How To Achieve An Accounts Payable Paperless Workflow

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As you rifle through stacks of paper on your desk, does the thought of going paperless appeal to you?

It should.

According to Forbes, the average American worker uses around 10,000 sheets of paper each year, with U.S. businesses alone spending upwards of $120 billion a

year on printed forms.

If you're ready to get rid of some of that paper, one of the best areas to start is accounts payable. Take a moment and think about all of the paper documents that pass through the AP department.

- Purchase orders
- Invoices
- Shipping receipts
- Check stubs

Let's explore what going paperless can mean for your accounts payable team and for your business processes.

Can Accounts Payable Be Paperless?

Looking at that stack of papers on your desk waiting to be processed, you may have your doubts. But the payables process can easily be paperless if you have the right resources in place.

These resources include document scanning and capture tools that offer digitizing and indexing capabilities for better document management.

It doesn't matter what type of business you own or manage. For manufacturing and distribution companies, a AP automation software application like Planergy can automate the entire purchase order and AP system while for those not using a purchase order system, a paperless system can route invoices to the appropriate approvers automatically.

What Is Paperless Invoicing?

Paperless invoice processing is a streamlined accounts payable process designed

to replace manual invoice approvals and check runs.

In a manual AP environment, staff members spend much of their time making copies of invoices, matching invoices to purchase orders and shipping receipts, and verifying the invoice, and that's only the first step.

Once the first step is completed, you then have to route the matched, authenticated documents to other staff members for approval, where the invoice is frequently misplaced or lost altogether. Even if the invoice isn't lost, it can remain on an approvers desk for days, creating the very real likelihood of a late payment, and a very unhappy vendor or supplier.

Once the invoice is finally returned, the AP team needs to code the invoice to the appropriate GL account, and enter it into the system. But you're not done yet, since payment isn't always immediate, meaning that a supervisor again will need to determine what invoices to pay.

Once that's done, AP will process the checks in a check run, attach the check stub to the invoice and purchase order and then file the document.

Paperless invoicing eliminates much of that process by using specialty software to capture invoices as they are electronically received via email or fax.

The software then uses optical character recognition, or OCR, and AI to read the information in the invoice, where it will be checked for accuracy.

The next step is three-way matching, where a purchase order if there is one, is matched with the invoice and the shipping document. The invoice is then sent electronically to the approvers. If more than one approver is needed, it will be automatically routed to the appropriate approvers in the order you specify.

Once approved, the invoice is ready to be paid via your accounting software application, where a check can be processed, or better yet, the invoice can be

paid electronically.

Finally, all documents are digitized and stored electronically, for easy access.

What Are the Benefits of Going Paperless with Accounts Payable?

There are a lot of benefits to going paperless with an automated accounts payable system, starting with the following.

1. ## Increased Efficiency

   Manual AP systems are tedious and time-consuming. Making the switch to paperless accounts payable streamlines the tasks that your AP staff spends the majority of their time on.

   Instead of endless data entry, the invoice is scanned into the application, with OCR technology populating all of the necessary fields.

   Three-way matching is completed automatically, and if an invoice needs approval, it can be automatically routed to the approver or approvers as needed.

   Finally, when invoices are paid, they're automatically stored in a document management application, eliminating lost and misfiled documents.

2. ## Reduced Costs

   According to Adobe, the cost of manually processing a single invoice can run as high as $40. That means that a small business processing only

1,000 invoices a year will spend $40,000 in processing costs. These are a few of the things that can contribute to that cost:

- Manual review of each invoice
- Unused early payment discounts
- Overpayments
- Duplicate payments
- Lost invoices
- Payment approval delays
- Late fees
- Cost of storing documents
- Labor hours spent manually entering data
- Labor hours spent resolving errors

Once you make the move to paperless accounts payable, many of these costs go away, improving your bottom line as well.

3. **Protects Against Fraud**

According to the Association of Certified Fraud Examiners' 2022 Report To The Nation, the average business loses around 5% of annual revenue to fraud. Automating the checking of duplicate invoice numbers and three-way matching can significantly reduce the risk of fraud in accounts payable.

4. **Spend Transparency**

This is especially important for businesses that process a high number of invoices. An invoice sitting on someone's desk waiting to be approved isn't one that's on your radar or in your spending report, while an electronic invoice scanned into your system is fully accounted for from the start giving you better spend visibility.

5. # Digitally Searchable Documents

Remember, all those invoices processed manually also have to be filed away once they've been paid. And when something is completed manually, the chances for human error go up as well. Using a document management system for your business also eliminates the need to store excess documents offsite.

6. # Sound Audit Process

One of the things auditors look at is who approved an invoice. With a standardized, automated workflow in place, invoices are verified, documents matched, and invoices approved by the appropriate parties, with the complete workflow easily available for review and ensure that accounts payable internal controls are enforced.

7. # Remote Work Friendly

Early in the pandemic, many businesses found themselves with their back against the wall, unable to pay their bills, not because they didn't have the funds, but because their employees were unable to work in the office. Transitioning to an automated system means that you and your employees can get their work done from anywhere.

Benefits of Paperless Accounts Payable

Increased Efficiency

Reduced Costs

Protects Against Fraud

Spend Transparency

Digitally Searchable Documents

Sound Audit Process

Remote Work Friendly

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How Do I Go Paperless In Accounts Payable?

The prospect of going paperless may seem daunting, but with careful planning, you'll be surprised by how straightforward the transition is. By planning each step, you'll be able to stay on task and eliminate many of the potential roadblocks you may encounter along the way to a paperless office.

1. Carefully Plan Out the Implementation Process

Take a long look at your current AP processes and see where your current issues are. Does it take too long to match invoices to purchase orders? Maybe you're seeing delays in getting invoice approvals or spending too

much time on manual data entry.

Carefully look at your current workflow and see where improvements need to be made and start from there. Preparing a change management plan can help here.

2. Involve All Relevant Stakeholders

Be sure to include all the necessary stakeholders in your discussions. This can be anyone from the CFO to your file clerk. Of course, the most important feedback and potential ideas will likely come from the employees doing the heavy lifting – your accounts payable department.

Listen carefully to their complaints and suggestions and make your decisions accordingly. You should also expect some employee pushback on any potential changes that are discussed. Not everyone is comfortable with change, and you may receive resistance where you least expect it.

Take the time to hear everyone out and address any concerns, such as job loss or learning a new program, seriously.

3. Get Your Suppliers and Vendors on Board

Once the decision has been made to move forward, it's important to work with your current vendors and suppliers to get them on board. Continuing to receive paper invoices or mailing paper checks will only impede any progress you make on transitioning to a paperless AP process.

And when searching for new vendors and suppliers, it's important to find out whether they're able to send electronic invoices and get paid electronically.

4. ## Convert Existing Documents into Electronic Formats

There will always be suppliers and vendors who are not able (or willing) to send invoices electronically. That's why it's important to convert existing paper documents into an electronic format. While some AP automation solutions offer document management, you can also purchase this application separately.

You'll also need to convert incoming invoices as they come in. Not only does converting documents to an electronic format save time, but it also eliminates lost or misplaced documents, making it easy to search for and retrieve a document when needed.

5. ## Start Looking at AP Automation Solutions Suitable for Your Business

The next step in the transition process is to select an AP automation solution that works well for your business. When looking at available options, there are a few things you'll want to take into account before making your decision.

- **Integration with current ERP or accounting software** – It's important that all of your software works together seamlessly. Existing API integrations or the ability to integrate in custom ways will be needed.

  Having multiple applications that don't communicate with each other will end up taking up more of your time, not less.

- **How difficult the program is to implement** – Will it be up in running in weeks, or will you need to put in considerably more

staff time and training for full implementation? An easy to use solution will help with this.

- **Cost** – Before looking at various software options, establish a baseline budget and be sure to stick to it. It will make the decision much easier.

- **Reporting** – Real-time reporting is an important tool for businesses. Make sure that the reporting options available in any application you're considering are a step up from what you currently have.

- **Scalability** – For growing businesses, it's essential that any software application you purchase will be able to scale up with your business. Purchasing and implementing a program takes time, money, and effort, and you don't want to have to do it any more than is necessary.

6. Take Time to Learn the System Properly

Proper setup and training are essential for any new software application. Take the time to set up the system properly and use any setup or training resources the software vendor offers to make sure you are getting the full benefits of the software.

7. Start Using AP Automation

Once the training period is over, you're ready to start using AP automation in your business. That means customizing your new system properly. It's also important to note that for those using AI or machine learning, you'll have to 'train' it to perform tasks automatically.

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For example, every time you code an invoice for rent, the software will remember how it was coded, automating the process automatically after a few times. For businesses that require invoice approvals, you can customize the approval workflows from the start.

With Planergy, you can assign permissions to staff, set purchase limits, manage departmental budgets, and customize the approval process so that it's automated from start to finish.

How To Go Paperless in Accounts Payable

STEP 1 — Carefully Plan Out the Implementation Process

STEP 2 — Involve All Relevant stakeholders

STEP 3 — Get Your Suppliers and Vendors on Board

STEP 4 — Convert Existing Documents into Electronic Formats

STEP 5 — Find a Suitable AP automation Solution

STEP 6 — Take Time to Learn the System Properly

STEP 7 — Start Using AP Automation

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Whether your business is in its infancy or has multiple locations, it's time to eliminate paper-based invoices and all they entail. Though it requires some effort, making the move to paperless invoicing and accounts payable automation is worth it.

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What's your goal today?

1. Use Planergy to manage purchasing and accounts payable

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- Read our case studies, client success stories, and testimonials.
- Visit our Accounts Payable Automation Software page to see how Planergy can automate your AP process reducing you the hours of manual processing, stoping erroneous payments, and driving value across your organization.
- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

2. Download our guide "Preparing Your AP Department For The Future"

Download a free copy of our guide to future proofing your accounts payable department. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

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3. Learn best practices for purchasing, finance, and more

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