How to Escape the Manual AP Processing Trap

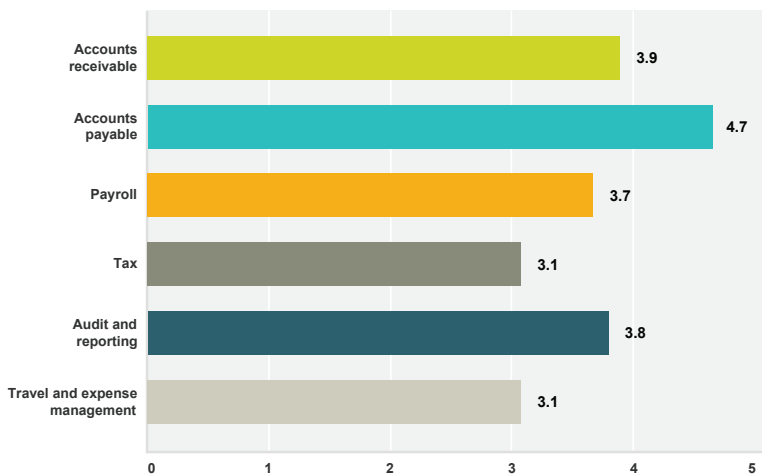Most AP professionals are caught in the snare of manual tasks.

Eighty-four percent of an AP pro's day is wasted on manual, high-velocity tasks such as keying data, shuffling paper, fixing mistakes, chasing down information, and responding to supplier inquiries[1].

All the while, AP pros must manage dozens of best practices, business rules, industry standards and regulations, and auditor guidelines on how to approve invoices and pay suppliers.

Even AP managers spend more time each day on heads-down transaction processing than on the managerial tasks they were hired to perform – things like staff development and strategic planning[2].

Senior finance execs recognize the problems with manual AP processes. **Controllers rank AP as the most time-consuming, laborious, and paper-intensive finance and administration function** – ahead of notoriously burdensome functions such as payroll, tax, and audit and reporting[3]. In fact, AP received nearly twice as many votes from controllers surveyed by IOFM as the most time- and labor-intensive finance and administration function than the next highest-ranked function, accounts receivable.

AP is the number 1 most time consuming function in contrast to the other most time consuming functions.

Function	Value
Accounts receivable	3.9
Accounts payable	4.7
Payroll	3.7
Tax	3.1
Audit and reporting	3.8
Travel and expense management	3.1

Sixty-three percent of controllers say that AP is a priority for improvement[4].

All these manual tasks leave little time for AP to focus on higher value activities such as data analysis, stakeholder collaboration, and supplier management that can drive business growth.

No wonder that AP has a perception as a tactical back-office function that drains company resources.
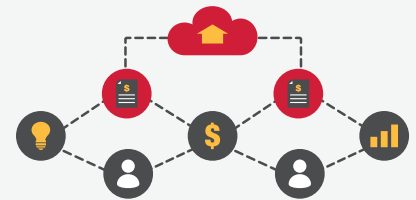
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[1] Institute of Finance and Management (IOFM)

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63% of controllers say that AP is a priority for improvement[4].

84% of an AP pro's day is wasted on manual, high-velocity tasks such as keying data, shuffling paper, fixing mistakes, chasing down information, and responding to supplier inquiries[1].

Now is the time to rethink the way that AP operates and its underlying cost structure. Growth-minded businesses no longer can afford to be stuck in the vicious cycle of manual, repetitive tasks.

AP tops the list as the most time-consuming, laborious, and paper-intensive finance and administration function in the eyes of controllers[5].

This white paper details the five biggest barriers to AP automation and demonstrates how modern solutions address these barriers, so AP can escape the manual processing trap.

How AP gets stuck

Seventy-one percent of AP departments plan to automate. In fact, 44 percent of AP leaders who describe their department as "largely automated" have plans to deploy more technology[6].

What's holding other AP departments back from automating?

1. **Lack of internal resources to support the project/lack of internal IT support:** Limited resources are thwarting the AP initiatives at many organizations. Buyers must ensure connectivity between electronic payments and their enterprise resource planning (ERP) application, AP system, and their bank. The problem is that many antiquated approaches to payments automation can disrupt existing processes, require a lot of IT involvement, and demand complicated and costly ERP integrations. When IT resources are tight, competing technology initiatives can get in the way of winning approval for AP automation projects. The resource burden of some approaches to AP automation also makes it difficult for suppliers to migrate to electronic payments. Suppliers need to be assured that they can get the remittance data they need to apply payments and update their receivables system.

2. **Lack of a compelling business case.** The benefits of AP automation are proven and compelling. But many automation proposals never win approval because they don't reflect the priorities of senior management (e.g., working capital optimization, tighter control over corporate spending, risk mitigation) or they require a significant upfront capital investment and big ongoing maintenance fees – both non-starters with a cash-conscious C-Suite. Other proposals for AP automation never consider the hidden costs of paying suppliers with paper checks, including bank fees to replace lost checks, time wasted responding to calls and e-mails from suppliers about the status of payments, and the fallout of compliance violations.

AP tops the list as the most time-consuming, laborious, and paper-intensive finance and administration function in the eyes of controllers[5].
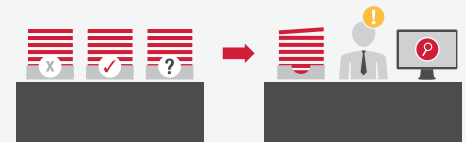
Fraudulent payment attempts are a common occurrence among global payments.

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[6] Institute of Finance and Management (IOFM)

3. **Lack of capital budget.** High-velocity businesses want to invest capital in things that will grow the business, not complicated technology projects with a high risk of failure. But that's what AP leaders are asking management to sign-off on when they propose deploying an on-premises system with big software license fees and the need to buy complex scanners. Senior managers also know that antiquated approaches to automation also have lots of hidden costs such as customization charges, professional services fees, and scanner suppliers and upkeep.

4. **Concerns about managing change.** Change has historically come slowly to AP. It's not uncommon for AP professionals to spend their entire career in the same department. AP leaders fear that automation would be too big a change for people set in their ways. Others worry that their staff will not have the skills to operate a complicated system. And senior managers may worry that automation provides less control and visibility over cash flow.

5. **Fear of risk.** Changes to the way AP works is creating new risks of payment fraud. The sudden shift to remote working disrupted hardened processes and procedures for how invoices are approved, and payments are made. In some cases, businesses were forced to choose between following checks and balances and getting supplier paid. And relying on e-mail to approve invoices and onboard suppliers has thrown the door open wide to phishing schemes and Business E-mail Compromise (BEC). Law enforcement agencies are warning that the risk of fraud is higher because of the way AP departments are operating these days. Businesses increase their risk of payment fraud by paying suppliers with paper checks. From the moment they are issued, checks create three opportunities for fraud: dishonest employees may issue checks without proper authorization, fraudsters can alter checks or create counterfeit checks, and crooks can use the bank routing and account numbers on paper checks for nefarious purposes. What's more, resolving check fraud is a manual, time-consuming process that requires buyers to issue stop-payments, reissue payments, close and reopen accounts, and order new checks. Businesses cannot afford fraud losses. AP departments must find ways to mitigate their risk of fraud, no matter where staff work.

These are the five biggest reasons that only 9 percent of AP departments are fully automated with no manual processes and more time for AP staff to focus on growth-generating activities. Conversely, 14 percent of AP departments still process supplier payments in a completely manual environment[7].

Electronic payment solutions eliminate the need to hire staff as volume grows.

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Free your AP department

Modern AP automation solutions overcome the barriers that are holding AP departments back.

A self-service portal guides suppliers through choosing their preferred payment method and collecting banking details. Supplier data also can be automatically validated in real-time.

Payments then are triggered from invoices, payment file upload, or an open API. With just a few clicks of the mouse from a single application, payments can be scheduled in different methods, countries, and currencies. The payments solution automatically remits all payment methods as well as rich remittance data to suppliers, with no interaction required by AP staff. Modern AP solutions execute payments in nearly 200 countries and in more than 100 local currencies. The status and data from each payment method is automatically reconciled, normalized, and updated in the ERP.

Proactive payment status communications keep suppliers informed when payments are processed, and when (and why) they fail. Suppliers can also view their complete payment history in an online portal, freeing accounts payable professionals from spending hours resolving issues. Payees are alerted if additional information is required to process payment, or if tax forms need to be updated.

Electronic payments made easy

Automating supplier payments frees staff to focus more time on the things that drive growth. And today's electronic payment solutions make it easy to overcome the biggest barriers to automation.

1. **No-impact deployment.** User adoption is critical to any automation project. This is especially true for AP automation, where supplier resistance can torpedo an otherwise strong business case. The more payments made electronically, the more money a buyer can save and earn. Modern AP automation solutions offer buyers and suppliers an easy migration from paper checks, without a significant IT burden. The configuration and set-up of modern, cloud-based systems is minimal, and they are built with the intention that AP departments can on-board, process invoices and remit through the system as quickly as possible. Buyers can execute single or mass payments with just a few clicks in a single application. Support for multiple payment methods, currencies, languages, and regional requirements mitigates change management issues. Rich remittance details are automatically sent to supplier. And an intuitive graphical user interface and the seamless integration of AP automation solution with legacy ERP applications and processes minimizes the need for initial and ongoing IT support and training. Cloud-based AP automation solutions also eliminate supplier-side implementation costs and minimize the need for specialized training. And some AP automation solutions have a built-in online supplier portal that simplifies supplier enablement and

management while enabling supplier self-service where suppliers can update their payment and contact information, see payment statuses, and view invoice and payment history.

2. **Strong business case.** The case for AP automation has never been stronger. A single application makes it possible to make mass payments using multiple methods. There is no need to log into multiple banking systems or to print and mail paper checks. Making all payments through a single application also reduces bank fees and improves control over operating accounts and approval processes. Integrating an AP automation solution with a legacy ERP platform also provides real-time reconciliation, eliminating the need for costly manual keying of data, the decoding of banking messages or the management of multiple spreadsheets. With touchless transactions, the AP professional's work becomes less tactical and more strategic. They can focus on exceptions and begin to report, analyze and adjust. Errors are also reduced dramatically, leading to financial and resource savings by eliminating the steps associated with correcting manual errors. Additionally, cloud-based AP automation solutions can be implemented without significant upfront investments in software licenses or complicated scanners. Similarly, AP solutions providers are responsible for ongoing software maintenance and upgrades, making automation even more economical. AP automation also reduces costs by strengthening an organization's cash flow and spend management through real-time visibility. And modern AP solutions deliver advanced reporting that makes it easy to provide 1099 reporting while performing sanctions screening checks, collecting and validating payments information, and W-9 and W-8 tax forms collection.

3. **Reduced costs.** AP has historically been viewed as a cost center. Automation helps transform AP into a function that delivers value back to the enterprise. For starters, the efficiencies provided by AP automation reduces overhead. What's more, the accelerated invoice approval cycle times provided through AP automation enables buyers to capture more early-payment discounts. Suppliers are paid early by a third-party financial services organization in exchange for a discount on the amount due on an invoice. The buyer pays the financing company on the invoice due date, less a share of the discount provided by the supplier. The cash freed up through early payment discounts can be re-invested in the business. Electronic payments also provide businesses with an opportunity to optimize their Days Payables Outstanding (DPO). AP, procurement, and treasury can collaborate to align payment terms with the desirability of a payment method. Cash generated through lower overhead, early payment discounts, and better DPO reduces the need for costly borrowing.

4. **Manageable change.** Cloud-based AP automation solutions can be deployed fast, while staff work remotely, without disrupting existing processes and procedures, and without requiring changes to legacy ERPs and other applications. Best-in-class AP system

Businesses can leverage modern AP solutions to make payments to freelancers.

implementations typically take 4-6 weeks which includes a true and tested methodology to ensure that the customer is up and running as quickly as possible with minimal disruption. Seamlessly integrating an AP automation solution with legacy systems provides big operational benefits including:

- Effortless uploads of data on approved invoices
- Better accuracy through the elimination of duplicate data entry
- A single application for making mass payments using multiple methods
- Smart insights available at a user's fingertips from a single application
- Enterprise-grade controls over sensitive financial information
- An online portal that provides suppliers with intuitive tools
- Faster financial close

It's no wonder that AP professionals embrace automated solutions.

5. **Less risk.** Instituting strong controls is critical to fast-growing businesses. AP automation solutions have enterprise-grade financial controls that protect funds that are leaving an organization. The technology automatically enforces system access, delegation of authority, and segregation of duties. U.S. government standard encryption helps prevent data from falling into the wrong hands. And modern AP automation solutions also reduce manual tasks that open the door to fraudulent activities, create audit trails of all activities that occur in the system, and provide configurable business rules for approvals. Additionally, AP automation solutions also protect buyers and suppliers by improving the transparency of transactions.

Modern AP solutions make it easy to overcome the barriers to automation and to escape the trap of manual processes such as invoice keying, paper shuffling, and chasing down information.

Start your escape

Manual processes are a drag on AP productivity and business growth. But many AP departments are reluctant to automate their processes because of the perceived cost, resource burden, risk and change management issues associated with automation. Modern AP automation solutions uniquely address

the biggest barriers to accounts payable automation. The operational efficiencies provided by AP automation frees staff to focus more time on higher-value activities that drive business growth.

Controlling payments from a single point is more secure than using multiple systems.

Making payments electronically is one of the fastest-growing business tactics.

About Tipalti

Tipalti comes from the Hebrew expression for "We handled it." Tipalti is the only company handling both Accounts Payable and Mass Pay for mid-market companies across the entire financial operations cycle: funding global entities, onboarding and managing the global supply chain, instituting procurement controls, streamlining invoice processing and approvals, executing payments around the world and reconciling payables data across a multi-subsidiary finance organization. Tipalti enables high-growth companies to scale quickly by making payables strategic with operational, compliance, and financial controls. Companies can efficiently and securely pay thousands of partners and vendors in 196 countries within minutes. Tipalti customers typically reduce operational workload by 80 percent and accelerate the financial close by 25 percent, while strengthening financial controls and spend visibility.

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Our enduring commitment to serving the accounting and finance professions is unmatched. IOFM has certified over 25,000 accounting and finance professionals and serves several thousand conference and webinar attendees each year.

IOFM is proud to be recognized as the leading organization in providing training, education and certification programs specifically for professionals in accounts payable, procure-to-pay, accounts receivable and order-to-cash, as well as key tax and compliance resources for global and shared services professionals, controllers, and their finance and administration (F&A) teams.

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