

Worksheet 1

There are three steps in defining a best practice within your Accounts Payable department. The first step is AP

Question – Section 1	Yes	No
1. Are invoices ever lost?		
2. Are invoices paid late?		
3. Is there a desire to capture discounts?		
4. Do statements go unrecognized?		
5. Do vendors call more than one person for an answer?		
6. Is the ratio between AP personnel to invoice more than 1:1000?		
7. Does processing cost more than \$5 an invoice?		
8. Is there a “blame game” between AP and the rest of the company where leadership does not know who is wrong and who is right?		
9. Are invoices ever paid more than once?		
10. Is there more than one way to get an invoice to AP for entry?		

health. How healthy is your Accounts Payable system.

To calculate your total, start with 100 and subtract 10 for every question you answered was a **YES**.

Total from Section 1: _____

Question – Section 2	Yes	No
1. Are your invoices stored in document management software?		
2. Is payable data transmitted electronically to the account system?		
3. Is workflow software used for the approval process?		
4. Are invoices processed from a central location?		
5. Is information secure and visibility based on permissions?		

Next, add 5 points per question answered with a **YES** in Section 2. Total and add with the total from Section 1.

Total Score: _____

Standard grading scales apply:

100-90 = A

90-80 = B

80-70 = C

70-60 = D

60 and Below = F

Now that you have obtained your health, let's find out your company's current state and direction. To find out, answer the following questions:

Question – Section 3	Yes	No
1. Is your company growing?		
2. Does your company want to grow?		
3. Has your company had a company software rollout in the last 18 months?		
4. Is your company currently (or should it be) cutting expenses?		

To determine your score for Section 3, add 2 points for each **YES**.

Total Score for Section 3: _____

Now What?

Congratulations! You have established a custom state and health for your AP department. Below is a list of best practices to consider implementing in your organization.

Category 5:

- Lower Cost
- Improve Controls
- Centralize vendor inquiries
- Eliminate re-work of invoices
- Find transitions in technology, compliance and/or audits and opportunities to improve change processes

Category 4:

- Create Visibility
- Common Documentation
- Single Data Entry
- Well Documented Business Rules
- Establish an exceptions handling process

- Create SLA or timers on each step of the process
- Eliminate paper filing
- Create an audit team for changes and updates to the approval system

Category 3:

- Electronic Invoices
- Single Audit Trail per invoice
- Develop an automated workflow process for approvals
- All invoices should come to a central location
- Automate the accruals process based on electronic information
- Send AP information to the accounting system in an importable electronic format
- Create an AP import to the accounting system that is capable of identifying errors and handling errors in the data
- Create a web-enabled system to approve and file invoices
- P-Cards
- Develop Electronic Signatures on Check
- Enable a role-based permission driven system
- Segregate approval data by entities
- Automate approval requests through a subscription email

Category 2:

- Automate checks for double entry
- Streamline your process so that only Approvers are in the workflow process - everyone else will be accommodated by reporting (see Chapter 3 for more details)

- Review the approval process and have the automated system make recommendations for improvement (This can be done through reporting on changes and updates)
- Create reverse statements to vendors
- Utilize ACH (Electronic Payment)
- Manage payment timing and terms for cash management
- Automate fraud prevention and detection
- Store invoices and process data in an offsite hosted data center

Category 1:

- Develop dashboards to track AP processes from multiple sources of data
- Write your own best practice chapter!

If you have not realized it yet, you need to crawl before you walk. With the information described above, the categories can suggest a good place to start. Keep in mind that the category suggestions are a starting point for your organization, and by no means am I implying that if you are in a low category you should not attempt AP Automation. Rest assured that, in my experience, an overwhelming majority of large to mid-size companies fall into categories 4 and 5 simply because the technology was unavailable at an appropriate price range. The rest of the book will concentrate on more general principles of AP Automation, so it is important to refer back to this chapter as you set your automation goals.