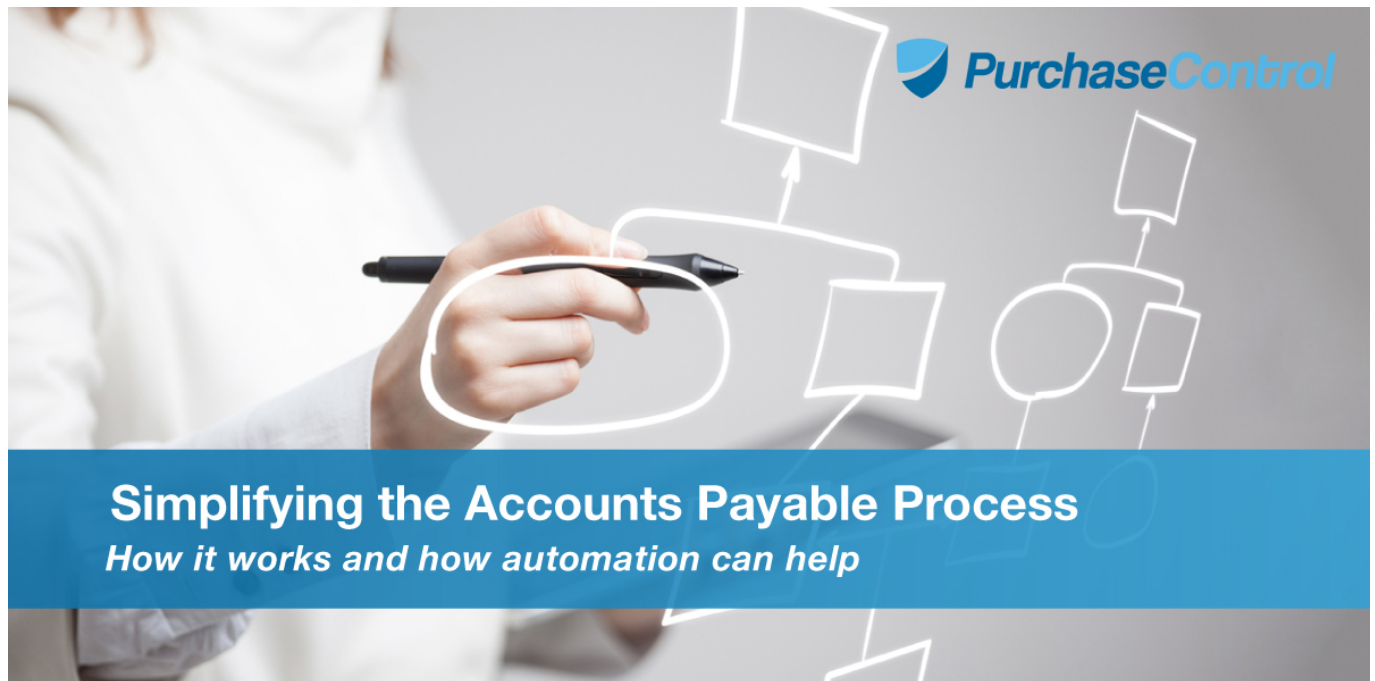


Simplifying The Accounts Payable Process



For businesses looking to reduce costs and improve efficiency, automating labor-intensive and error-prone processes such as accounts payable (AP) should be an easy decision. At some point, every organization reaches a tipping point, where manual hard-copy invoicing becomes too inefficient to continue.

Moving to an [automated accounts payable system](#) is a great way to lower costs and improve productivity. Here's how and why you should.

How the Manual Accounts Payable Process Works

Manual processes are time-consuming and prone to costly errors. Due to the painstaking detail required, any increase in volume can overload a manual AP process, which results in data entry error, invoice matching errors, and lost opportunities for early payment discounts.

Some companies rely on the same process they used in the beginning, when they started as a tiny company and dealt with a few invoices a month. As the company begins to grow, the accounts payable office can quickly become overwhelmed, and that's when issues begin to snowball and vendor relationships deteriorate.

1. The accounts payable process begins when an invoice is received. In a manual process,

invoices may arrive in many different forms: fax, email, mail, or hand delivered. With a decentralized process, each invoice may be delivered to a different person in a different department.

2. After an invoice is received, it is forwarded to an appropriate person, either a department manager, the company accountant, or an accounts payable specialist.
3. The invoice details are then manually typed into some form of accounting system (often as simple as a spreadsheet), and the document may be scanned and saved.
4. Each invoice is reviewed and approved. In an organized company, the approval process includes verifying that the expense was initially approved, that the complete shipment arrived before payment is issued, and that the invoice is not a duplicate and already paid. It can be time-consuming to track down all the details for every invoice, especially when the pile grows high. With this kind of manual approach, it's nearly impossible to ensure that payments are made in a timely manner to maximize discounts.
5. Once vendor invoices are verified and approved, most companies will run a batch of checks and print labels or envelopes. Workers match the checks to the correct envelope, add postage, and mail.

The manual accounts payable process requires AP professionals to manage the entire process by hand — filing paper documents, manual data entry, matching numbers line by line to ensure the PO matches the invoice and delivery. It's a costly, outdated process prone to error and lack of oversight.

The Benefits of Accounts Payable Software

Today's sophisticated software eliminates much of the manual data entry by populating data fields with stored information. An excellent program matches POs to invoices to verified delivery slips, and keeps track of details such as delivery times and invoice payments.

Automating the entire AP process minimizes the time spent on data entry, eliminates the need to reprocess invoices, and simplifies exceptions for invoicing errors. This, in turn, will streamline and standardize invoice payments and improve your vendor relationships.

From the management view, accounts payable software offers much needed visibility into the process. Easily generated reports allow A/P managers to track transactions from start to finish for a better handle on the big picture. With accurate, current information, they can improve cash management, ensure timely payments, deal with disputes, and generate more accurate financial statements.

Solving Auditing and Compliance Issues

Preparing for an audit can be a tedious, time-consuming endeavor. In a manual system, this often means searching for paper or scanned documents to match amounts and show proof of approval. Many industries also have regulations imposed by the company to meet industry standards, or by

state, local, or federal agencies.

Using an automated AP system simplifies audits and compliance regulation. Audit trails for each transaction are automatically generated with all approvals, changes, and participating users. Authorized users can find all the information they need to verify compliance issues, satisfy an audit, or answer a non-payment claim.

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Accounts Payable Best Practices

While each organization requires a customized accounts payable process to meet its unique needs, general best practices can provide guideline strategies:

- Centralize the accounts payable process with every department adhering to defined protocols and all data stored in a shared database. This will eliminate redundancy and cut down on processing time, data entry mistakes, and erroneous ordering and payments.
- Establish paperless processing. While electronic data interchange (EDI) is not yet used by every business, the advantages are hard to deny. Businesses with automated AP systems realize significant gains in vendor transparency and communication, and cost reduction through discounts, reduced processing time and reimbursement, and fewer errors.
- Set up reminders for payments. This allows businesses to avoid late or missed payments, take advantage of discounts, and anticipate expenses.
- Implement robust governance protocols and accounts payable procedures to categorize and automatically approve certain types of requests made by specified people to streamline the approval process.
- Set up vendor portals that allow vendors to track the status of deliveries, scheduling, contract terms, and invoicing in your system, without the need to talk to a representative.
- Streamline reporting for instant access to complete budget and spend details. In the event of an audit, a budget meeting, or a request from the board, an accounts payable office using an eProcurement program never have to scramble to produce requested information.
- Implement 3-way match authentication. Three-way match ensures that only valid, accurate invoices are paid. The three-way match process compares the original purchase order and the packing slip or receiving report with the invoice to verify that the order was legitimate and approved, goods were received, and the invoice is correct. AP software automates the comparison and flags any anomalous line entries. For example, if the quantity delivered is different from the quantity billed, the information will be flagged for inspection. The invoice is approved for payment only after the information on all documents is reconciled.

- Archive data. AP software makes archiving records simple. At every step from PO to payment, documents are attached to the transaction record. Saving this documentation provides a complete overview of the business relationship with the vendor, allowing managers to assess how well contract terms were fulfilled, view comments, queries, or complaints, and when payment was made.
- Manage your cash flow. Knowing upcoming expenses is critical to maintaining a budget. An automated accounts payable system helps ensure that no surprises arise. Outgoing payments can be scheduled to match income. Build a cash reserve to fill any gaps when cash flow slows and bills are due.

How an Automated Accounts Payable Process Works

In a centralized system, a typical transaction begins with a purchase order. In an automated system, even much of the PO can be populated automatically from existing records: pre-approved purchases, authorized signer, preferred vendors, standard negotiated terms, set budget constraints, and time constraints. The system sends the PO directly where it needs to go, either for approval or to the vendor.

The vendor fulfills the order, and the PO number is added to the packing slip. The receiving department verifies receipt, and the packing slip is automatically added to the order record without additional data entry.

When the invoice is received, the program checks each line item against the PO and the receiving information to be sure that the goods and services ordered are the same as the items received and billed. If an error is found, an alert is sent to the accounts payable department for verification.

With a list of preferred vendors in place and terms entered in the system, the whole process requires minimal input from start to finish. Automation helps businesses minimize exceptions, improve reconciliations, streamline accruals, and generate accurate, up-to-date financial statements when needed.

The net result for businesses who switch to an automated system is improved accounts payable governance, streamlined processes, increased productivity (more work with fewer employees), accelerated invoice processing, and minimized risks associated with routine invoice payments. Consistency strengthens vendor relationships, leaving the business in a better negotiating position for preferred service and better deals.

Implemented properly with full C-Suite support, following accounts payable best practices with an automated accounts payable system helps businesses stay within budget and maintain a smooth, efficient cash flow. And with total spend data aggregated in a single report, businesses have the power to make informed decisions based on current, accurate information and prevent small leaks, maverick spending, fraud, and overpayment errors.

Streamline Your Accounts Payable Process with automation and full visibility in PurchaseControl

[Find Out How](#)



— About **PurchaseControl**

PurchaseControl is cloud based procurement software for business spend management. We empower businesses by providing greater transparency and oversight into the purchasing process. With PurchaseControl, you have the flexibility to manage how spend actually happens instead of how you wish it would happen.

The entire PurchaseControl team has experience within a range of businesses, and as such, we bring a practical, holistic approach to purchasing. We understand what it takes to run a business and apply that knowledge to make PurchaseControl as effective as possible for all users.

Learn more at www.purchasecontrol.com

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