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ACCOUNTS PAYABLE  
AUTOMATION **eGUIDE**

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## WHO WILL BENEFIT?

CFO, VP's, Directors and Financial Operations  
& Accounts Payable Managers.

## WHAT YOU WILL LEARN?

Industry best practices and a methodology to automate  
accounts payable operations in any organization.

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## WHO WE ARE

IPS is a leading global provider of AP automation solution. IPS can simplify and digitize invoice processing, no matter the volume, industry, ERP, or where AP staff work. The IPS AP automation solution combines cloud technology, digital mailroom capabilities, intelligent data capture, dynamic workflows, seamless ERP integration, a supplier portal, analytics, and supplier management.



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# WHEN IT COMES TO PAYING BILLS, WHY IS PAYING A COMPANY'S BILL SO MUCH MORE COMPLICATED THAN PAYING YOUR BILLS AT HOME?

When you pay your bills at home you simply log-in to your bank or bill pay system, review your bills electronically, enter an amount, schedule, click a button, and voila you're done. In fact, many bills are scheduled with an autopay and don't require any human intervention when set up properly. The process of managing your personal finances has been forever digitally transformed.



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# SO WHY IS IT HARD FOR BUSINESSES?

Business-to-business (B2B) transactions are not the same as business-to-consumer (B2C) transactions. Purchasing processes, supply chain management, accounting regulations, legacy systems and the risk of fraud make it harder for businesses to pay suppliers. This is a big reason that controllers surveyed by the Institute of Finance and Management (IOFM) cite accounts payable as the most labor-intensive and paper-intensive finance and accounting function, and the one that would benefit most from automation.

Even accounts payable departments with antiquated AP automation solutions struggle with inefficient invoice receipt, processing and posting processes.

AP automation solutions provide businesses with compelling benefits:

- Reduced labor hours
- Increased accuracy and less time spent correcting errors
- Lower administrative costs
- More time for staff to focus on value-added activities
- Improved vendor relationships and partnerships
- Accelerated invoice approvals and fewer late payments

**With the right AP automation solution, staff productivity skyrockets!**

**Is your AP department ready to take the first step – or the next step – toward full accounts payable automation?**

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# STATE OF THE INDUSTRY

Only nine percent of accounts payable departments are fully automated, with few or no manual tasks, according to IOFM. Conversely, 14 percent of accounts payable departments have no automation – they process invoices in a completely manual, paper-based fashion. Another 33 percent of accounts payable departments say they have a low level of automation.

As pressure increases for finance departments to reduce costs and overall performance, accounts payable automation is becoming a bigger priority. Seventy-one percent of accounts payable departments plan to increase their level of automation. Even departments that describe themselves as “largely automated” plan to deploy more technology, according to IOFM.

This eGuide is a resource for automating accounts payable.



## THE BENEFITS OF ACCOUNTS PAYABLE AUTOMATION

### AP automation solutions deliver immediate benefits, including

- Fewer errors, often to less than 0.1 percent
- Reductions in invoice processing and approval cycle times by 50 to 150 percent
- Transparency into invoice and business processes

### Long-term, AP automation enables finance departments to

- Achieve sustainable incremental improvements in cost efficiency
- Strengthen vendor relationships and improve stakeholder collaboration
- Make faster, better-informed decisions on cash and spend and gain instant access to information to help mitigate risks and focus staff and budget on strategic priorities

### Best practices for implementing an AP automation solution

#### Assessing the effectiveness of your current AP automation implementation plan

#### Advancements in technology platforms to transform your AP process

For most organizations it is relatively easy to generate fast ROI for AP automation initiatives. Industry analysts cite that 18 months is an average ROI for an AP automation system and point out that with an experienced team and today's rapid deployment platforms (SaaS), many organizations can achieve ROI on their AP automation investments in under 6 months.

## STATE OF THE INDUSTRY

The following metrics will help organizations set expectations for their AP automation efforts, depending on if they are in the beginning stages, middle stages or pushing it to its limits.

| METRICS   | NOVICE  | MAINSTREAM | INNOVATOR |
|---|---------|------------|-----------|
| Average processing time from invoice receipt to approval                  | 45 days | 23 days    | 5 days    |
|   |         |            |           |
| Average processing cost per invoice (combination of paper and electronic) | \$15.00 | \$6.70     | \$2.36    |
|   |         |            |           |
| Percentages of invoices received electronically                           | 3%      | 9%         | 32%       |
|   |         |            |           |
| Percentage of invoice terms discounts captured                            | 18%     | 40%        | 75%       |

Source: Your Guide to Accounts Payable Automation Technology, Paystream Advisors

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# THE PROBLEM

Manual and semi-automated accounts payable processes create operational and financial challenges for frontline staff and senior management alike:



## **EMPLOYEES BECOME STRESSED AND FRUSTRATED**

No one likes the drudgery of manual tasks. Today's workers – particularly young ones – seek out employers that embrace digital technologies and invite innovation. Workers also want a job that focuses on mentally stimulating tasks such as data analysis and supplier management, rather than keying and paper shuffling.



## **SCALING IS EXPENSIVE, TIME CONSUMING AND LEADS TO OTHER ISSUES, INCLUDING ERRORS.**

Manual and semi-automated AP operations must increase staff to compensate for increased volumes during peak periods. The increases in labor leads to increased costs and errors, as much of the temporary staff is not experienced with the nuances of a particular accounts payable operation and its vendor relationships.



## **MANAGERS AND FINANCIAL SYSTEMS ARE BLIND TO INVOICES THAT ARE MOVING THROUGH THE PROCESS**

In a manual or semi-automated accounts payable environment, decision-makers can never be sure where things stand. Key information is not captured, data is incorrect or incomplete, information is not timely, and systems are fragmented. As a result, decision-makers do not have access to the variables they need to make decisions.

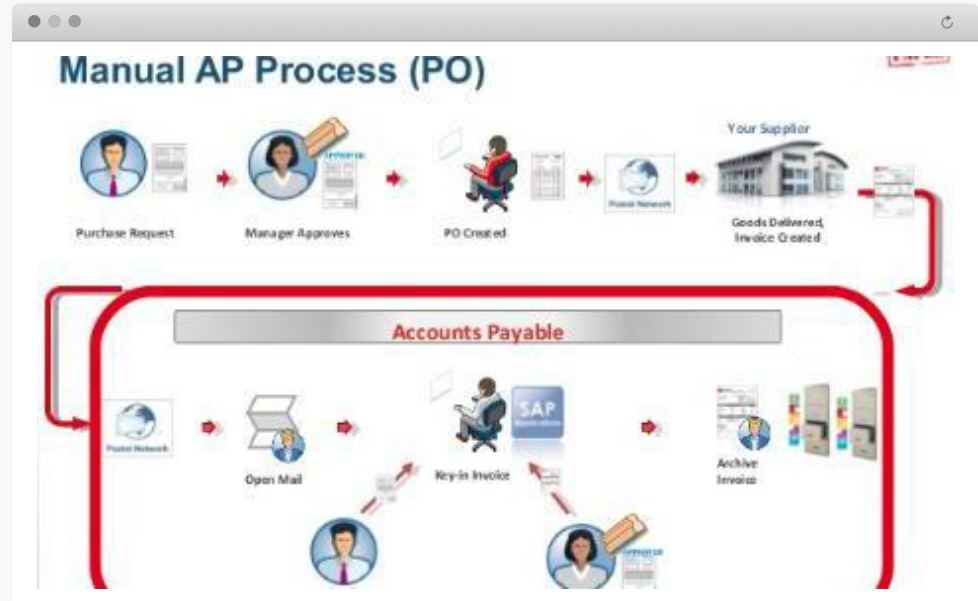
No wonder that accounts payable is perceived as a tactical back-office function that drains company resources!

AP automation offers a solution.



# THE SOLUTION

The key to AP automation is to electronically process and streamline as much of your invoice flow as possible AND to be able to separate the invoices that need human intervention into a highly effective digital workflow. Pushing paper or email invoices is highly unproductive and very costly. Centralized receipt and the aggregation of invoices into a single platform provides the proper foundation to automate your Accounts Payable process. Too many companies have multiple receipt channels to manage without the ability to track, manage or provide transparency into the status of every invoice.



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# THE SOLUTION

The best AP automation solutions and your understanding of your internal (process, approvers, auditors and management) and external relationships (suppliers and auditors) can be a powerful combination for improvement. AP automation technologies such as digital mailroom capabilities, intelligent data capture, dynamic workflows, seamless ERP integration, online supplier portals, and analytics continue to bring us closer to 100% automation of AP operations. Digital transformation seems to be everywhere we look these days!



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# THE SOLUTION



## **INVOICE RECEIPT AUTOMATION:**

Any invoice from any source is automatically received and aggregated onto a single platform. Solving the problem of processing invoices that arrive as paper, fax, and various digital formats such as EDI, XML, email, Excel, and PDF should be a standard function in your solution.



## **INTELLIGENT DATA CAPTURE:**

Extract invoice data and match it against POs and delivery receipts.



## **RE-WORK ELIMINATION:**

Validate extracted invoice data and match it against information residing in an ERP to eliminate avoidable errors and duplicate payments.



## **REAL-TIME TRANSPARENCY:**

Use graphical dashboards to instantly access the status of invoices, outstanding liabilities, spend by supplier or category, and more.



## **EARLY PAYMENT DISCOUNTS CAPTURED:**

Accelerate invoice approval to capture more early payment discounts.



## **LATE FEES ELIMINATED:**

Eliminate the things that result in late payments: lost or misplaced paper invoices, misrouted invoices and invoices at the bottom of an in-box.



## **DIGITAL IMAGE AND DATA ARCHIVAL:**

Achieve auditable, compliant information governance.

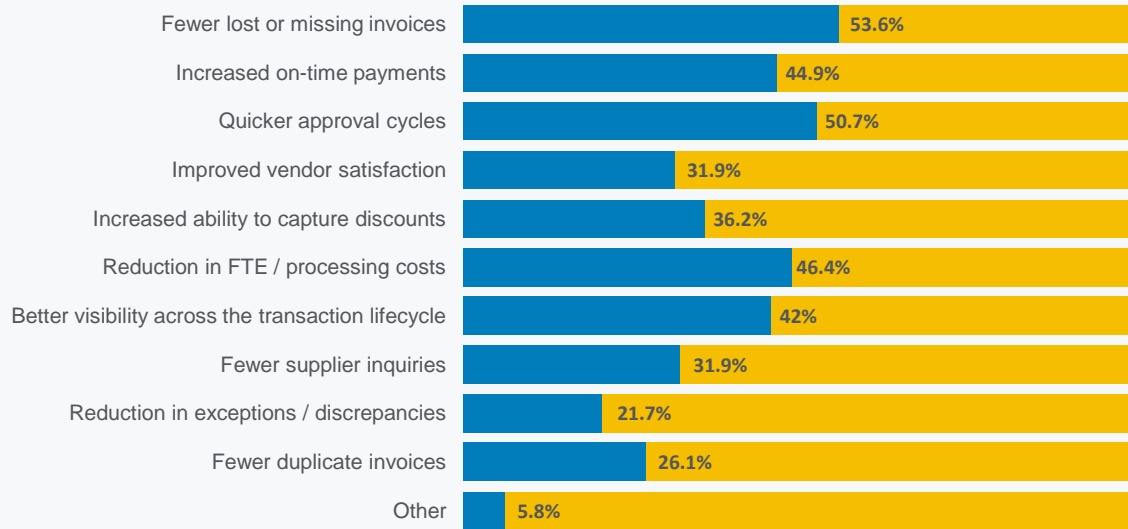


## **PROCESSING TIMES SLASHED:**

Digitally route invoices for approval based on pre-configured business rules. Set unique business rules for high-dollar transactions.

# THE SOLUTION

According to PayStream Advisors there are abundant benefits from AP automation for the organizations who are adopting and embracing digital transformation.



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# THE SOLUTION

And depending on which stage of AP automation you reach you have these additional benefits to look forward to:



Cost per invoice drops by 50% or more



AP staff and funds are freed up to support other strategic priorities



The possibility of internal fraud is eliminated through segregation of duties that prevents one person from creating a supplier, creating an invoice for that supplier and then approving and paying the invoice.



Advantages of utilizing a Software-as-a-Service (SaaS) provider:

- Implementation is faster.
- Infrastructure is available on demand, with lower costs.
- Additional IT bandwidth; Cloud provider IT teams able to seamlessly integrate with your ERP and IT Systems



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“WHEN WE MODELED THE POTENTIAL OF AUTOMATION TO TRANSFORM BUSINESS PROCESSES ACROSS SEVERAL INDUSTRIES, WE FOUND THAT THE BENEFITS (RANGING FROM INCREASED OUTPUT TO HIGHER QUALITY AND IMPROVED RELIABILITY, AS WELL AS THE POTENTIAL TO PERFORM SOME TASKS AT SUPERHUMAN LEVELS) TYPICALLY ARE BETWEEN THREE AND TEN TIMES THE COST. THE MAGNITUDE OF THOSE BENEFITS SUGGESTS THAT THE ABILITY TO STAFF, MANAGE, AND LEAD INCREASINGLY AUTOMATED ORGANIZATIONS WILL BECOME AN IMPORTANT COMPETITIVE DIFFERENTIATOR.”

**McKinsey & Company**



# THE 5 FUNDAMENTALS OF AP AUTOMATION



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# THE 5 FUNDAMENTALS OF AP AUTOMATION

There's more than one way to adopt and implement AP automation. All methodologies deliver positive impact and benefits. Some organizations implement in steps, while others all together in an end-to-end implementation.

| <b>BUILD A STRONG FOUNDATION</b>  | <b>USE PROVEN TECHNOLOGY</b>   | <b>ENGAGE PEOPLE FOR BETTER PROCESS</b>  | <b>DOCUMENT PROCESSES</b>  | <b>EMBRACE CHANGE</b>   |
|---|--|--|--|---|
| The Digital Mailroom is a critical first step in AP automation, but it is not the only step. It lays a foundation for big gains in the steps that follow. As a foundational element it needs to be built correctly and drive quality to downstream processes. | Organizations should choose an automation solution based on proven results rather than unproven promises of “the latest technology.” Insist on a track record of successful results. Innovation and integration must be managed. | Technology is only a tool. AP professionals need to understand what new tools are available and imagine how these tools can help drive process improvements. | In order to see gaps in current process and to implement new processes information must be communicated through documentation. | Automation is a fact of modern life. We all need to find ways to make it work for us. |

The following process flow breaks down the end-to-end AP Automation process to discreet functions.

Many companies begin with the Digital Mailroom and add additional functions over time. Each of these areas continue to evolve and leverage new technologies and innovations. Map the following functions to your company to see where you are in digitizing your Accounts Payable business process.



# THE PROCESS FLOW

## DIGITAL MAILROOM

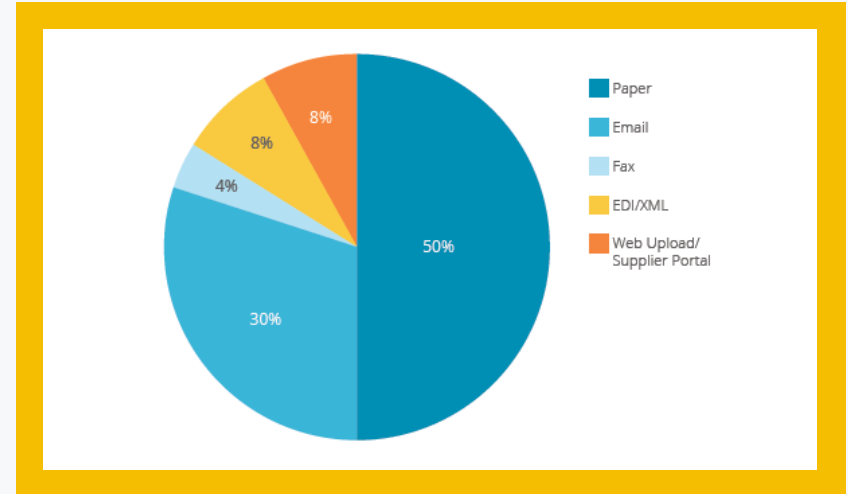
In a survey of 150 organizations, PayStream Advisors found the leading cause of AP pains is the volume of paper invoices. Furthermore, PayStream asked, “how much of each invoice format does your organization receive?” Respondents were receiving 50% of their invoices on paper. The logical conclusion is that reducing the volume of paper invoices should be the starting point for any AP automation project.

And that’s the exact role of the Digital Mailroom.

In addition to digitizing your paper invoices, the Digital Mailroom should be engineered to address all forms of electronic invoices (e-Invoices).

The Digital Mailroom is the point of entry for incoming vendor invoices, which arrive in various:

- Formats – paper, PDF, XML, Word, Excel
- Receipt channels – mail, overnight express, email, attachments to email, fax, FTP, EDI, digital media, web portals



Some Digital Mailrooms are constructed on-premises and some are off-premises at a trusted partner location. Machines open mail and scan paper, while computers automate email receipt, extract attachments, process faxes, ingest EDI and SFTP transmissions and manage web portals. Each invoice format requires its own special handling and is converted into a standardized digital document format.

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# THE PROCESS FLOW

## **PAPER INVOICES**

Physical invoices arriving by mail are scanned to create a standard digital file ready for downstream processing. If you have a large volume of invoices arriving in paper it is critical to have a methodology to process your “unstructured paper invoices” and create a structured digital version. This process done poorly results in errors, rework and excessive costs.

## **EDI INVOICES**

While EDI is a relatively old technology it is still a viable means to deliver invoices to your accounting system. EDI does require very specific software, standards and high adoption by your vendor community to justify the investment. Many vendors do not have the technical resources or budgets to implement EDI. For those vendors that can deliver EDI invoices, they can be readily integrated into your accounts payable workflow.

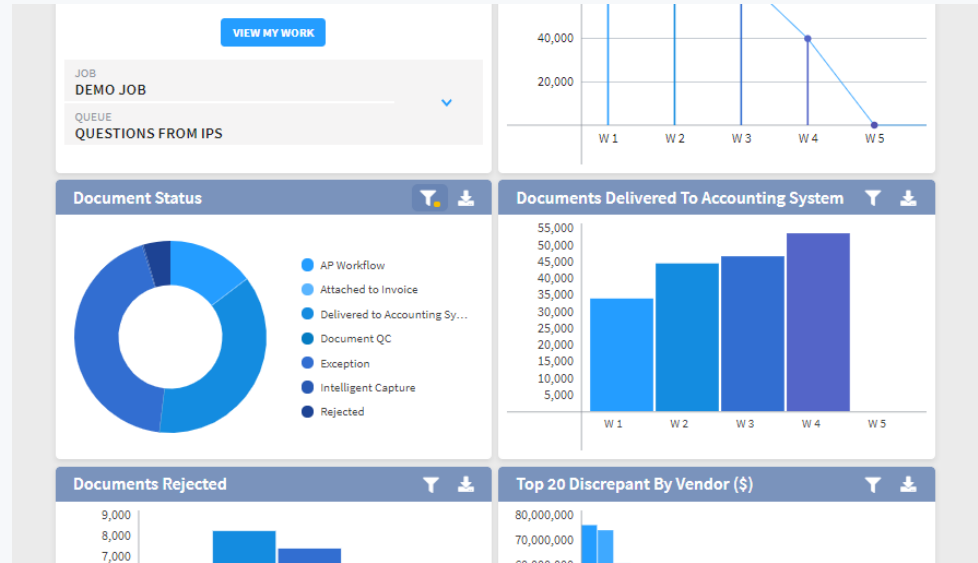
## **DIGITAL INVOICES**

For invoices arriving through email as email attachments, automation is the key to efficiency. Manually opening and pulling invoice attachments from emails is a time-consuming, error-prone and costly process. Invoices that arrive electronically, unless true EDI, are not automatically ready for posting or payment. A well-designed digital mailroom automatically detects and processes all email attachments (including multiple invoices within a PDF or Zipped file) in any format (PDF, Word, Excel, Image, Zip etc.) and email information, then logs it for tracking purposes. The same system should automatically convert attachments to the standardized digital invoice format, create metadata and ensure quality and accuracy of invoice information. Accuracy is paramount, because quality problems at the invoice receipt and ingestion stage will surface as costly problems during the upcoming matching, routing and approval workflows.

# THE PROCESS FLOW

As a new and emerging process, many companies reduce their administrative workload further by setting up vendor web portals and requiring vendors and internal users to upload invoices directly into automated workflows. Vendors uploading e-Invoices through portals provides immediate receipt confirmation, eliminates a series of steps, speeds processing, eliminates labor and is easily auditable.

Vendors can no longer claim, “the invoice is in the mail!” or, in today’s world, “I sent you an email, it must have gotten caught in your spam.”



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# THE PROCESS FLOW

## **DATA ENTRY**

Data Entry is still being performed by many companies to enter invoices into their accounting system. This is a very time-consuming, costly and error-prone process.

## **DATA CAPTURE**

Data Capture is the extraction of data from any scanned, faxed, emailed or uploaded non-EDI invoice. There is a misnomer in the industry, that any invoice that exists on a computer can be accurately processed by another computer without specialized data extraction technology. The fact is that only EDI invoices are able to be loaded into an Accounts Payable system without either data entry or data capture. The industry has coined a term “e-Invoice” for those invoices that are generated and stored as electronic documents, but do not conform to EDI standards. [Click here](#) for more on EDI.

By themselves, digital documents e-invoices are of limited value to automating the Accounts Payable process. They are simply image files with names. They become structured information assets when metadata is attached that defines the content of the file. Usually metadata includes critical information consisting of letters and numbers that identify the invoice number, date, amount, vendor, PO, tax ID, job, client, line item detail or a myriad of other items necessary for your accounting systems. This metadata becomes the “glue” or “transactional DNA” that links the invoice to every stage of the workflow process. The optimal outcome of this step is when the invoice data is perfected and complete, processing can be 100% automatic.

The quality of the metadata and digital documents resulting from the Data Capture process is critical to achieving AP automation goals. This is a classic example where “garbage in, garbage out” can result in costly rework and exceptions.

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# THE PROCESS FLOW

## OCR

In order to address the obvious issues with data entry, OCR technology was introduced into Accounts Payable processes in the 1990s. Early adopters found that OCR was a very slow process and was not able to significantly reduce costs without introducing random errors and unpredictable results. OCR also required an enormous amount of upfront resources to create templates and other tools to accommodate a wide variety of invoice formats. While OCR has come a long way, additional technology is needed to avoid false positives and other unpredictable errors introduced into the process.

Current OCR and the associated technology for clean-up does an adequate job of converting invoices to structured metadata; however, OCR still requires a significant amount of labor to ensure and validate the accuracy of data. Increased accuracy can be achieved with technology that validates the invoice's metadata against Vendor Master, PO, and G/L account files. In addition to improving the accuracy of data, some of the newer technologies have "learning systems" that assist in the setup and help with the management of a diverse set of invoice formats and variations. These systems are very costly, require large investments in technology, have steep technical learning curves and technical support needs.

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# THE PROCESS FLOW

## **QUALITY ASSURANCE**

This is the point where AP automation systems often fail. Automated quality control routines can also check for such things as bad data formats or incorrect remit-to addresses and flag discrepancies to be corrected. Any anomalies detected during the capture process are presented to the AP staff for resolution. Current technology learns from this interaction and becomes trained to auto-process the invoice the next time that situation occurs. Having a skilled QA person ensures exceptions are processed quickly and accurately.

## **INTELLIGENT CAPTURE**

IPS Intelligent Capture is the process of combining people, process and technology to reduce costs, drive quality results and significantly outperform other technologies.

## **PURCHASE ORDER MATCHING, PO FLIP AND VENDOR**

### **MASTER INTEGRATION**

Since IPS invented database matching technologies in the early 1990s, purchase order matching and PO flip have significantly reduced the costs of processing PO invoices. PO Automation should include the ability to match invoice line items with PO line items and automatically flip the data for approval and accounting systems. It should also include matching Vendor Names to Vendor Numbers as well as have the ability to address remit to: addresses. [Click here](#) to request more information about PO Matching.

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# THE PROCESS FLOW

## **DIGITAL WORKFLOW**

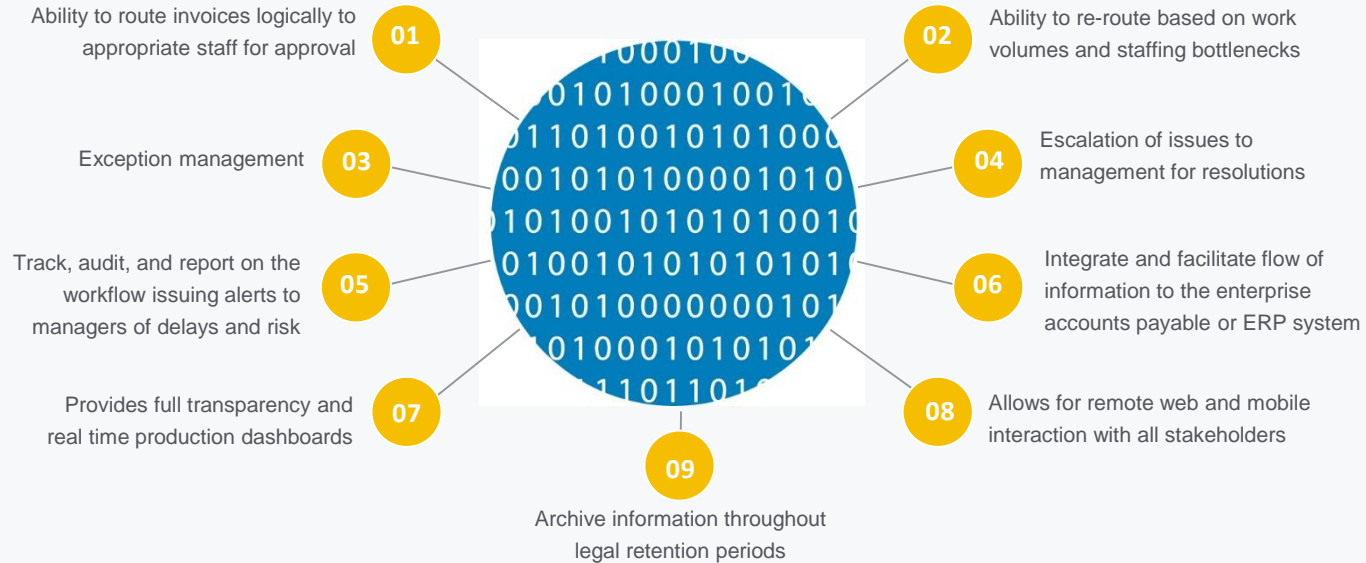
Automating labor intensive workflows is where organizations receive tremendous efficiencies and savings. Digital Workflow software, sometimes referred to as enterprise content management (ECM), business process management (BPM) or workflow management software (WMS), allows the streamlining of document-centric business processes. Digital Workflow also provides the necessary audit trails to meet your compliance needs. This is a critical aspect in becoming a digitally transformed company. The software allows for information workflows and decisions to be programmed and monitored real time.

Building workflow that mirrors the routing of an invoice through an organization depends on many different factors. These workflows already exist within paper-based organizations but are almost always not accurately mapped or documented. It takes financial understanding and expertise to define workflow rules. Many times processing rules and information needs to be derived from documents, worksheets, databases, directories and peoples' heads during the workflow design assessment.

As the rules are defined, they must be configured within the Digital Workflow allowing for automated business processes to occur. The workflow platform must maintain a comprehensive audit trail of all actions in order to ensure an unbroken chain of custody for the invoice; routing it from one person to the next as required until approval is completed.

# THE PROCESS FLOW

## Key Features of Digital Workflow





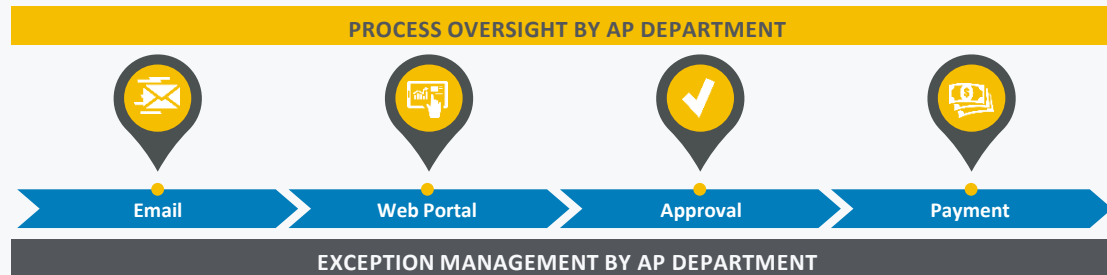
# THE PROCESS FLOW

## THE FLOW OF APPROVALS

The approval process begins when the digital documents and accompanying metadata are uploaded to a secure workflow platform. Authorized users are granted access securely through customized web portals and the workflow system provides an all-digital process from invoice receipt to disbursement.

## INTEGRATION

Workflow integration with your ERP and/or accounting system is critical to the success of any accounts payable automation initiative. Technical integration of accounts payable automation platforms with ERP and accounting systems can be either tightly or loosely configured. Many factors impact the decision on how tightly integrated you want your solution. Common factors are IT resource availability, budgets, business process and IT roadmaps, among others.

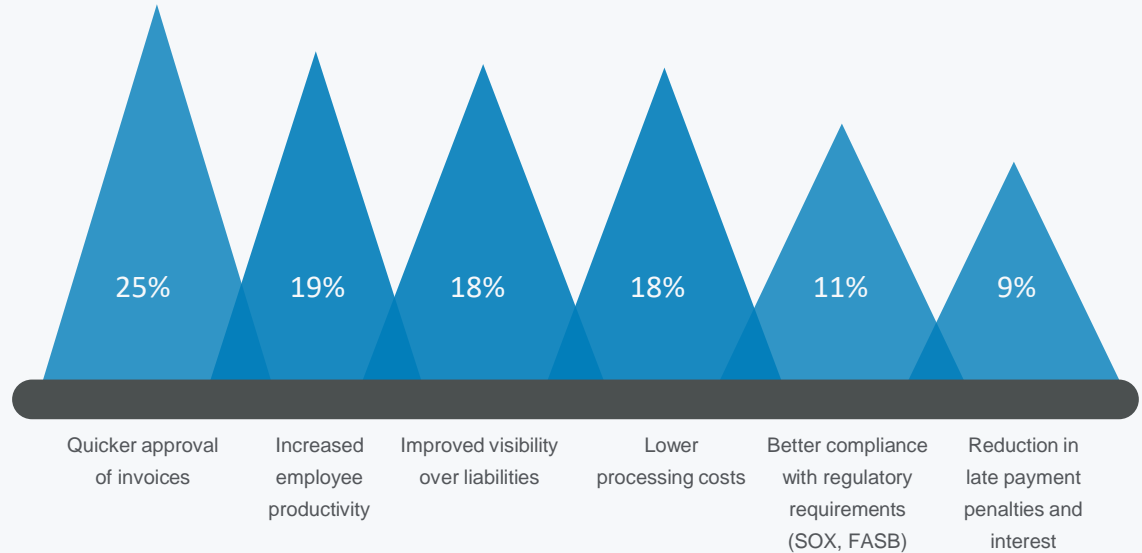


# THE PROCESS FLOW

Below are the benefits of automated Digital Workflow as reported by PayStream Advisors

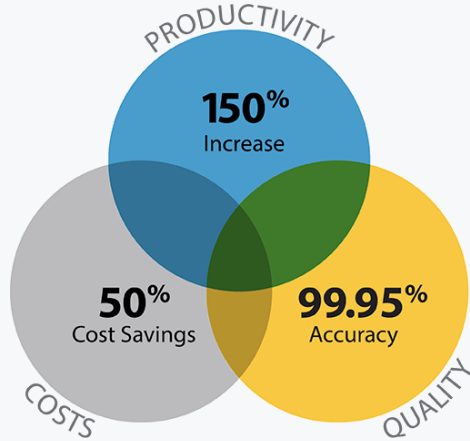
## MEASURING RESULTS

During implementation and after implementation, invoice automation and Digital Workflow approvals for accounts payable have delivered enormous benefits



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# THE PROCESS FLOW



These measurable gains can also significantly improve your organization's working relationships with vendors, who are playing an increasingly important role as strategic partners in global supply chains.

In addition to these measurable gains, big opportunities arise from the time saved by abandoning manual processes for data entry, matching, routing and approval.

Once automated, the people who performed manual work can now be assigned to knowledge work and strategic priorities. As you continue to adopt new AP automation systems, your AP team can develop more sophisticated and valuable skills. In almost every instance employee morale and retention also increases.

## VENDOR PORTALS

Traditional vendor portals help in automating accounts payable; however, they can either shift the burden of data entry to the vendors (making them more expensive for you) or they require costly IT changes to the vendor billing systems.

The latest vendor portal technologies offer cost-effective and seamless integration between you and your vendors. With the IPS AP automation solution's vendor portal, vendor communications can be streamlined, automated and vendors can self-serve information regarding payment.

# THE PROCESS FLOW



## DIGITAL INFORMATION GOVERNANCE

For full compliance with your internal and external governance needs, digital invoices and the associated data can provide a secure audit trail. Having the right technology to audit your accounts payable process must be a part of your automation strategy. Securely storing and managing the record retention of your accounts payable invoices is critical for compliance.

A successful end-to-end automation project for accounts payable that converts the current manual process into an all-digital workflow looks like this:





# INNOVATION AND PARTNERING

"Never before in history has innovation offered promise of so much to so many in so short a time." - Bill Gates



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## INNOVATION AND PARTNERING

IPS provides all the core components of a full AP automation solution. Whether you're just getting started or you're ready to add more automation, IPS AP automation solutions will help you move forward quickly and safely. Our core capabilities are our Digital Mailroom, Intelligent Capture, Digital Workflow, Vendor Portal, and ImageServ<sup>SM</sup> Secure Storage.

"A lot of rollouts take forever. This rollout has been the most efficient one I have been part of in 13 years. Between IPS and our IT team, they have done a great job at identifying what's wrong, writing new rules, and fixing the problem fast."

Stuart Clancy,  
Senior Director for Corporate Purchasing  
and Accounts Payable, Sharp Electronics



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# INNOVATION AND PARTNERING

## SHOULD YOUR BUSINESS TAKE THE FIRST STEP – OR THE NEXT STEP – TOWARD FULL AP AUTOMATION?

It is clear that companies that have developed and are successfully executing a digital transformation strategy are better able to compete. These organizations also have enjoyed higher employee morale and overall productivity. AP automation is an excellent place to begin the journey and many of the companies we have studied are doing just that. AP automation adoption is growing and having an immediate and strong impact on organizations.

IPS works with organizations to assess their current stand and architect an AP automation strategy.

Our implementation model unites people, processes and leading technology, enabling your organization to extract maximum value from your AP automation solution and digital transformation



“Working with IPS changed our business. We were up and running with the IPS solution in a matter of weeks. The IPS team is very client-focused; they began by asking us the right questions to ensure the least amount of exceptions. Their invoice processing experts knew exactly what areas to focus the project team on.”

Brian Goorevich,  
Director of Application Development, Viacom



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“PAYSTREAM RESEARCH INDICATES THAT IWA SOLUTIONS OFFERED BY ERP PROVIDERS FUNCTION MUCH LESS EFFICIENTLY THAN CLOUD-BASED, BOLT-ON SOLUTIONS. WHEN SELECTING AN IWA SOLUTION, ORGANIZATIONS THAT ARE HEAVILY DEPENDENT ON THEIR ERP'S APPLICATIONS SHOULD EVALUATE CLOUD-BASED OFFERINGS' ABILITIES TO INTEGRATE WITH THEIR ERP. LEVERAGING A COMBINATION OF APPROPRIATE, CLOUD-BASED SOLUTIONS IN CONJUNCTION WITH EXISTING ERP PROCESSES CAN GREATLY IMPROVE ORGANIZATIONS' INVOICE MANAGEMENT.”

**Invoice Workflow Automation Report, PayStream Advisors**



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**Ready to automate accounts payable?**




**Let's chat!**

**Visit [www.ipswrx.com](http://www.ipswrx.com)**




**or call (201) 710-2417 today!**



**Contact us:**

-  150 Meadowlands Parkway | Secaucus, NJ 07094
-  201-710-2417
-  [info@ipswrx.com](mailto:info@ipswrx.com)

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