YOUR ROADMAP FOR ACCOUNTS PAYABLE AUTOMATION

Chris Doxey, CAPP, CCSA, CICA, CPC

President and Owner

Doxey, Inc.

chris@chrisdoxey.com

Ryan Nelson

CEO and Co-Founder

Goby

rnelson@gobyinc.com

CPAacademy.org

COMPLIMENTARY CPE WEBINARS

Sponsored By: goby

As President of Doxey, Inc. and as a management consultant, Chris works with her clients to implement internal controls and process automation.

Chris Doxey

Ryan Nelson is the CEO & Co-Founder of Goby. Ryan has more than 20 years of experience in enterprise software and leadership positions.

Ryan founded Goby in 2009, and since has been focused on turning big data into big opportunities, with technology.

Ryan Nelson

➢ Learning Objectives:

➢ Define your Business Case for AP Automation.

➢ Identify milestones for rapid approval.

➢ Obtain an AP Automation Roadmap and the tips for implementation.

➢ Learn about the post implementation process and communication process to your stakeholders.

➢ Define and measure success.

Hint: This webinar is full of templates and checklists that you can use at your company and with your clients!

Agenda

- Introduction to AP Automation

- Your AP Automation Business Case

- How 10 Top AP Automation Solutions Can Reduce Risk and Cost

- Your Roadmap for AP Automation

  - Tips for Implementation
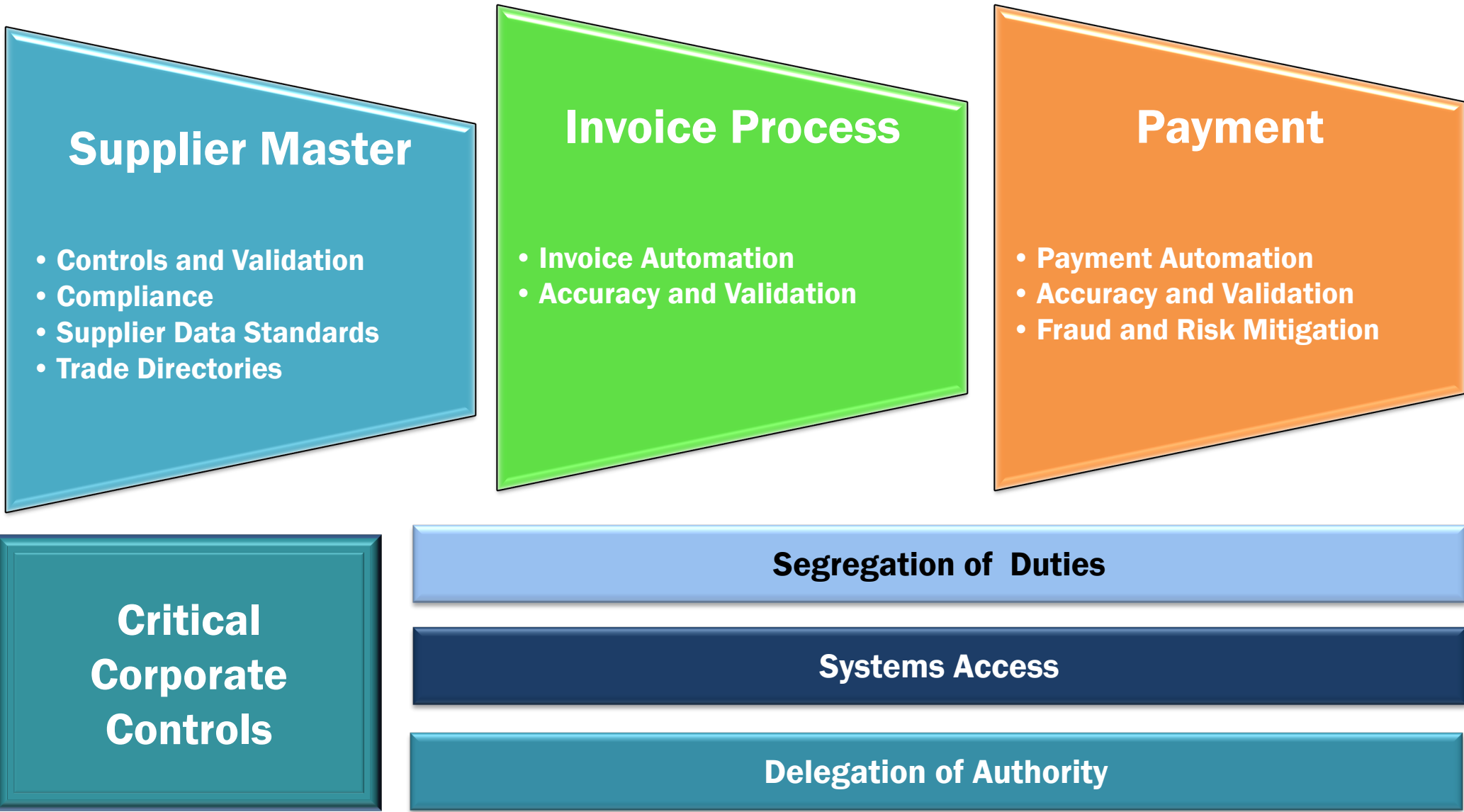
- Measuring Success with Key AP Metrics

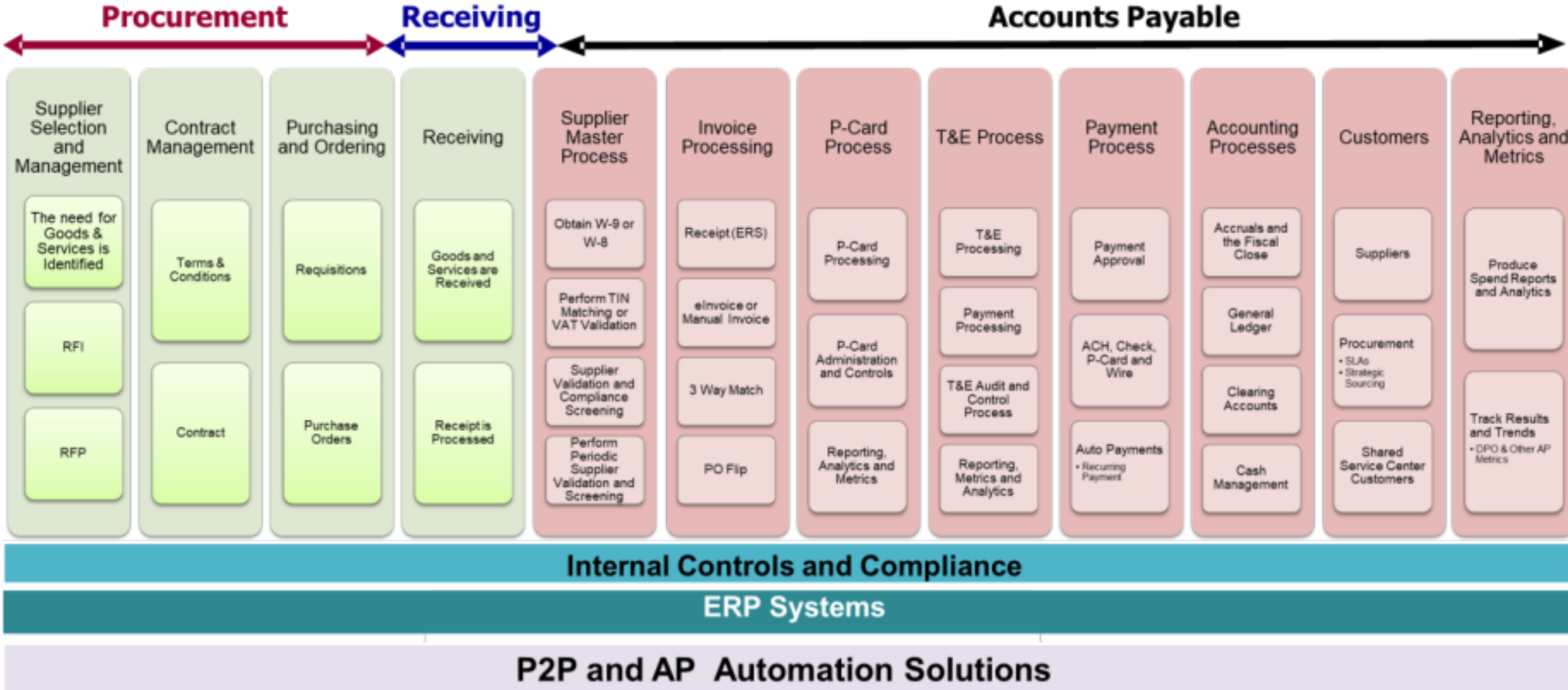- Q&A

Introduction to AP Automation

What is AP Automation?

- AP Automation refers to the technology that is used to streamline and automate accounts payable processes which includes removing manual tasks and providing better visibility and control over important financial data.

- AP Automation reduces costs with an intelligent acquisition process as every invoice is automatically captured & coded, and data is extracted from any format.

The Foundation of the AP Process

Supplier Master

- Controls and Validation
- Compliance
- Supplier Data Standards
- Trade Directories

Invoice Process

- Invoice Automation
- Accuracy and Validation

Payment

- Payment Automation
- Accuracy and Validation
- Fraud and Risk Mitigation

Critical Corporate Controls

Segregation of Duties

Systems Access

Delegation of Authority

AP and the Procure to Pay (P2P) Process

Your AP Automation Business Case

Within the Procure to Pay (P2P) process, how integrated is your AP department?

a) AP and Procurement report to the same manager

b) AP is a separate department

c) AP is a combined function in a Shared Services organization

d) We have a P2P transformation underway

1. EXECUTIVE SUMMARY

This section should provide general information on the issues surrounding the business problem and the proposed project or initiative created to address it. **Hint:** Usually, this section is completed last after all other sections of the business case have been written.

1.1.   Issue

This section should briefly describe the business problem that the proposed project will address

1.2.   Anticipated Outcomes

This section should describe the anticipated outcome if the proposed project is implemented.

Hint: This section should include how the project will benefit the AP function and describe what the end state of the project should be.

1.3.   Recommendation

This section summarizes how the project will address the business problem. This section should also summarize how the expected results will be achieved by implementation.

1.4.   Justification

This section justifies why the recommended project should be implemented and why it was selected over other alternatives.

Hint: Where applicable, quantitative support should be provided and the impact of not implementing the project should also be stated. Examples: Impacts on AP Cost & Cycle Time, Ability to Capture Data for Metrics and Trends, Continued Risk for processing Duplicate & Fraudulent Payments Made.

2. BUSINESS CASE ANALYSIS TEAM

This section describes the roles of the team members who developed the business case. **Hint:** It is imperative that participants and roles are clearly defined for the business case as well as throughout the life of the project.

Role	Description (Roles and Responsibilities)	Name/Title
Executive Sponsor	Provide executive support for the project	
Controller/and or Controller's Staff	Provide financial and risk management analysis and project support	
AP Solution Provider	• Provides all automation and technology support for the project • Advises team on process improvement techniques	
Project Manager	Manages the project implementation	

3. PROBLEM DEFINITION

3.1. Problem Statement

This section describes the business problem that this project was created to address. **Hint:** Cost, Cycle Time, and Payment Risk.

3.2. Organizational Impact

This section describes how the proposed project will modify or affect the AP process. It should also explain any new roles which would be created or how existing roles may change as a result of the project. (Hint: AP Staff will have more visibility to data for analytics.

3.3. Automation Migration

This section provides a high-level overview of how the automation will be implemented and how data will be migrated, **Hint:** This section should also explain any obstacles needed to be addressed.

4. PROJECT OVERVIEW

This section describes high-level information about the project to include a description, goals and objectives, performance criteria, assumptions, constraints, and milestones.

4.1. Project Description

This section describes the project approach and expected outcome.

4.2. Goals and Objectives

This section lists the business goals and objectives which are supported by the project.

4.3. Project Performance

This section describes the measures that will be used to gauge the project's performance and outcomes as they relate to key resources, processes, or services.

Hint: How do we measure success?

4.4. Project Assumptions

This section lists the preliminary assumptions for the proposed project. As the project is selected and moves into detailed project planning, the list of assumptions will most likely grow as the project plan is developed.

4.5. Project Constraints

This section lists the preliminary constraints for the proposed project. As the project is selected and moves into detailed project planning, the list of constraints will most likely grow as the project plan is developed.

4.6. Major Project Milestones

This section lists the major project milestones and their target completion dates. **Hint**: Since this is the business case, these milestones and target dates are general and in no way final. (Examples: "As Is" and "To Be" Process Flows Completed, Communication to Suppliers, and User Tests Completed.

4. PROJECT OVERVIEW (CONTINUED)

Milestones/Deliverables	Target Date
Project Charter	
Project Plan Review and Completion	
Project Kickoff	
Phase I Complete	
Phase II Complete	
Phase III Complete	
Phase IV Complete	
Phase V Complete	
Closeout/Project Completion	
Post Implementation Review (PIR) Complete	

6. APPROVALS

The business case is a document with which approval is granted or denied to move forward with the creation of a project.

Approver Name	Title	Signature	Date
	President or CEO		
	Controller or CFO		
	Project Sponsor		
	Project Manager		
	Functional Business Process Owner (AP, P2P or Shared Services)		

Strategies for Engaging Stakeholders

01. Identify Key Stakeholders

- These will likely include front-line accounts payable staff, IT staff, purchasers (those who raise purchase orders), procurement, financial analysts and treasury.
- **Hint:** Your goal is to engage stakeholders who can help contribute to the success of the project.

02. Engage Stakeholders Early

- Establish a team of stakeholders representing different functional responsibilities.
- This team will help you diagnose the current state of processes, identify areas for improvement, gather business requirements, define the scope of the project, develop business rules for configuring the system, make decisions regarding process changes, and monitor the progress of the project.
- **Hint:** Limit the team to essential representatives from each of the key stakeholders in the project.

03. Address Stakeholder Concerns

- Nothing good comes of ignoring a 'check engine' light. The same can be said about ignoring the concerns of stakeholders.
- Be proactive about addressing stakeholder concerns such as how current operational roles will change, how systems integration will be managed, and how the technology will be rolled out.
- **Hint:** One member of your stakeholder team should be designated to "champion" the project with constituents across the business and to keep senior-level management apprised of any issue.

04. Focus on Change Management

- Taking short cuts when it comes to rolling out a new system can lead to deployment issues and poor adoption.
- **Hint:** Be sure to allocate or line up enough resources for IT support, systems administration, testing, training, and "go-live" tasks.
- Some departments use temporary staff to free up power users in the lead-up to system deployment to spend more time training their peers and testing the system.

Should the AP process be automated?

a) Yes
b) No
c) Not Sure

How 10 AP Automation Solutions Can Reduce Risk and Cost

STEP 1

- The first step in taking stock of where you are is to document your accounts payable department's primary approval and exceptions workflows (involve front-line payables staff in this process).
- **Hint**: Be sure to capture unique workflows for different types of invoices, suppliers and business units.
- Next, document the challenges resulting from your current workflows.
- Quantify issues such as
  - Lost invoices and duplicate copies
  - Manual data entry
  - Matching errors and other invoice exceptions
  - Supplier inquiries and escalations
  - Duplicate payments
  - Late payments and lost discounts (dollar amounts):

STEP 2

- The second step in taking stock of where you stand is to gather baseline operational data, including:
  - Annual invoice volume
  - Number of full-time equivalents (FTEs) in your department (don't forget temps!)
  - Average value of compensation and benefits (C&B) per accounts payable FTE
  - total accounts payable cost (FTE * C&B) + (any allocations and overhead)
  - Cost per invoice (Total accounts payable cost / annual invoice volume)
- **Hint**: This information will be essential for building a business case for automation.

STEP 3

- The third step in taking stock of where you stand is to compare your baseline operational data with industry benchmarks. Some key benchmarks to focus on include:
  - Cost per invoice
  - Cycle time for purchase order-based invoices
  - Cycle time for non-purchase order-based invoices
  - Invoices processed per FTE per month
  - Rate of duplicate payments
  - Supplier inquiries per 1,000 invoices
  - Overall first-pass match rate (invoices to purchase orders)
  - Early-payment discounts captured as a percentage of spend

STEP 4

- Based on the review of the current state of your accounts payable department, you can begin to create a list of the processes that will be transformed through automation. Consider processes such as:
  - Receiving invoices
  - Extracting data from invoices
  - Matching invoices to purchase orders
  - Invoice approval workflows
  - Invoice exceptions workflows
  - Supplier account reconciliation and query resolution
  - Reporting and analytics
- **Hint:** Be sure to document how processes are currently handled, and the resulting issues. Once you know where you stand, and what you can achieve, it's time to engage stakeholders.

The Benefits of AP Automation

1. Supplier Portals
2. eProcurement
3. eInvoicing
4. PO to Invoice Conversion
5. Document Management, Invoice Scan and Data Capture
6. Automated Matching
7. Automated Workflow Approvals
8. ePayment
9. System Access Verification Tools
10. Accounts Payable Self-Audit Tools

Improved AP Cost, Controls & Compliance

Cost | Controls | Compliance
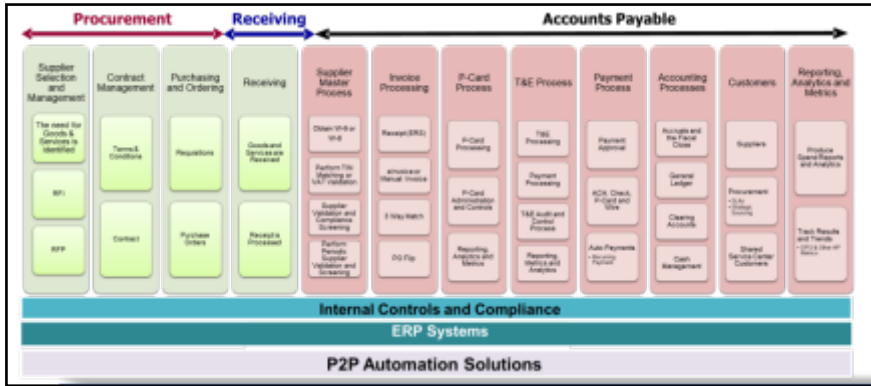
What AP process should be automated <u>first</u>?

a) Invoice Processing

b) Setting up New Suppliers

c) Invoice Payments

d) Self-Audits

e) None of the Above

1. **Supplier Portals:** Suppliers can be automatically validated before they are entered into the supplier master file.

    –   A sound upfront supplier validation process reduces the risk of an employee attempting to act as a supplier.

    –   Documentation supporting the validation of the supplier is obtained within the onboarding process.

2. **e Procurement**: Requisitions and Purchase Orders are created electronically removing the risk of errors made in an manual data entry process.

    –   Direct integration with an ERP system supports the three-way matching process and removes the risk of any clearing account reconciliation issues.

3. **eInvoicing**: Eliminates the risk of processing a duplicate invoice, paying an incorrect amount, or paying the invoice to an incorrect supplier.

    –   Removes possible financial exposure for the company since invoices are paid more accurately and in a timely manner.

4. **PO to Invoice Conversion:** Eliminates the risk of processing a duplicate invoice, paying an incorrect amount, or paying the invoice to an incorrect supplier.
   - Speeds up the approval time and can improve working capital management since there are now more opportunities for early payment discount.

5. **Document Management, Invoice Scan and Data Capture**: This automation solution reduces the risk of fraud and can build in Segregation of Duties (SoD) controls.

6. **Automated Matching:** Automated matching performs the three-way with no human intervention reducing the risk of error and improper matches.
   - Reduces the risk of paying an erroneous or duplicate payment and improves the invoice cycle time process and reduces processing costs by providing data accuracy based on user defined matching rules.

7. **Automated Workflow Approvals:** An automated workflow can be linked to the employee master file in which approval levels are automated updated when an approval moves to another department and is promoted.
   - Reduces the risk of fraud since there is no opportunity for manual manipulation. Escalation processes can be built into the workflow to link to the Delegation of Authority (DoA) policy and tables.

8. **ePayment :** This solution reduces risk and enhances controls for the AP process.
   - The use of ePayment reduces check fraud, check reconciliation issues, and escheatment process challenges.
   - Besides obtaining significant rebates as more suppliers settle with P-Cards, one of the advantages to using a P-card is that the buyer is making a deferred payment.

9. **System Access Verification:** These tools can prevent a fraudulent transaction from being processed within the AP process. As an example, an individual cannot set up a supplier in the supplier master file, pay that supplier and void the transaction with proper system access controls in place.

10. **AP Self-Audit Tools:** Self-audit tools can often be included in a company's internal control program as continuous control monitoring (CCM), controls self assessment (CSA) and continuous auditing (CA) initiatives.

   – Duplicate and erroneous payments are prevented before the cash is disbursed improving the company's working capital and cash flow position.

   – Process improvements and improvements to internal control programs as well as the AP process can be made in a real-time environment.

How do you (or your clients) make most of your (their) AP payments?

a) Paper check

b) ACH

c) Credit card

d) Wire

Your Roadmap for AP Automation
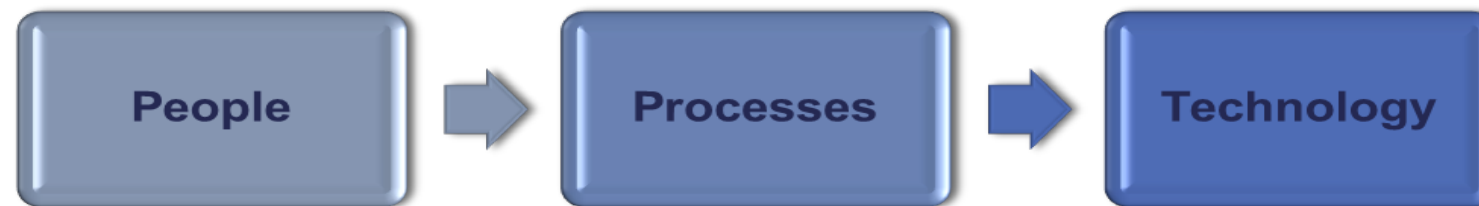
- The AP transformation philosophy and its application entails:

  - A strategic vision of future business processes

  - A proactive rather than reactive approach to technology adoption

  - A focus on **People, Processes and Technology**

1. **Start small and take it one step at a time:** Going digital doesn't mean you have to completely revamp all your financial processes.

   – Start with a small piece of the pie.

   – Whether it's digitizing your paperwork or simply moving to eSignatures, it's important to understand exactly what it is you're implementing and how it benefits your process. Focus on your biggest "pain point."

2. **Ensure you can analyze data to prepare for the future:** Before investing in complex data analytics, be sure you understand what kind of data you need and how to interpret the information.

3. **Align with corporate priorities and strategy:** Tapping into the potential within the business process owner's organization is key.

4. **Find or train talent for the implementation of digital and automation technologies:** Technology alone isn't going to help solve all your problems if your team doesn't understand how to use it.
   – Invest in finding or training talent that will be in alignment with your digital strategy to ensure your team doesn't get blindsided.

5. **It takes a village:** AP isn't a lone-wolf operation.
   – To truly make meaningful changes, you'll need organizational support.
     • Why is it imperative to go digital? What's the impact it'll have on profit margins? How much will efficiency be improved?

Change management

Design

Configuration & deployment

Testing

Go Live!

Hyper-care

Communication and Support (After Contract is Signed)

- **Kick-off Meeting:** Schedule 1 hour kick off meeting with all stakeholders
- **Biweekly Calls:** Biweekly calls will be held during implementation and hyper-care
- **Training**
- **Go Live**

Factors for a Successful Implementation

1. **Rapid Implementation:** Every implementation project is initiated by a start-up meeting, where scope, time frame and need of resources are established.

2. **Resources:** Any organization embarking on a transformation needs to be realistic about the resources required.

3. **Working Together:** Internal and frequent communication can make the project successful.

4. **Advocates:** Management must be vocal advocates for the project. It's key that everyone affected by the transformation understands its value.
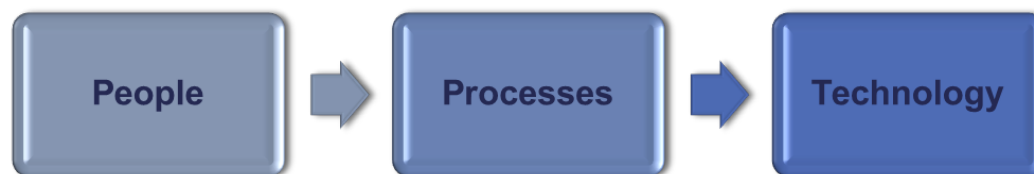
5. **Communication and Awareness!**

5. **Testing:** This is your opportunity to ensure that everything is working as it should. Go through all possible use cases and ensure that the system and interfaces work as planned.

6. **The Right Mindset:** Those who are tasked with managing the implementation should approach the project with objectively, set clear roles and responsibilities for the whole project team, work towards goals, deliverables and deadlines.
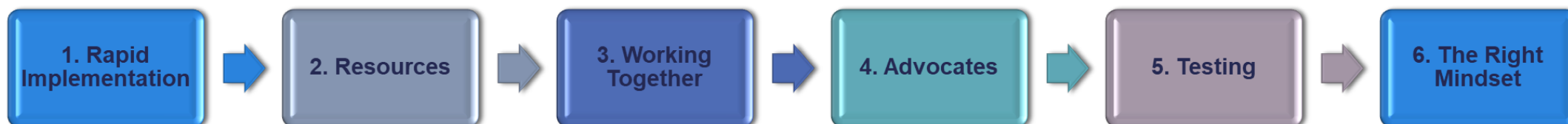
Key Ingredients for P2P Transformation

People → Processes → Technology

Project Plan for Implementation

1. Rapid Implementation → 2. Resources → 3. Working Together → 4. Advocates → 5. Testing → 6. The Right Mindset

Factors for a Successful Implementation

1. Start Small → 2. Understand the Data → 3. Align with Corporate Priorities → 4. Develop Talent → 5. Get Leadership Support
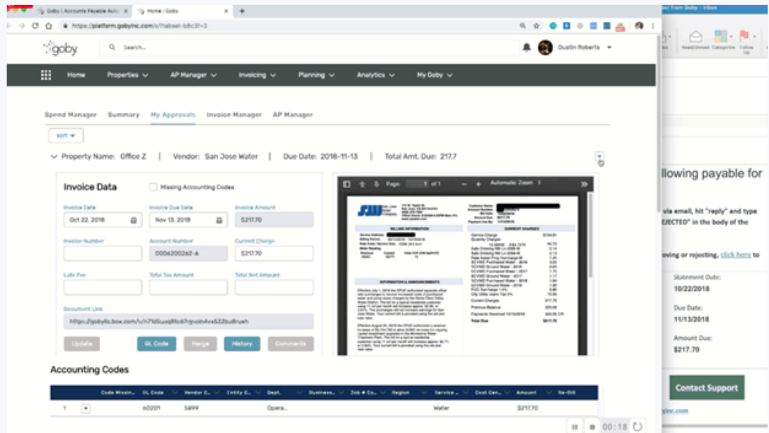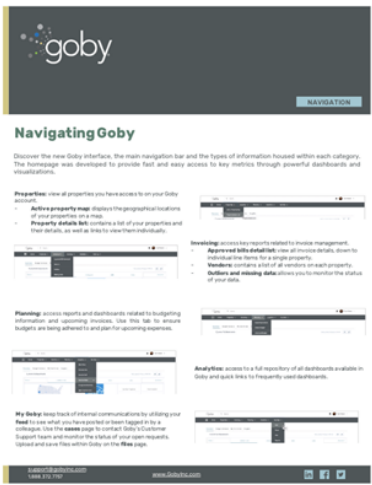
Goby's Training Program

Goby will provide:

- Resources to facilitate change management across the organization

- A customized, role-based training plan

- A senior solution expert from Goby to lead all education efforts

- Multiple rounds of individualized training sessions to address the different roles and skill levels throughout and after implementation

- Additional training as needed

- Goby understands that everyone learns differently. A combination of multiple teaching methods will be available to all users

- Refresher sessions and system update training

- Access to a customized online knowledge center, including instructional video modules and downloadable white papers for on-demand education

Goby's Customer Focus

Access to a customized learning center, including training videos and white papers for various learning modules will be provided

Carrie Booth, our Solutions Engineer will design and execute your training strategy

Live and on demand webinars, for 1:1 or 1: many learning

Do you plan to introduce automation to your AP processes?

a) No plans

b) Already have

c) Yes, within 1-2 years

d) Yes, 3 years or more

Measuring Success with AP Metrics

The AP/P2P Automation Scorecard

	Suppliers and Supplier Master
⬆	Number of Suppliers Using a Supplier Portal
⬇	Number of Duplicate Suppliers
⬆	Percentage of Managed Spend
	Invoice Processing
⬇	Percentage of Manual Approvals
⬇	Cost per Invoice
⬆	Number of eInvoices Paid
⬇	Cycle Time to Process an Invoice
⬆	Invoices Processed by FTE
⬇	% of Invoices Paid by Check
⬆	Invoice Match Rate
⬇	% of Low Value Invoices Paid by Check
	P-Card Process
⬆	Number of Suppliers Paid by P-Card
⬆	Value of P-Card Rebates

	Payment Process
⬆	Percentage of Early Payment Discounts
⬆	Number of Suppliers Paid by ACH
⬆	% of Suppliers Using ACH Electronic Remittance
⬇	Number of Payment Issues
	Accounting and Internal Controls
⬆	Accuracy of Accruals
⬇	Number of Financial Closing Issues
⬆	Number of Self Audits Performed
⬇	Number of Internal Controls Issues
	Reporting, Analytics and Metrics
⬆	Data Accuracy and Visibility
⬆	Tools for Decision Making

COMPLIMENTARY CPE WEBINARS

Sponsored By: goby

Chris Doxey, CAPP, CCSA, CICA, CPC

President and Owner, Doxey, Inc.

chris@chrisdoxey.com

Ryan Nelson

CEO and Co-Founder of Goby

rnelson@gobyinc.com