



AP AUTOMATION: A BUYER'S GUIDE

INTRODUCTION

WE'VE ALL HEARD THE STORIES, and hopefully they're not from personal experience: The important invoice that went missing, buried in a pile of papers on a desk somewhere and not discovered until three weeks after it was due. Or the fake invoice that accounts payable paid, costing the company an embarrassingly large sum. And we've all wasted time entering the exact same data in an AP subledger, then onto a check or online bank account, then into a reconciliation spreadsheet, then into a general ledger. Automated AP solutions can help avoid these scenarios. In this ebook we look at what chief financial officers, controllers and AP managers should consider when selecting an AP solution.

KEY POINTS

- **AP automation allows the CFO to take a more strategic approach with the AP team, to implement better controls and to better manage working capital.**
- **Adopting an automated AP solution provides the CFO, controller and AP manager with an opportunity to re-imagine what the AP process should look like.**
- **Once a CFO has decided to add a new automated AP solution, first steps should include identifying key stakeholders and charting and evaluating the company's AP processes from end to end.**
- **When looking for an AP solution, a CFO should consider whether it will be compatible with the company's systems, whether it uses machine learning to improve its performance and whether it's customizable to the company's workflows.**



A NEW ERA

As companies shift to remote work and the payments environment becomes more complex, AP automation has become a need-to-have capability. Complexity strains AP's resources. As complexity increases, AP must approve more payments and track more vendors, terms, policies, regulations and payment approvers.

All of this can lead to breakdowns:

- * Invoices can get lost in the process—in a stack of papers on a desk or in files or email inboxes—and cause late payments.
- * Payment errors, which are generally due to lack of controls, have an impact on profitability.
- * A lack of controls can lead to inadequate separation of duties and failure to identify duplicate payments, or exceptions, or check fraud, or fraudulent vendors.
- * Wrong payments can stem from incorrect units of measurement, currencies or exchange rates, or payments may not follow negotiated terms, company policies, or applicable laws and regulations.

AN OPPORTUNITY TO BECOME MORE STRATEGIC

AP automation helps solve these problems. Automating AP gives the CFO and the finance team an opportunity to become proactive: to examine potential fraud routes and other weaknesses; to apply a more strategic approach to AP rather than just putting out fires and reacting to problems. AP automation also provides an opportunity to put those risk controls in place automatically and to codify them.

Automating AP and invoice processing saves money by cutting out the costs of tracking and handling paper invoices. Less time spent on manual processes means that staff can add more value in their daily work and devote more time to strategic initiatives. By reducing errors that are inherent with manual processes, automated AP also saves by avoiding rebills and the other processing costs of correcting errors.

One of the key benefits of AP automation is that it gives the CFO a greater ability to implement payment strategies. The right kind of AP automation allows AP to quickly process and match invoices, resolve discrepancies, and approve and pay invoices for faster payments and more exact payment dates. The right AP automation not only avoids late payment penalties but gives the CFO the ability to selectively make early payments for more favorable terms or hold payments for just-in-time transactions to better manage working capital.



BETTER DATA AND ANALYSIS

CFOs also benefit from the data captured from the right kind of automated AP. This makes it easier to manage the supply chain, provides greater visibility into spending and confers cash management advantages. With real-time, granular data available along the entire AP process chain, the finance team can predict costs with greater reliability and analyze costs in greater detail. Better data also boosts the company's ability to negotiate with vendors and can improve its relationships with vendors and suppliers.

The data capture benefits also apply to the audit process. AP and its auditors can efficiently search for and find approvals at every step in the chain, along with other relevant data. This speeds up audits, improves audit outcomes and reduces stress for the AP team.

The right kind of automated AP makes it easy for companies to implement payment controls, such as segregating the setup and approval processes for new vendors from the payment processes, implementing dual-factor authentication, applying Positive Pay with banks and improving purchase-order matching.

As an organization scales up, the right automated AP solution can integrate with a new accounting system and other new systems in the organization's growing tech stack. Automation can scale by matching more purchase orders, scanning more invoices and handling more payments without adding people. An automated AP solution should handle international vendors as business expands globally.



WHAT A CFO SHOULD LOOK FOR IN AN AP AUTOMATION SOLUTION

Once a CFO has decided to look for an AP automation solution, it helps to start by identifying the key stakeholders. Determine who should play a role in the evaluation and selection process, and what their role should be. These people might include representatives of IT, operations, business units and frontline AP staff, including those who will implement the AP solution and those who will work with it on a day-to-day basis.

WHAT A CONTROLLER SHOULD LOOK FOR

For a controller, an initial step should be an evaluation of the company's AP processes. Define AP processes in detail from end to end: identify who is responsible for adding or changing vendors or bank accounts, and break down the invoice coding, approval, payment authorization and payment execution steps. Determine where manual processing and other inefficiencies exist, and identify how much manual processing is really costing the organization in time, errors and related opportunity costs. This is also an opportunity to re-imagine what the AP process should look like under a new AP solution, not just an attempt at making the current process faster.

This is also an opportunity to cast a wide net for good ideas. Talk to your peers and find out what has worked for other AP operations. Engage the accounting staff of your company to find out about their specific needs. Read up on reviews and other independent analyses of AP solutions on the market



WHAT AN AP MANAGER SHOULD LOOK FOR

For the AP manager, the evaluation process should include developing a comprehensive list of features that you need from an AP solution, the issues that you want the solution to address, the features you want to add to your current capabilities and the features you will need as your company evolves. This step can also involve some forward-looking return-on-investment analysis, looking at cost savings from increased productivity and improved controls that reduce errors and risk.

EVALUATION CRITERIA

Here are some key questions to ask of AP solutions vendors:

1. Invoice Capture and Coding

- How are invoices received by the system? Are they scanned one at a time, or in bulk, or via email? Can vendors submit them directly?
- Is there a central location for capturing all invoices?
- Are invoices scanned and is data captured automatically? Or do they require manual data entry?
- Does the solution use machine learning or apply artificial intelligence to improve its performance, such as reducing data entry, identifying duplicate invoices, and remembering approval and accounting treatment for invoices from different vendors?

2. Workflow

- How does the system enforce separation of duties?
- Does the system allow me to assign approval workflow policies during setup, that can be applied and enforced automatically?
- How are approvers notified of action to take? What actions can they take?

3. Payments

- How does the system handle different payment methods, such as check, ACH, wire and card payments, and payments in different currencies?
- Does the system allow me to pay from any of my bank accounts?

4. Integrations

- Is the software compatible with the company's existing systems? Can I integrate the AP solution with my existing systems; can my systems pull data from the AP solution?
- How will it integrate with my vendors'/suppliers' systems? What changes will they need to make, if any?
- What data is synchronized between systems? Can I avoid entering the same data multiple times?
- What effort is required to sync data between systems? How often does data sync? How long does it take?

5. Reporting

- What kind of data or analytics can the solution provide?
- What kind of audit trail can it produce?
- Does the system generate accounting reports such as AP aging?

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6. Usability

- What mobility solutions or mobile app interfaces are available?
- Is the solution flexible and customizable to my business processes?
- Does my company need any IT expertise to install or maintain the solution?
How long does it take to get up and running?
- How will the solution scale up as my company grows?
- How easy or difficult is the interface/dashboard for my AP team? How easy/difficult is the interface for others in the company, such as buyers or marketing or IT managers who will need to approve payments?
- Will my AP team or others at the company need training or new skills to manage or work with the solution?

7. Product Support

- Is there an online knowledge base for self-help?
- Is there an online portal for submitting questions anytime? What is the response time?
- Are there other communication channels with the support team, like email or phone? If so, what are the response times?
- Is product support free? Are there different tiers of support available for a fee?
- Is live online training available?
- Are self-service training courses, videos, or certification available?

8. Security and Backup

- How is the AP data backed up? How often?
- What are the contingencies for data recovery following a natural disaster or other catastrophic event?
- What security measures does the system utilize?

9. Consumption Model

- Is the software sold as a license (a one-time fee) or subscription (a periodic fee, such as monthly or annually)?
- Does the fee cover software updates/revisions?
- Is the software cloud-based? If so, how does that differ practically from on-premises software?
- Are there fees for setup, support, or training?
- Are there fees for the number of users or entities?
- Are there fees based on usage, such as invoices imported, bills paid, volume and type of transactions?

10. Vendor

- Does the vendor have a track record of success?
- What types and sizes of companies are currently using the solution? Can the vendor provide references (existing customers)?
- Can you provide mockups or trials of the software and its dashboards for my employees to work on for a one- or two-week trial basis?

CONCLUSION

The benefits of automated AP are well established by now: It cuts the costs and risks of tracking and handling paper invoices. It allows finance staff focus on more strategic work and companies can implement stronger controls, which leads to fewer errors and less fraud. It gives CFOs the ability to implement just-in-time payments strategies to better manage working capital, and it boosts data collection for better financial planning and analysis. Once the CFO has decided to seek an automated AP solution, first steps should include identifying key stakeholders and evaluating and defining the company's existing AP processes in detail. The company should also develop a comprehensive list of desired features in a new AP solution, including capabilities that will be needed as the company grows.

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