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WHITE PAPER

The AP Guide to Electronic Invoice Management

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INTRODUCTION

This white paper discusses how to choose an electronic document management system for Accounts Payable managers, CFO's, and controllers.

We have all heard "Do more with less" and it has become a repetitive mantra for marketers, but the reality is that you need to do more with what you have, today. For accounts payable and accounting departments, the daily requirements of handling invoices and other documents can be a full time job, consuming the time of your most valuable resource, your people. Many AP departments have found great benefit from implementing an electronic document management system. This brief white paper discusses the many benefits of an electronic document management (EDM) system and the advantages of Software as a Service (SaaS) for accounting departments (and this translates easily to the needs of other departments).

SaaS for AP

It is in most accountants nature to be protective of company funds, so it would seem out of order for someone in your finance department to lead a campaign to purchase software with a big upfront investment. Accountants know that, in most cases, operating expenses are better than capital expenses. EDM systems come in two forms, traditional software that you host and administer or SaaS for web-based access in the cloud. To the end user, the experience is similar with traditional or SaaS. The biggest difference is in the cost. SaaS is typically subscription based and does not have an acquisition cost. Some SaaS services are offered without a setup fee, but those services require you to do the heavy lifting for configuration and setup. That defeats the purpose of subscribing to a service that can be up and running quickly. There are usually minimal setup costs for configuring a SaaS EDM system. After the initial setup fee, the only cost is a monthly subscription charge, which qualifies as a non-capital operating expenses.

> **QUICK DEFINITION**
> **SaaS:** Software-as-a-Service is a popular method of deploying software for access via the web and does not require the installation of programs on your PC workstation. Often referred to as "in the cloud"

SaaS means Service

Incoming invoices seem to be never ending and you need an EDM system that can keep up with you. After all, increased productivity is one of the reasons you are looking for an EDM system. Traditional enterprise software profit models rely on large, annual

software maintenance fees. Unlike the software upgrades that your OS or desktop software prompts you to download for free, you are paying for the fixes and upgrades to

the system you purchased, year after year. And because each software installation is hosted in different locations, beneficial upgrades and advancements developed for one customer do not always get shared with other users. SaaS takes the collective experience of users to continuously improve the system without interrupting your service.

Workshop Your Processes

If you have ever been involved in an ISO certification process or review, you understand the value of documenting your processes. Before you invest in an electronic document management system for your accounting department, it is a good idea to get your team together for a quick workshop that will map out your processes. Detailing the way you work will help you explain how your department works. Adjusting your processes can be a costly and time consuming endeavor.
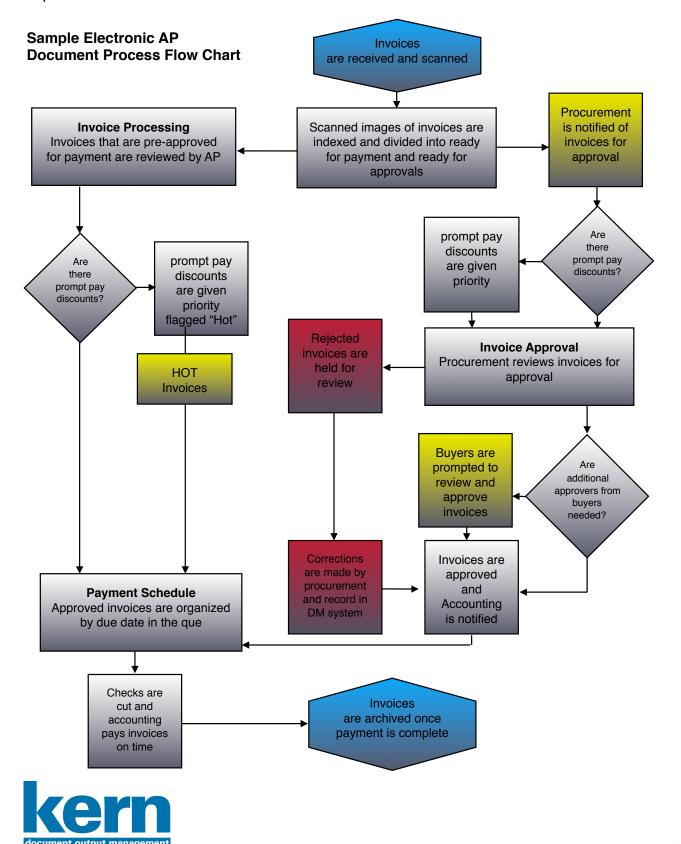
5 Steps to Process Documentation

1.) Organize your team. Include everyone that is responsible for any work in your department, especially managers of other departments that have input for your department.

2.) Start Small - pick one process and define how it functions.

3.) White Board - start from the beginning and walk through every step of the process. For example, outline your accounts payable process from receipt of invoice through payment.

4.) Identify inputs, outputs, and contributors - Define everyones role and clearly identify the requirements for each person.

5.) Document your process - Workflow diagrams or project plans are good examples of process documentation. However you decide to document your business process, make it clear and concise

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Here is an example of an Accounts Payable workflow that was outlined for how a department handles inbound invoices.

Sample Electronic AP Document Process Flow Chart

Invoices are received and scanned

Scanned images of invoices are indexed and divided into ready for payment and ready for approvals

Invoice Processing
Invoices that are pre-approved for payment are reviewed by AP

Procurement is notified of invoices for approval

Are there prompt pay discounts?

prompt pay discounts are given priority flagged "Hot"

HOT Invoices

Are there prompt pay discounts?

prompt pay discounts are given priority

Rejected invoices are held for review

Invoice Approval
Procurement reviews invoices for approval

Buyers are prompted to review and approve invoices

Are additional approvers from buyers needed?

Corrections are made by procurement and record in DM system

Invoices are approved and Accounting is notified

Payment Schedule
Approved invoices are organized by due date in the que

Checks are cut and accounting pays invoices on time

Invoices are archived once payment is complete

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Know Your Scanning Options

Some companies are focused on selling you their scanning services, with off the shelf software offerings that lack the enterprise functionality that businesses need. Other electronic document management software companies do not offer managed document scanning services. Depending on the volume of documents that need scanning, different programs will be right for your needs. Full service document scanning can provide significant productivity gains, reserving your valuable resources for more critical activities. For large scanning projects, such as back-file conversion, using a scanning service will expedite the scanning of documents, creating a necessary back-up. If your daily volumes can be managed, you should have the option of scanning in documents. Some EDM systems require a specific scanner. Any network connected scanner should serve the same purpose. The goal is to create a good image of the documents for electronic storage. The EDM system should handle compression of the files, maintaining the original format for best possible viewing.

Indexing: Data about Data

To take full advantage of an EDM system, you need to establish your best practices and outline how you will organize documents in your system. Setting up these rules in the beginning is extremely important and the long term usability of your EDM system is dependent on structure. Indexing is the act of creating metadata about a document image. This metadata is the information you can use to later find the documents in your EDM system. You should be able to determine the amount of metadata that you want to associate with

Indexing for AP

Accounts payable departments handle the many invoices that arrive constantly. Handling these documents with an EDM system can have many benefits. When creating your indexing rules for handling accounts payable documents, you should include any information that is valuable to your invoice and payment process. Typical indexed fields include invoice or PO number, company name, date, customer code, or purchase description. Including more metadata than is necessary will add time and cost to organizing documents in your EDM system. It is recommended that you select indexing rules that will apply to a majority of the documents.

When does OCR work?

If you have standardized your documents, you can have specific documents scanned with a command to analyze specific zones on a document. These zones can then be paired with index fields for automated indexing.

EDM Benefits for Accounts Payable

The needs of your accounting department will dictate the features and performance that you need from an electronic document management system. EDM can benefit accounts payable managers by reducing the manual processing requirements and costs associated with creating, reviewing, and filing paper documents. SaaS offers additional cost savings and avoids capital investment. Here are a few of the benefits of electronic document management for your accounting department and accounts payable group.

- Reduce clutter and organize all documents electronically
- Take advantage of prompt pay discounts by prioritizing invoices
- Reduce clerical work for CPA's
- Activity tracking for documents, including approvals
- Eliminate duplicate invoices and double payment
- Increase processing schedule with automated approval prompting ("Nag-ation")
- Quick access for auditing
- Permanent back-up for disaster recovery planning