HOW TO PREPARE FOR ACCOUNTS PAYABLE AUTOMATION

After years of steady but slow growth, accounts payable (AP) departments are racing to automate.

Seventy-one percent of AP leaders say their department has plans to automate[1]. Forty-four percent of AP leaders who describe their department as being "largely automated" plan to deploy technology[2].

Accelerated demand for AP automation is driven in large part by the need to support AP teams that work from home. Only 9 percent of AP departments process all their invoices and payments electronically with little or no manual handling[3]. A majority of AP departments still stuff reference documents into file cabinets and send checks through the mail. What's more, the enterprise telephony systems used by many departments make it hard for remote workers to readily access the information required to respond to supplier inquiries. And few AP departments can replicate the collaboration that occurs between AP, procurement, treasury, and other stakeholders when staff work in the office. Cloud-based enterprise resource planning (ERP) applications with cumbersome virtual private network (VPN) networks are of little help.

Thirty-nine percent of AP departments surveyed by Corpay were significantly impacted by the pandemic[4].

But the shift to remote working isn't the only reason that AP departments are automating.

- AP departments are under tremendous pressure to do more with less.
- Decision-makers need real-time visibility into AP data to manage cash flow and spending.
- AP departments are trying to mitigate the increased risk of payment fraud.

Eighty percent of organizations experienced actual or attempted payment fraud in 2018[5].

Technologies such as invoice capture, workflow automation, and electronic payments can enable AP departments of all sizes to help overcome these challenges by eliminating manual processes.

Twenty-six percent of AP professionals say that equipping their teams to work from home is a top priority[6].

Like most projects, preparation is key to AP automation success.

This white paper provides a blueprint for preparing your AP department for automation.

Determine your points of pain

A successful AP automation project starts with taking stock of where your department stands.

Whether your payables department is automating for the first time or planning to refresh its current technology, you can evaluate several areas to determine the right course of action.

- **Supplier satisfaction.** Strong supplier relationships can result in fewer supply-chain issues, better service level agreements (SLAs), greater leverage during contract negotiations, and opportunities to collaborate with suppliers on new products and services. Your payment process can play a key role in successfully attracting and retaining top suppliers. AP automation can help improve your suppliers' satisfaction level by enabling you to pay suppliers in their preferred method and to offer quicker payment methods. A best-in-class payment technology provider can enroll suppliers on an ongoing basis and update supplier payment details, as necessary. Suppliers can also research payments 24/7 through a self-service portal, and troubleshoot any issues via phone, email and live chat support from the provider.

1 Institute of Finance and Management (IOFM) online survey, July 2020
2 Institute of Finance and Management (IOFM) online survey, July 2020
3 Institute of Finance and Management (IOFM) online survey, July 2020
4 Internal Corpay poll of 131 AP professionals
5 AFP 2019 Payments Fraud and Control Survey Report
6 Internal Corpay poll of 131 AP professionals

- **Scalability.** The recruiting challenges that AP departments face both expose and exacerbate the shortcomings of the manual and semi-automated invoice and payment processes that currently bog down these teams. Many departments must hire additional staff whenever their invoice volume grows, and departing seasoned AP professionals take decades of experience with them when they walk out the door. Outdated paper processes make it difficult for AP departments to attract and retain millennial-generation workers who expect an electronic work environment. An automated AP solution should decrease your team's workload, and enable you to mimic your current workflows, business rules and approval protocols. Such a solution can also free up team time to focus on more strategic initiatives.

- **Auditing.** Audits can burden an AP department tremendously. Auditors might spend days searching through file drawers stuffed with paper invoices, and a single infraction could result in a big headache. If this sounds familiar, it's time to automate your invoice-to-pay process. Automation can enable auditors to complete their tasks in a few hours, with minimal impact on AP staff. An online portal with read-only access can let auditors instantly search invoices from receipt through payment, and easily track their audit trail.

- **Control.** Does it seem like you have less control over your department now that your staff works remotely? Since many AP staffs are not working in the office, it can lead to more fraudulent emails and payment. It's hard for AP managers to see the status of invoices or to identify potential bottlenecks when staff work from home. Invoices can languish for days in the virtual or physical inbox of an approver who is out of the office. Duplicate payments and other mistakes are more likely because of the disruption to established procedures, and staff productivity is harder to track. Automation provides the control AP managers need. A best-in-class solution can check for duplicate invoices, securely route invoices based on pre-defined business rules, notify approvers of invoices awaiting review, and send alerts as an invoice approaches its due date. Invoices that aren't acted upon fast enough are automatically escalated to a manager. AP managers can track the invoices in real-time, as well as performance metrics for each operator and all actions taken on an invoice.

Seventy percent of organizations that have experienced payment fraud say their check payments were the most subject to attacks[7].

- **Fraud.** If it feels like your risk of fraud is higher, you are not alone. Increased payment fraud risk is the biggest concern that AP leaders have about the way their department operates these days[8]. The shift to remote working disrupted the policies and procedures for processing invoices and paying suppliers. It's hard to adapt paper processes to a remote work environment. Physical copies of sensitive information can easily be misplaced, intercepted, or destroyed. Also, bad actors have refined their use of email to impersonate trusted coworkers and suppliers, and trick AP departments into making payments to bank accounts that they control. AP automation mitigates the risk of payment fraud by helping to ensure the legitimacy of each invoice before it's posted to an accounting system. The technology enforces adherence to business rules, and helps prevent the chance of an electronic payment being intercepted, whitewashed, and deposited into another account.

If your assessment reveals deficiencies in any of these areas, it's probably time to automate.

Be ready for objections

Not every stakeholder will be an enthusiastic supporter of your proposal to automate AP.

Some of the pushback that AP leaders receive from naysayers is rooted in common misperceptions and myths about the technology. As you prepare to automate, be ready to diffuse these claims:

1. **"We'll be giving up control."** Signing every check provides some individuals with a (false) sense of control. But the configurable approval processes in leading AP automation solutions provide the same level of control, if not better. In fact, approvers can securely log in to a cloud-based AP automation solution and approve payments from wherever they are.

7 AFP 2022 How to Prepare for Acccounts Payable Automation
8 AFP 2022 How to Prepare for Acccounts Payable Automation

2. **"Our bank can generate electronic payments."** While it's true that banks can originate electronic payments to suppliers, they do require specific instructions, in a specific format, on who to pay, how to pay them, and where to send the money. Banks often don't help an AP department streamline its payment processes, optimize its mix of payments to reduce costs, follow up on any unprocessed payments, or assume liability for payments to minimize risk.

3. **"Positive pay eliminates our risk of fraud."** The positive pay services used by many financial institutions match the account number, check number, and dollar amount of a check. That leaves bad actors with plenty of room for other types of fraud, such as business email compromise (BEC) schemes that target ACH transactions. The best payment automation solution providers mitigate fraud risk by assuming liability for payments they issue.

4. **"We don't have the resources to implement automated payments."** IT resources are stretched thin supporting remote work. But AP automation solutions can be deployed in as little as 30 days for most new customers with minimal IT involvement. Payment solution providers do most of the heavy lifting in implementation, significantly reducing the client's burden.

5. **"We will earn less float if we pay suppliers electronically."** The rebates that AP departments can earn by paying suppliers with cards far outweigh any lost float.

6. **"Our suppliers will never accept virtual card payments."** While some suppliers won't accept card payments, others see the positive impact that virtual card payments can have on their cash flow and receivables processes. What's more, during the enrollment process, a payment solutions provider will uncover which payments a supplier will accept.

7. **"Suppliers will charge us more to receive a card payment."** While it's true that some suppliers will charge an additional fee to accept a card payment, most card-accepting suppliers absorb credit card initiation fees as a cost of doing business.

Having ready responses to these objections will help clear the way for your automation project.

Choose the right solutions provider

The right tech partner can help an AP department unlock the value in its invoice-to-pay process.

But there are a lot of vendors out there, and choosing the wrong one can set your department back.

Here are some critical things to consider when evaluating potential solutions providers.

- **Fast deployment.** Senior management doesn't have the appetite for long and complicated system deployments. Prioritize AP automation solutions that can integrate with your legacy systems and be up and running fast, without disrupting existing processes and procedures or requiring lots of IT resources. Some AP solutions can deploy in as little as 90 days, and the intuitive, easy-to-use interface that most best-in-class solutions feature can further expedite full deployment.

- **Breadth of technology.** The last thing any AP department needs is another piecemeal solution. Look for a unified solution that streamlines all invoice workflows, supports a range of payment types, and provides a consolidated real-time view of all invoices and payments. An best-in-class solution should also integrate seamlessly with legacy accounting systems or ERP applications in order to eliminate the possibility of data silos, or the need to double-key data.

> **The best AP automation solutions speed financial transaction processing times.**

- **Flexibility.** Steer clear of AP automation solutions with rigid rules for payment files. AP automation solutions that provide flexibility at the individual payment level decrease the amount of work required to process payments, and reduce the possibility of batch failures. Some AP automation solutions support check printing, cards, ACH, and wires in a single payment file, and can process all transactions – including international – in one workflow. Others allow users to submit, review, and approve payments while working remotely.

> **The best automation solutions are flexible enough to adapt as you grow and change.**

- **Payment optimization**. Few things are as frustrating as leaving money on the table. That's why it's important to deploy an automated solution that helps ensure that suppliers will be paid in a way that maximizes card rebates. Some solutions also enable AP departments to earn rebates without restrictions like tiers or minimum spend thresholds. Optimizing the amount of spend paid with virtual cards will help accelerate payback from AP automation.

> **Best-in-class AP automation solutions store and secure payment data within the system and in relation to other integrated or interfaced systems.**

- **Supplier enablement.** The return on investment that an AP department gets from automation depends largely on its ability to migrate suppliers to electronic payments. Find a solutions provider that both proactively enables suppliers on an ongoing basis, and maintains supplier payment data for the duration of your contract with the provider.

- **Support.** Suppliers will inevitably have questions about the status of their payment, changes to their bank account details, or issues processing a payment. Most AP departments don't have the time to manage all those calls. Fortunately, some AP automation providers will assume that burden and help ensure that your suppliers get the support they expect.

> **The best AP automation solutions make it easy for suppliers to access support.**

- **Iron-clad security.** There's too much riding on your supplier payments to trust them to an AP automation provider with weak security. Look for a technology partner that can interoperate seamlessly with your existing accounting systems or ERP application, validates and secures supplier payment data, is SOC 1 Type 2 compliant, and takes full responsibility for delivering all qualified payments.

A solutions provider with these attributes will help ensure a successful AP automation project.

9 AFP 2022 How to Prepare for Acccounts Payable Automation

Proactively manage change

Letting go of established ways of doing things can be hard for seasoned AP staff.

Developing a plan to manage the change that comes with automating invoice processing and supplier payments can help ensure strong adoption of the technology among frontline staff.

- **Create a change management plan.** Clearly define implementation stages, stakeholders impacted, deliverables for each stage, deliverable owners, deadlines, and any dependencies. Be sure the plan prioritizes needs over wants. The plan will help your team see the scope of the project while enabling you to measure progress and track the status of activities.

- **Communicate early and often.** You want to avoid as much confusion as possible. Consider scheduling virtual or in-person "lunch and learn" sessions on the new system. Post system documentation, responses to frequently asked questions, and training materials on your corporate intranet. Distribute a "training tip of the day" periodically, and make use of training handouts and webinars created by your solution provider.

- **Reevaluate internal controls.** As you redesign your workflows, it's important to put new controls in place that safeguard sensitive information, regardless of where your staff works. Locked filing cabinets fall short in today's remote work environment, and banks don't provide the same positive pay and positive payee services on ACH and wire transfers. Look for solutions that restrict access to information and functions by role or user, enforce separation of duties, track all actions taken on an invoice, provide AP leaders with real-time visibility into the status of each invoice, and automatically retain invoices based on your organization's requirements. Consider paying suppliers with virtual cards, which are more secure than other payment types, and offer rebates that help offset potential fraud costs.

> **Eight percent of organizations had payment fraud losses of 0.5 percent to 1.5 percent of annual revenues in 2018[9].**

These actions will make the big changes that come with automation more palatable to frontline staff.

Conclusion

Investments in AP automation are long overdue. AP automation enables organizations to optimize remote working, efficiently scale their operations without the need to hire additional staff, enhance visibility into cash flow and corporate spending, and mitigate the risk of payment fraud. With the right preparation, AP can be sure that its automation project will deliver maximum payback.

About Corpay

Corpay is a global leader in business payments, helping companies of all sizes better track, manage and pay their expenses. Corpay provides customers with a comprehensive suite of online payment solutions including Bill Payment, AP Automation, Cross-BorderPayments, Currency Risk Management, and Commercial Card Programs. As the largest commercial issuer of Mastercard in North America, Corpay handles over a billion transactions each year. Corpay is part of the FLEETCOR (NYSE: FLT) portfolio of brands. To learn more visit **www.corpay.com**.

About the Institute of Finance & Management

Accounting and finance professions have each undergone nothing short of a complete transformation since the Institute of Finance and Management (IOFM) was founded in 1982 and since then our mission has been, and continues to be, to align the resources, events, certifications, and networking opportunities we offer with what companies need from the accounting and finance functions to deliver market leadership. IOFM empowers accounting and finance professionals to maximize the strategic value they offer their employers.

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.

Learn more at **IOFM.com**

IOFM Institute of Finance & Management