Automating accounts payable and expense management

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As the business environment becomes more challenging, middle-market organizations need to discover ways to increase the efficiency of operations without constraining their ability to remain agile in rapidly changing markets. Companies are turning to new technology solutions to manage the accounts payable and expense management functions for more visibility, control and enhanced decision making. These platforms present an effective way for finance organizations to leverage emerging technology to manage those key functions in a much more cost-effective manner.

Introducing more automation to accounts payable and the expense management functions is a growing trend for several reasons: the traditional accounts payable role is evolving rapidly and becoming more centralized; spend analytics is essential for companies to manage cash forecasts; and the ability to evaluate vendors and negotiate payment terms is important to midsized businesses. Workflow automation and real-time reporting can transform a process that was purely transaction-based to a process that has enhanced controls and better spend analytics.
Challenges and opportunities

For many midmarket companies, optimization of accounts payable and expense management processes was not a focus until the recession hit in 2007. With companies focusing closely on managing and demanding greater analysis of spend, the need for better processes and greater automation became clear. Traditionally, the processes that existed within these functions were manual and time consuming with limited technology solutions. This often resulted in lengthy turnaround times for processing and approving invoices, poor vendor relationships, late payment fees and foregone cost savings from vendor discounts, and difficulty in effectively managing the cash conversion cycle.

Today, leading organizations are employing a mix of processes, technology and organizational strategies to optimize and automate the accounts payable and expense management functions.

The benefits of embracing automation

Integrating enhanced technology brings a wide range of benefits to an organization’s accounts payable and expense management functions. Automated solutions feature built-in workflow, better reporting to track expenses allowing for more informed buying decisions, and electronic imaging capabilities. These additional abilities provide flexibility with better controls and visibility to management and other key decision makers. The inherent virtual environment enables users to log in to the system and receive notifications when payments are due and allows administrators to establish protocols within the environment for better and more secure processes.

As companies manage a higher volume of accounts payable transactions, automation can alleviate paper processes and allow organizations to manage cash flow more effectively. With increased automation, companies can access more data and analytics and utilize that information to derive more insights in order to make better decisions.

With more consistent processes, technology introduces best practices for handling and processing data, and puts more accountability back into the system, depending on how it is configured. In an optimal system implementation, personnel that make purchases are required to follow standard organizational processes and procedures defined within the solution. These ensure proper authorization of purchases and that those purchases are within budget limits as well as within approved purchase order limits for that individual’s department.

Modern expense platforms save a significant amount of time by reading an image of a receipt through text recognition. It is properly coded once and it will automatically code repeat expenses moving forward. The approval process is automated with multiple approval layers, depending on the needs of the company and how the system is structured. Once that approval takes place, a check is cut and deposited into a bank account. In the traditional expense framework, several employees would need to process, review and reconcile receipts and then separately coordinate payment and check issuance.

Automated accounts payable and expense management systems also better integrate into a company’s reporting cycle within the finance organization. The cycle becomes much more efficient as the workflow drives information to the proper categories and duplicate data entry is eliminated. Because of automation to the general ledger, the need for additional coding and accruals is alleviated. In regards to segregation of duties and controls, a piece of paper is scanned or imaged then receives an account code within the general ledger. Companies must only oversee that process as opposed to entering information.

An important consideration for organizations when evaluating technology platforms is that automated systems remove the need for some control processes and strengthen others. For example, many popular accounts payable systems alleviate any need for check stock and resulting controls that have to be built into the organization. Once an invoice is processed and approved for payment, it is automatically linked to a bank account from which the system will initiate an ACH payment or cut and mail a check out on the company’s behalf. Some of these solutions are effectively providing positive pay protection which significantly diminishes the potential for check fraud. In addition, the cost per transaction of electronic payments is significantly less than the cost per transaction of paper checks.

In addition, given increased security and privacy concerns, no account information is visible on checks, other than the system’s information. The process introduces a higher level of security and also provides more controls to manage cash flow much more effectively. Companies no longer have to make a weekly check run or ad hoc check runs that so often occur in house. Producing checks is built within the automated system’s expanded workflow capabilities, and the enhanced reporting that is tied into the ledger allows for better reconciliation processes to occur and enhances the entire financial environment.

Lastly, accounts payable automation solutions allow organizations to centralize accounts payable functions and take advantage of the economies of scale that a shared services finance organization can offer. Many of these solutions are software as a service based (SaaS) solutions, meaning that they can be accessed over the Web from almost any location, enabling greater flexibility for end users. Some solutions also offer tablet and smartphone capabilities to allow for greater connectivity and reduce cycle times.
Choosing the right automated platform

Amid a growing field of technology options, organizations must understand exactly what automated systems can benefit them the most. A qualified advisor can perform an assessment, considering the company’s actual costs and risks within the accounts payable and expense management functions.

The procure-to-pay function is analyzed, understanding what it looks like, as well as the associated business requirements and any unique vendor relationships and business processes. It takes some effort and due diligence to ensure the right solution is chosen and that a new automated solution aligns with existing policies and procedures.

Determining the best technology fit for an organization depends on several key factors. These include cost, complexity, ease of use, whether the company desires an insourced or outsourced platform and how it fits into the overall organizational structure and strategy. If a company has a transient workforce, multiple locations or field operators, it could definitely benefit from the capabilities of automated systems to record that information remotely in a timely, accurate and easy manner. If a company consists of a single location without significant travel and expense report processing, there are also solutions that are simpler than traditional processes at a lower cost. The key question becomes, how much functionality does the business need?

The organization’s business model is also important to consider when choosing a new technology platform. For example, whether a business processes international transactions is an important differentiator, as some solutions have global capabilities with multicurrency and multilanguage functionality, while others focus on domestic transactions. The business structure and short- and long-term needs will dictate what the optimal solution should be.

Conclusion

The accounts payable and expense management functions are undergoing a significant shift toward automation; companies should consider implementing new technology or risk being left behind. A new platform can significantly improve efficiency, visibility and workflow in an organization with enhanced integration into the reporting cycle. However, companies must be careful when assessing the needs of the organization to make the right technology choices to align with their business model and goals.