



Accounts Payable Automation and ROI

Changing Role of Accounts Payables

Over the last 5 years the role of the accounts payable department in all levels of enterprises has dramatically changed. Specifically, an accounts payable department used to be managed as a cost center whose job it was to process and review transactions, coordinate with other departments, respond to inquiries, reconcile accounts and generally perform paperwork. More recently, however, this department is playing a larger support role helping to control, coordinate, and analyze key business processes.

In general this means that AP becomes more visible within the organization and their main responsibilities now lie in quality assurance, contract and policy compliance, reporting, and analysis. This change has come at a cost of increased workload and added responsibilities. To deal with this, AP departments need to re-deploy their skilled knowledge workers from doing back-office administrative tasks, such as invoices processing, to more business critical management activities. To achieve this, AP departments are looking to automate as much of the business process as they can.

Regulatory Compliance

Being financial documents, invoices are subject to compliance regulations such as Sarbanes-Oxley and Basel II. Therefore, it's important that these documents are captured and archived using a well documented and consistent process. Scanning documents early in the process and delivering them to electronic repositories guarantees that important data is recorded, efficiently validated, and can be easily audited.

Invoice Processing Costs

Processing an invoice involves capturing key data, entering it into the proper financial systems, and kicking off the related business processes. Although straightforward, this task needs to scale to handle the large numbers of invoices your business will receive each day. Accuracy and efficiency, therefore, are major concerns. Costs associated with managing this volume of data, the human labor typically required, and the need to catch and fix errors along the way, can grow quickly. According to an Aberdeen report from 2006, the actual cost of processing each invoice, from receipt to payment, can balloon to \$80 (see Figure 1). Actual costs depend on the level of process automation you and your business partners implement.





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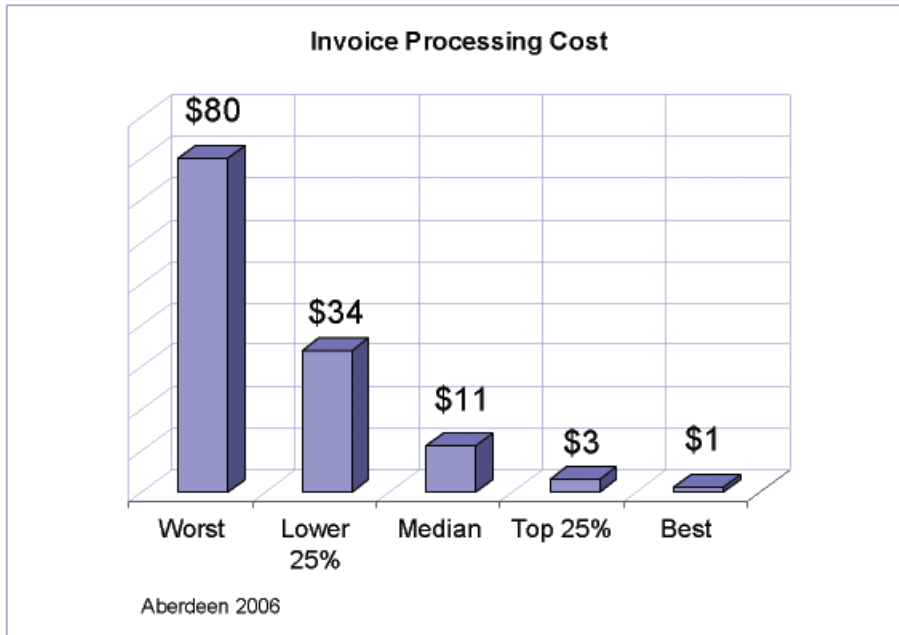


Figure 1 – The cost per invoice varies according to the amount of process automation your business implements.

Impact on Shareholders

Typically, at the end of each month or quarter, key financial data is rolled up and reported. This includes revenue from accounts receivable, and expenditures from accounts payable. These figures are critical pieces of a company's financial statements, and are used to make important resource decisions, and determine future stock value (for public companies). This financial data is also bound by strict legal / fiscal deadlines that can incur penalties if inaccurate, missing, or late. If many invoices require manual validation before they can be processed by your ERP system, reporting can be delayed.

In some cases, there may be invoices that cannot be included in the reports because the accounts payable team was unable to validate them in time. This results in a distorted view of your financials, which can negatively influence future resource, inventory, and work planning.

Cash Management: Early Payment Discounts

Most vendors charge penalties for late payments on outstanding invoices. Not only does this cost you money, it can damage your vendor relationship. On the other hand, most vendors offer discounts when invoices are paid early. However, if you don't have efficient processes in place, not only do you risk paying late fees, you miss out on early payment discounts.





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The loss of return in such cases can be significant, as the following simple example shows (see Figure 2). Consider a typical discount of 2/10 NET 30. Here, the buyer receives a 2% discount if the invoice is paid within 10 days instead of the 30 day term.

Admittedly, these savings are offset by the loss of 20 days of interest. However, if we extrapolate the savings over about 18 20-day periods each year, the result is a 36% return. This is a far better return when compared to leaving the money in the bank.

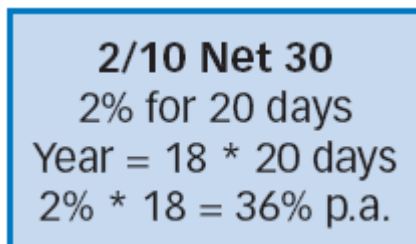


Figure 2 – The annual return of early payment discounts

Invoice Process

The main steps in processing an invoice are:

- Invoice receipt
- Invoice verification / matching
- Invoice approval
- Invoice payment

When looking at these sequential steps, companies spend a lot of time matching invoice data to the original purchase order (PO) or contract (invoice verification), and acquiring approval (invoice approval). It's in these areas that technology can increase efficiency and offer the greatest cost savings.

Having the ability to electronically capture invoice data, regardless of its form, helps to eliminate errors that may otherwise be introduced by manual processing. It also enables the automation of invoice data validation and contract matching, and integration with existing enterprise systems. Invoice data can be automatically classified, and then distributed in a secure, digital, form without incurring shipping costs.





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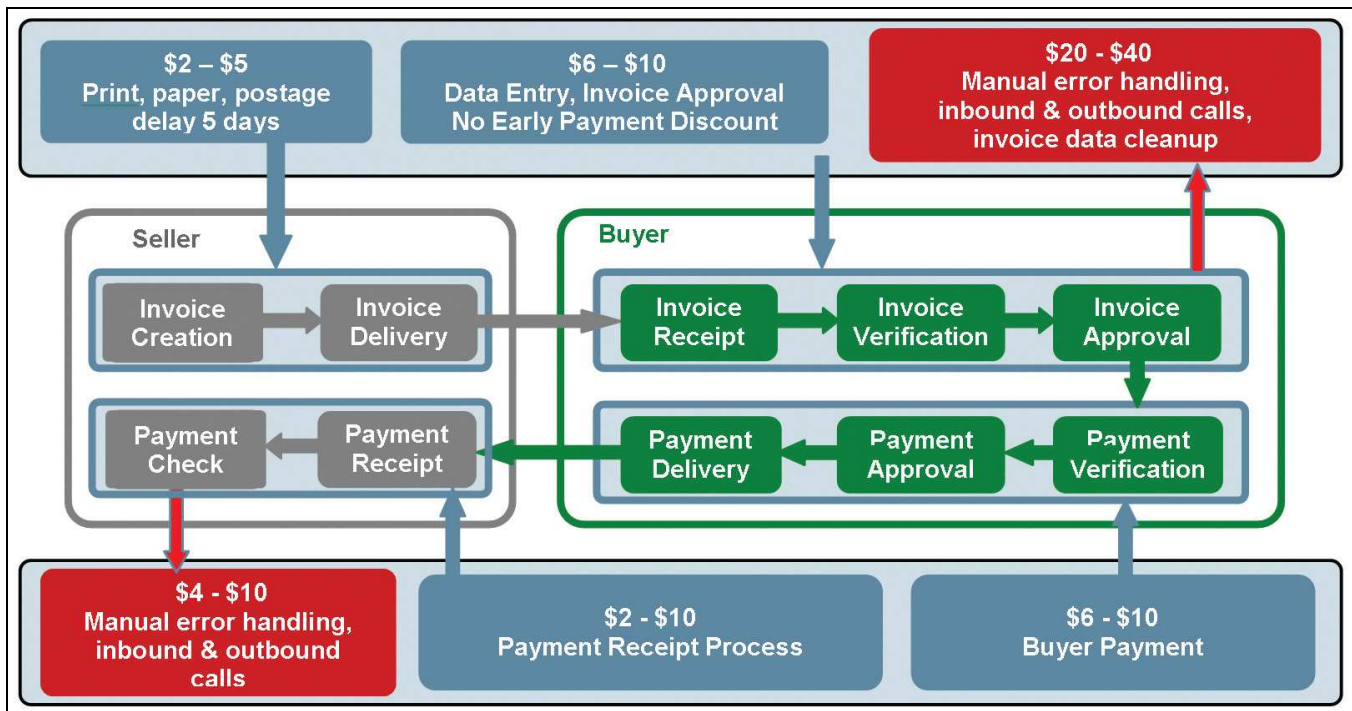


Figure 3 – Costs incurred at each stage of invoice processing.

CM Mitchell's DocSavi Approach to AP Automation

As discussed above, capturing invoice data electronically is the key to an efficient, error-free, invoice processing cycle. As a result, the reduction in errors helps to streamline the rest of the process, and in turn saves you money. Our award winning DocSavi™ product achieves these benefits by integrating the Oracle E-Business Suite (EBS) with a variety of Enterprise Content Management (ECM) systems. The following section highlights the key benefits provided by DocSavi.

Key Benefits

- **Complete control over the AP process:** This solution provides a controlled framework for capturing invoice data and delivering it quickly into a secure repository. Powerful data validation capabilities ensure that the data is accurate.
- **Increased productivity:** By automating back-office administrative tasks like invoice processing and PO matching, AP staff can focus on more strategic and value-adding tasks such as contract and policy compliance, reporting and analysis.





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- **Increased processing speed:** Automatic extraction means invoice data is available within minutes of receipt, allowing better management of cash at hand and capitalization on preferred vendor relationships and vendor discounts.
- **Reduced processing costs:** Aberdeen reports that the actual cost of processing an invoice from receipt to payment can be as high as \$80. Automating invoice extraction and matching can reduce this by 50%.
- **High levels of invoice extraction from Day 1:** Learn-by-example technology automatically learns how to extract data from invoices of any format with a high degree of accuracy. The result is a quick-to-configure and easy-to-maintain solution that handles all your invoices.
- **Automatic improvement of performance on-the-fly:** Unique on-line learning capabilities automatically update the system's knowledgebase as it runs. As more invoices are processed, more data can be extracted automatically, leading to a greater return on investment.
- **Improved Data Quality:** Extensive validation options help the solution deliver clean data into the Oracle EBS system, reducing costly processing exceptions downstream.
- **Enhanced Customer Service:** DocSavi leverages Oracle Attachment functionality. This allows AP associates to view invoice images stored within the ECM system directly from within Oracle to more quickly respond to vendor and management inquiries.

10 Key Features

DocSavi delivers the most comprehensive solution available to automate Accounts Payable processes. We have transformed the processes of indexing ECM content, creating EBS invoice records, and matching invoices to purchase order into a single step. This is accomplished through the following key features.

1. Reduced Paper Dependency
2. Automated Data Extraction
3. Improved Data Quality
4. Automated Invoice Creation and PO Matching
5. Improved Invoice Notification and Approval
6. Increased Process Transparency
7. Reduced Infrastructure Cost
8. Streamlined Configuration, Deployment and Maintenance
9. Image-Enabled Oracle EBS Modules
10. Archived Oracle EBS Reports





1. Reduced Paper Dependency - Saves \$10 per Invoice

Business information exchange is still very much dependent on using paper as a medium. As an organization, you need to create one or more central points where invoices arrive. The goal is to eliminate the potential of an invoice being lost on desks or in mailboxes before they're processed. Streamlining invoice handling within your organization and limiting the number of "touch points" along the way helps to achieve this.

Next, the goal is to convert the paper into digital images right away. Early scanning of incoming invoices and then delivering electronic images throughout your organization is an effective solution to the issues around manual paper flow. Kofax solutions can help you efficiently capture invoices at distributed and remote locations regardless of volume. Invoice data can be transported electronically, instantly, anywhere in the world.

The benefits of immediately scanning invoices include:

- Eliminate lost invoices
- Decrease invoice-processing time
- Store documents in a secure, digital, form
- Reduce physical storage and paper filing costs
- Gain immediate access to digital invoice data regardless of location
- Eliminate costs associated with physical document copying and shipping
- Image enable ERP environment

Centralizing the influx of invoices and scanning them to have instant access to invoice data is the first step needed to feed the AP/ERP line-of-business applications.

2. Automated Data Extraction - Saves \$1.50 per Invoice

With the paper flow under control, the next step is to optimize how invoice data is extracted and made available for verification, PO matching, approval, and payment. At this stage, you have the following options:

1. Your AP team can manually enter invoice data into your existing systems.
2. You can outsource invoice data entry to a third party and integrate the results with your existing systems
3. You can automate the data-extraction process from your scanned invoices

Any form of manual data entry can be expensive and runs the risk of introducing errors into your process. Additionally, opening your data and key business systems to external resources can





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introduce security risks. Automatic extraction of your scanned invoice data is the key to achieving the goals of process transparency and straight through invoice processing.

In addition to paper, business information exchange increasingly involves the use of electronic forms such as email messages and fax transmissions. Software can be used to automatically extract data from documents received this way. The captured data can then be fed into the same business processes in place to handle scanned documents.

For the data extraction component we utilize Kofax Transformation Modules (KTM) which are the most complete and versatile document transformation offering on the market, processing forms, invoices, correspondence and any other document type on a single platform. KTM features unique classification and separation technology that yield high accuracy on the most complex documents, and a powerful set of extraction technologies that can be used in combination to yield maximum performance.

The result is a very efficient, inclusive, and cost-effective information capture process. This uniform method of processing information from different media helps to reduce costs and maintenance; you now have one way to process information regardless of its original form. For example, it removes the need to print and rescan a document received electronically, which many organizations do to normalize their process. Further, you can automatically extract invoice information fields with little or no manual intervention, such as:

Standard Header and Footer Data	Standard Line-item Data	Other Data
<ul style="list-style-type: none"> • PO number and date • Invoice number and date • Subtotal • Taxes • Postage & handling • Discount • Grand total • Supplier details 	<ul style="list-style-type: none"> • Position • Quantity • Description • Unit price • Total price • Discount • Unit measure • Article code • Order number • Delivery note number • Tax Rate 	<ul style="list-style-type: none"> • Use customized extraction schemes

As a result, you should achieve the following:

- Reduce or eliminate data-entry cost and labor
- Increase overall productivity
- Increase data security
- Increase productivity; growth in business and invoices received does not require increased staff
- Increase staff responsiveness
- Eliminate the need to ship physical documents to offshore teams
- Reduce data entry errors; increase data accuracy
- Significantly decrease invoice processing time





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- Data analysis can be performed to quickly gain an accurate view into financial exposure

3. Improved Data Quality - Saves \$3 per Invoice

By utilizing Optical Character Recognition (OCR) technology and automating data extraction, the resulting quality of the data is significantly improved because data entry is reduced or eliminated, thereby minimizing the opportunities for data entry error.

In addition, after the data has been extracted we perform a lookup and validation against Oracle EBS and present the results to the AP processor. The processor is presented with the data extraction results and the corresponding Oracle data on a single screen to facilitate validation and quality assurance tasks. The processor confirms, or if necessary modifies the extracted data, to ensure accuracy and validity. This significantly reduces the occurrence of the following common errors:

- Extraction related issues: These are typically errors introduced during the automatic extraction of information from paper invoices.
- Invoice conformity difficulties: In this case, invoice information can be correctly extracted, but the data itself is different from the information on the original purchase order. For example, there may be differences in 'coding' between the buyer's ERP system and the seller's. Such discrepancies in coding can be as high as 50% and results in increased processing time and costs.
- Data errors: These are data errors where either the buyer or supplier made an actual mistake in the invoice, such as a wrong address, missing or wrong PO number, and so on.
- Business logic errors: There are errors where the supplier has used the wrong payment term, discount rate, tax rate, or other agreed upon pricing omissions.

In too many cases, it remains a manual process to fix these issues. As a result, AP personnel need to place 'outbound calls' to correct mistakes on the invoices. With average customer service calls being higher than \$10 per call, costs can easily run up to \$100 per disputed invoice.

DocSavi minimizes these issues by optimizing data quality prior to its delivery to Oracle. In addition, the DocSavi Indexing Service subsequently ensures that Oracle EBS records and ECM stored content remain synchronized over time. As it becomes necessary to update Oracle invoice, purchase order, or supplier information, DocSavi monitors those changes and automatically performs the corresponding updates to the associated content stored within the ECM system. This ensures your initial data quality gains are maintained and that the two systems remain in sync so that your staff will spend less time on manual intervention.

4. Automated Invoice Creation and PO Matching - Saves \$5 per Invoice





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One of the most dramatic cost savings delivered by the DocSavi product comes from eliminating manual data entry of invoice records to Oracle EBS. Once we have extracted and verified the invoice header and line item detail, we use that information to automatically create the invoice record in Oracle. In the case of PO invoices, the invoice is correctly matched to the purchase order. And in the case of non-PO invoices, we have enhanced the approval notification to facilitate downstream processing.

By combining the processes of 1) indexing the invoice image for ECM storage, 2) creating the Oracle EBS invoice record, 3) matching the invoice to the PO, and 4) performing data quality assurance, we have automated what are typically the most costly components of AP invoice processing.

The result of this automation is high Return On Investment (ROI) and short Payback Period. The per-invoice cost of AP processing is reduced by as much as half.

5. Improved Invoice Notification and Approval - Saves \$2.50 per Invoice

Because we have linked the invoice image stored within the ECM system to the invoice record in Oracle, we are able to improve the Oracle email approval notification. Once the Oracle invoice is submitted for approval, Oracle provides the ability to generate an email notification to the designated approver(s). We have enhanced this email notification by providing a link to the image of the invoice stored in the ECM system. If the approver has any questions about the accuracy or appropriateness of the transaction, they simply click the link to view an electronic copy of the actual invoice.

In addition to improving the Oracle email notification, we have also improved the invoice Approval Form within Oracle. This allows authorized users to actually modify the general ledger coding for the invoice if necessary. This empowers authorized approvers and serves to reduce phone calls to AP and rework activities.

6. Increased Process Transparency - Saves \$1.50 per Invoice

The features examined so far help to improve efficiency and accuracy, as well as reduce costs. However, this process remains AP centric with little or no involvement of the other parties that take part in this business transaction: the internal buyers and the vendors. With the Kofax Intelligent Capture & Exchange suite, the goal is to do business as though it were a conversation.

By adopting Kofax Intelligent Capture & Exchange components within your organization, you can deliver the business partner interactivity using any media. In doing so, you can improve communication between all parties involved in your business transactions (accounts payable, internal customers, vendors, and suppliers) to achieve process transparency.

The Case for Notification

When considering suppliers' needs as well as the original goal of freeing up AP personnel from administrative and labor-intensive tasks, one must also consider streamlining communication with these suppliers. Research shows that, on average, 10 to 15% of suppliers place inbound calls to the AP





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department with basic queries about existing invoices. Aberdeen's AP Benchmark report of 2006 also shows that depending on the level of automation, AP departments spend anywhere between 26% and 41% of their time responding to these queries.

These interactions can quickly consume your employees' time, and can cost you as much as \$10 per call. Notification messages that can be sent to your business partners automatically throughout the invoice process can eliminate this problem. As soon as invoice information is extracted and validated, an automatic notification is sent back to the supplier using his/her preferred method of communication, such as fax, email, voice mail, or SMS.

This communication can include a message confirming receipt of the invoice; notification of any errors or omissions; the results of integrating the extracted invoice information; providing a payment date; or other information specific to you. Such a solution is beneficial to both buyer and supplier as it enhances process transparency and limits costly disputes.

7. Reduced Infrastructure Cost

Unlike certain less refined approaches, *DocSavi* requires no additional IT infrastructure components. The various *DocSavi* tables and programming logic were designed to reside within existing systems: Oracle EBS, the ECM system, and Kofax Transformation Modules. This reduces infrastructure cost and complexity. This savings is realized across all the various IT environments used for development, testing, training, production, and disaster recovery.

8. Streamlined Configuration, Deployment and Maintenance

DocSavi includes a web-based Administrative Console to minimize configuration, deployment and maintenance activities. Rather than relying on "hard-coding," most of the technical configuration options are exposed through this easy-to-use interface. The following section highlights some of the most popular features and functions provided through the Administrative Console.

- User Administration allows *DocSavi* system administrators to create, inactivate and modify permissions on *DocSavi* user accounts. For example, business users may be given access to view processing reports while technical users may be given access to maintain the connections and table mappings between Oracle EBS and your ECM system.
- Database Connections allow the *DocSavi* system administrator to establish, test, and maintain the connections to Oracle EBS and your ECM system.
- Database Properties provide the ability to define and maintain various *DocSavi* database properties, such as: processing re-try options, email notifications and product licensing.
- Data Mapping is used to maintain the rules and table used by the *DocSavi* indexing service to maintain data synchronization between Oracle EBS and the ECM system.





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- Monitoring Queues are used to review and reconcile the possible *DocSavi* exceptions which may occur when ECM records are created which violate data validation and synchronization rules.

9. Image-Enabled Oracle EBS Modules – Saves \$3.50 per Invoice

The focus of this document has been the automation of AP processes using the CM Mitchell *DocSavi* product. And as we've discussed, a key feature of *DocSavi* is the creation and maintenance of a link between the Oracle EBS invoice record and the invoice image stored in the ECM system. This allows a user to simply click the paperclip icon in Oracle to retrieve the ECM image.

In addition to its use in automating AP, this solution is equally beneficial across other areas of your business which utilize other Oracle modules. This may include the following:

- Asset Lifecycle Management
- Customer Relationship Management
- Human Resource Management
- Procurement
- Product Lifecycle Management
- Project Management
- Manufacturing
- Supply Chain Management

Because *DocSavi* works with a variety of ECM systems and with all Oracle EBS modules, the solution can be expanded as your ECM program grows and expands to help automate additional business functions and processes.

10. Archived Oracle EBS Reports

Our *DocSavi* integration between Oracle EBS and your ECM system is bi-directional. In addition to creating a link back to Oracle for content which first arrives in the ECM system, we can take information that originates in Oracle and pass it to the ECM system. A common use for this is archiving and distributing Oracle reports. A variety of general ledger and other financial reports are general month-end and year-end processing. The cost of printing, emailing, and storing these reports can easily reach 6-figures for large firms.

DocSavi can significantly reduce these costs by passing the reports from Oracle into to the ECM system for automated archiving and retention. And once the reports are stored in ECM, authorized users can receive a notification email and then access a hyperlink to review the reports. Standard ECM annotation and security features allow authorized users to review, approval and annotate the reports as required.





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Conclusion

Efficiently capturing invoice data is a prerequisite to efficient downstream processing, with significant cost savings along the way. The way invoice capture is implemented determines the efficiency of the overall invoice process. Each part of the solution described above uses the parts implemented in earlier phases as a foundation to build upon, allowing for maximum flexibility.

With the process outlined throughout this paper, and a comprehensive, integrated, suite of software, you can easily increase accuracy and efficiency, save costs, and drive new revenue-generating processes immediately. When we reconsider the individual cost savings discussed from each step, they add up to a significant figure:

Completely manual process:

Cost up to **\$80 per invoice**

Approximate minimum savings per Invoice:

Reduced Paper Dependency:	\$10.00
Automated Data extraction:	\$ 1.50
Improved Data Quality:	\$ 3.00
Automated Invoice Creation and PO Matching:	\$ 5.00
Improved Invoice Notification and Approval:	\$ 2.50
Increased Process Transparency:	\$ 1.50
Image-Enabled Oracle EBS Modules:	\$ 3.50
	=====
Total	\$27.00

Other areas of savings:

Reduced Infrastructure Cost
Streamlined Configuration, Deployment and Maintenance
Archived Oracle EBS Reports





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References

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