

Best Practices in Accounts Payable Automation



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With continued labor struggles in the workforce, streamlining operations is more important than ever before.

Yet, even as more businesses turn to automation for their accounting operations, some inexplicably continue to process accounts payable manually while other companies automate only a portion of their business processes, leaving themselves vulnerable to human error and processing delays.

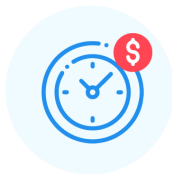
AP process automation is the key to reducing errors and streamlining operations, but according to a poll conducted by Accounting Today only 35% of businesses are currently using AP automation in their business, a surprisingly low number considering the benefits offered.

What Is the Most Difficult Part of Managing Accounts Payable?

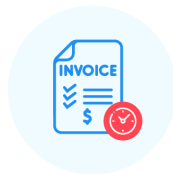
Ask ten AP managers that question, and you're likely to get ten very different answers. The truth is that AP processing brings with it a long list of challenges including:

- Late payments
- Slow invoice processing times
- Late Payment Penalties
- Data entry
- Lost invoices
- Delayed approvals
- Duplicate payments

Challenges in Accounts Payable



Late Payments



Slow Invoice Processing Times



Late Payment Penalties



Data Entry



Lost Invoices



Delayed Approvals



Duplicate Payments

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Of course, the challenges don't stop there. Relying on manual processes means frequent trips to the office, a challenge in itself during the recent pandemic. And even though the pandemic jump-started the necessity to work from home, that's not going away anytime soon, making flexibility a necessity.

What Is Accounts Payable Automation?

Accounts payable automation is a series of tools or processes designed to automate the AP process, from purchase orders to paying invoices. One of the best things about AP automation is that it allows you and your AP team to process AP from anywhere, eliminating lost or misplaced invoices that result in delayed payments.

AP automation tools also eliminate time-consuming repetitive tasks like manual data entry and three-way matching.

And because it limits the amount of human interaction needed, true AP automation also significantly reduces accounts payable errors.

Keep in mind that AP automation often starts with a single step, but can be expanded to include all AP processes. These are the most common components used in a complete AP automation system include:

1. Invoice Receipt and Extraction

Whether you receive paper invoices that need to be scanned into your software, or receive your invoices via email, you should be able to scan and extract data from the documents into your AP software.

While invoice processing with optical character recognition or OCR technology is not perfect and will need to be checked for accuracy, this process still saves your staff a lot of time and eliminates the need to enter the invoice information manually.

2. Three-way Matching

If you use purchase orders in your business, this is an important component. A complete procure-to-pay software, like PLANERGY, offers complete three-way matching of purchase orders, invoices, and shipping receipts, flagging you when things don't match up.

3. **Approval Routing**

Getting invoices approved quickly is one of the biggest issues facing businesses of all sizes. Invoices get routed to approvers, where they often remain on their desks for days, and sometimes even weeks. The process takes even longer if multiple approvers are needed.

Automated approval routing can cut this time down to a few hours, with the invoice automatically forwarded to the next approver when necessary. And if the approver doesn't approve and send the invoice promptly, they'll receive a timely reminder to do so.

4. **Electronic Payment**

Forego the check run and pay your suppliers and vendors electronically using ACH transfers. Payment takes a matter of minutes and your vendors and suppliers get paid quickly, with no more checks lost in the mail, making it a win-win for everyone.

5. **Document Storage**

Traditionally, accounting has been paper-driven, with a piece of paper for everything. And remember, those pieces of paper have to be matched and filed in the appropriate place.

Managing documents electronically makes it easy to access a document, eliminates lost or misfiled documents, and lets your file clerk work on more important tasks.

6. **Real-time Reporting**

Real-time accounts payable reporting allows you to view the status of your finances at any time, knowing that you're looking at the most accurate totals.

For many businesses, true AP automation doesn't start with an invoice; it starts with a purchase order. If your business uses purchase orders, automating your AP is important, but it's not enough.

You'll also need to automate the entire procurement process, from initial PO to matching that PO against an invoice to ensure that the product or services received match the product or services ordered.

Having a complete automation system also ensures that accruals are accurate and that you have easy access to committed spend amounts at all times.

Common Accounts Payable Automation Features



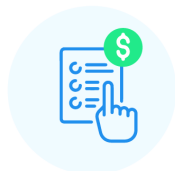
Invoice Receipt and Extraction



Three-way Matching



Approval Routing



Electronic Payment



Document Storage



Real-time Reporting

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Why Should You Automate Accounts Payable?

Everyone is tired of hearing about the COVID-19 pandemic, but the fact is that it changed how companies do business.

Instead of choosing to wait to adopt new technology, many businesses found themselves in a position that required them to utilize new technology if they wished to remain in business.

But whether your employees are doing work from your office or their dining room table, automating the AP process can provide you with a healthy return on investment (ROI) while streamlining processes. The following are a few other reasons why automating AP will be beneficial for your business.

• **Reduce Invoice Costs**

One of the best reasons to make the move to AP automation is the reduction in invoice processing costs. Even with more streamlined processes in place, and a 15% drop in processing costs across the board, Ardent Partners estimates that the average cost to process an invoice is still more than \$9.

Even if you process only 10 invoices a month, that is still \$90 spent to pay your bills, with larger businesses processing considerably more invoices each month.

• **Reduce Human Errors**

Mistakes happen. But mistakes are more likely to happen when using manual processes such as entering invoice information manually. Busy AP departments are more likely to see mistakes since employees often spend the majority of their time manually performing tasks such as three-way matching, invoice review, and invoice data entry.

Manual systems are also breeding grounds for duplicate invoices and overpayments.

• **Eliminate Lost Invoices**

AP managers know how too well how easy it is to misplace an invoice. This results in lost productivity hours that are instead spent looking for the invoice in question, only to end up requesting a duplicate invoice from your supplier or vendor. That's not the way to grow a business relationship.

• **Expedite Invoice Approvals**

Even if your invoice doesn't go missing, chances are good that it may sit on a desk or in an inbox a lot longer than it should. Delayed approvals can wreak havoc on your AP department. Improving your invoice approval process by automating AP can eliminate this issue immediately.

• **Better Control of Spend**

Spend management is a large part of the accounts payable process. Sure, you can look at invoices paid for the month, but what about invoices that are still on someone's desk waiting to be approved and aren't currently showing up in your expense totals?

Making the move to AP automation gives you better control over spending, by offering dashboards that outline current spending levels, and outstanding invoices that have just come in, allowing you to set and track key metrics to help you stay on track.

• **Ability to Take Advantage of Early Payment Discounts**

Remember those invoices that are still sitting on someone's desk two weeks after they were sent over? Chances are at least some of those invoices included a discount for early payment.

Of course, that option is no longer viable for invoices that aren't paid immediately, but don't you ever wonder just how much money you're leaving on the table each time you let another discount opportunity go by?

• **More Timely Payments**

Sometimes there are advantages to paying invoices close to their due date, particularly if you have cash flow problems. But most businesses don't pay their invoices early because of slow invoice processing times.

The time they need to spend matching invoices with POs and delivery receipts, routing them to colleagues for approval, entering them in your accounting software, and then completing a check run to pay them takes too long.

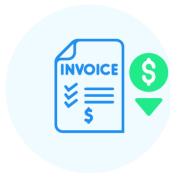
An automated payment process allows you to get rid of bottlenecks so you can take advantage of discounts, better manage cash flow, and always know how much you're paying for everything.

• Improved vendor relationships

When you send an invoice to your customers, aren't you happier when they pay quickly? Your vendors and suppliers value rapid payment as much as you do, and are more apt to give you benefits such as pricing flexibility or early payment discounts.

If your suppliers are an essential part of your business success, maintaining a good vendor relationship is paramount.

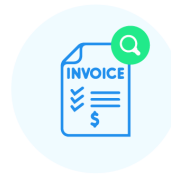
Why Automate Accounts Payable



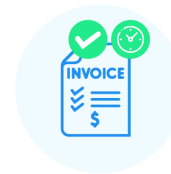
Reduce Invoice Costs



Reduce Human Errors



Eliminate Lost Invoices



Expedite Invoice Approvals



Better Control of Spend



Ability to Take Advantage of Early Payment Discounts



More Timely Payments



Improved Vendor Relationships

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Accounts Payable Automation Best Practices

When you're ready to optimize AP by transitioning to accounts payable automation, the process will run much more smoothly if you consider best practices during the transition process.

• Involve All of Your Stakeholders In the Implementation Process

Any time you change things up, your staff is going to push back,

particularly if they think that their job is in jeopardy.

A good change management plan should help reduce employee pushback. A key part of that is to involve them in the process from the beginning.

While the CFO may be the decision-maker, your AP team is in a better position to tell you where their biggest concerns on.

• **Create a List of Priorities**

One of the best ways to involve your AP staff is to have them create a list of priorities. If the approval process is slow, automating approvals may be the place to start.

If data entry takes up much of your employee's time, starting with scanning technology that extracts invoice data can reduce and even eliminate the need to enter extensive invoice information.

• **Make Changes Gradually**

Using the information gleaned from your priorities list, start making changes gradually. This helps your employees better adapt to a new system without feeling overloaded.

Yes, you and your staff may be ready for automation, but taking your time and rolling out the process gradually allows you to address problems as they arise before moving on to the next process.

• **Integration Is Key**

Before you choose an automation system for your office, be sure that it integrates with your accounting software or ERP system. The goal of automation is to reduce the amount of human interaction needed to process AP.

But if your AP automation solution doesn't integrate with your current software, you'll be no further ahead than if you had stayed with a manual system.

• **Create an Accounts Payable Workflow System for Your Business**

Before making the move to an automated solution, take some time to map out your current workflow and set some internal controls for accounts payable. For example, if you use a manual purchase order process in your business, your current AP workflow may look like the following:

1. Create a purchase order
2. Approve purchase order
3. Receive an invoice from the vendor/supplier
4. Match invoice with purchase order and shipping receipt
5. Route invoice to the appropriate approvers
6. Approved invoice is entered into the system by accounts payable department staff
7. AP report is reviewed for accuracy
8. Invoice(s) are approved for payment
9. Payment is made by check or electronically via ACH transfer

Once you know the workflow, you can use AP automation to streamline the entire process, from initial PO to issuing payment.

• **Set Goals and Track KPIs**

Making the move to AP automation is all about streamlining processes. But will you know how effective the system is working if you don't establish goals?

Setting goals and then tracking your progress through the use of accounts payable KPIs will allow you to see how your new processes are working.

For example, your current cost to process a single invoice is around \$12, but you want to reduce that by 25%. Set a goal to reduce invoice cost to \$9, and use KPIs to track your per-invoice cost to see how close you are to your goal.

Other KPIs that can be helpful are discounts taken, number of invoices processed, invoices paid on time, and approval times.

Best Practices in Accounts Payable Automation



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Create a List of Priorities



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Create an Accounts Payable Workflow for Your Business



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Is It Time for You To Automate Your Accounts Payable?

If you're tired of your finance team manually entering invoice data, dealing with lost or misplaced invoices, and late supplier payments, it might be time to make the move to AP automation software.

Other advantages to making the move to automation include automatic three-way matching, paperless document management, and improved relationships with your vendors and suppliers.

What's your goal today?

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