

The Official Publication of the American Payroll Association

March 2015

# PAYTECH

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**Lock Down Security  
With Best Practices**

**Remain Compliant  
in Global Payroll  
Market**

33rd Annual

# CONGRESS

Las Vegas 2015

**Let Congress Train You  
to Win Your**

**PAYROLL GAMES**

# PAYTECH

March 2015

## ON THE COVER

### Congress Is Almost in Session | 14

“The Payroll Games” is the theme of this year’s exciting, informative 33rd Annual Congress, May 5-9 in Las Vegas. See what is in store for you during the four-and-a-half days as well as what alliances your payroll tributes are forming during their training regimens. Plus, see last year’s Congress through the eyes of a first-timer.

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Despite the growing trend toward AP automation, there are drawbacks to consider. Plus, read Part II of Withholding and Reporting on Payments to Foreign Persons.

### Special Section

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Regular review of security practices can serve as a constant reminder that ensuring the privacy of the information entrusted to us is critical in payroll. Plus, an APA Best Practices subcommittee reveals its top concerns and solutions.

## PLUS!

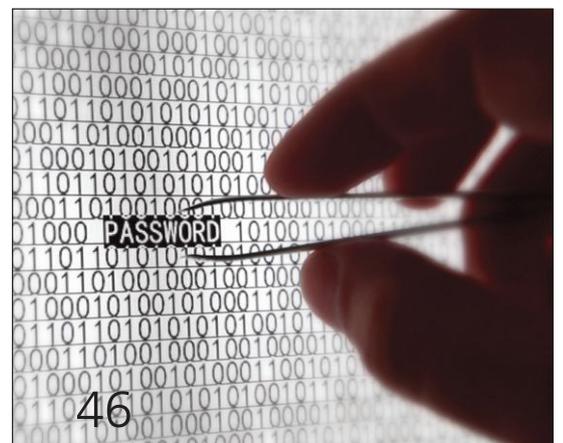
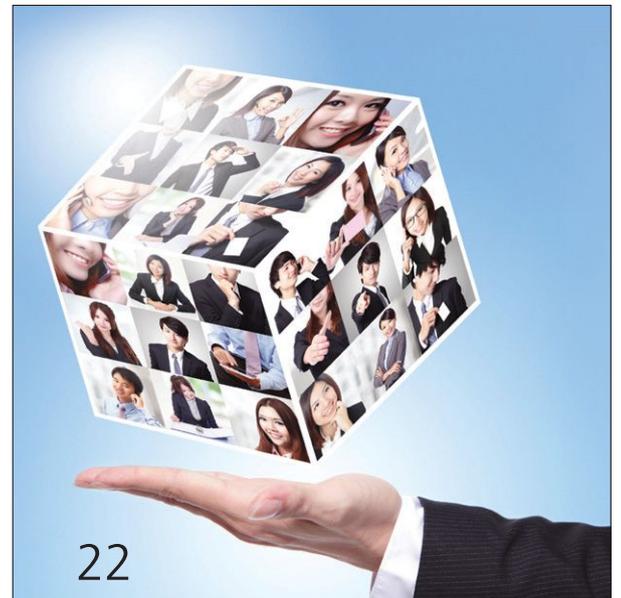
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TOP 5 DRAWBACKS TO IMPLEMENTING  
**PAPERLESS  
SOLUTIONS**

BY DAVID SCHNITT



**O**n the surface, accounts payable (AP) automation promises a lot for businesses. Encouraging companies to use paperless processes and technology, AP automation also boasts improved efficiency and control. Businesses of all sizes are adopting AP automation to more effectively manage their accounts payable departments.

Despite the growing trend toward AP automation, there are drawbacks that AP professionals and CFOs must consider before “going paperless.” While AP automation vendors promise ease of use, seamless integration, and worry-free processes, companies need to weigh the pros and cons of automation before jumping on the bandwagon.

Other leading-edge companies are outsourcing their AP, gaining best practice AP processes that fully leverage AP automation while ensuring it is implemented quickly and cost-effectively.

Here are the top five surprising drawbacks to implementing a paperless solution:

### **1. It Takes More Time and Effort, Not Less**

Despite what AP automation providers might tell you, scanning invoice documents and electronically routing invoices for approval or exception resolution takes longer than you might think, resulting in additional time and effort over a paper-based process. Furthermore, you still have all those other functions of your AP department to perform on top of these!

For example, in a paper-based process, invoices arrive at the AP department already coded and approved and the AP department simply needs to enter them into the accounting system. But with an AP automation solution, the AP department now has the added tasks of scanning invoices and routing them for approval.

In our own study of the AP departments with whom we partner, we found AP automation adds significant overhead that typically erases the saved effort automation provides. In one example, a large law firm that had implemented an AP automation solution had a negative 57% ROI on their AP

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automation investment due to the hidden costs of automation, from scanning and routing of invoices to system maintenance and administration to lower data entry productivity. This finding was by no means exceptional. In fact, it was typical of other companies' AP departments.

### **2. High Speed Isn't Always That**

Performing data entry into AP automation systems usually takes more time because, unlike an accounting system, many of these systems are not optimized to input data at high speeds. AP automation systems are typically browser-based and focused on AP automation, not data entry. The data entry screens are primarily made to look good, while accounting systems are focused on efficiency and productivity. This results in lower productivity for the AP department.

Take, for instance, a leading global law firm that was overwhelmed with AP documents that required complex processes, controls, and customization of the AP automation software. Instead of using a pricey consulting firm to figure out how to customize the software and implement it, the law firm was able to use cloud-based AP automation software in partnership with a third-party provider who provided and actually uses the software to process the invoices. The provider did the consulting, re-engineering, and customization of the software and then continued to provide the actual processing involved, so the efficiency issues were eliminated completely and data could be input at high speeds.

### **3. Systems Must Be Maintained**

The introduction of a new AP automation system means there is a new system to administer, including passwords, security, approvals, business rules, etc. The volume of phone calls and emails coming in to the AP department to deal with systems issues may increase, especially for users who forget their passwords!

For example, a large real estate investment trust (REIT) utilized a web-based AP automation software provider to provide the software and also scan and enter invoice information into its system. But even after outsourcing these functions, when benchmarked, the REIT's AP department was processing invoices at about half the productivity of a typical, paper-based AP department. Some of this was due to issues related to system maintenance, from multiple layers of approvals to the time it took to train staff to manage the system.

### **4. It Can Get Confusing**

With the implementation of AP automation software, the AP department can be flooded with requests from managers to

provide more information than ever, because more people have access to invoice images and related information.

For instance, a company that provides services in the dental industry was challenged with managing the status of invoices in multiple systems. The company found it difficult to resolve discrepancies or know the status of an invoice in the process. To solve these problems, a third-party provider reengineered and outsourced its accounts payable process to streamline processes across multiple systems and leverage automation to improve transparency and accessibility. With the help of the provider, the dental services company significantly improved controls, consistency, and turnaround, saving almost 52% of the costs of its accounts payable process. Included in this savings was the outsourced provider handling these requests that otherwise would have contributed to a decline in AP department productivity.

## 5. There's Room for Error

AP automation often comes equipped with optical character recognition (OCR) tools, whereby the computer “reads” an invoice. OCR tools, however, can have error rates as high as 10%, which means that an employee has to check the accuracy of the software to ensure errors are not introduced, including the wrong amount paid. So rather than AP automation streamlining processes, OCR errors can result in generating more complications in an AP department.

For companies in many industries that do not use purchase orders for a high percentage of invoices, such as the restaurant and real estate industries, automation and OCR do not provide efficiencies because invoices vary in size and readability. This is especially true with handwritten invoices and line items that often need to be entered in full. Some companies, however, enlist the services of AP processing

specialists who will apply the most efficient solution. They will work with large vendors to receive invoice data electronically, bypassing the paper and OCR step. Processing specialists might provide process controls for smaller vendors that can allow them to cost-effectively offer 99.97% accuracy, something AP automation providers can't offer.

## The Takeaway

AP automation does not provide a positive return on investment for all companies. For mid-size businesses, using AP automation typically has negative ROI and will not save time for the AP team involved with the process. It's also clear that automation alone doesn't always make a process more efficient. In fact, adding technology often results in additional work.

To effectively cut costs and make AP processes more efficient, companies must account not only for tasks such as invoice receipt and data entry—which are typically addressed by AP automation but represent a small portion of the processing lifecycle of an invoice—but also the costs of other invoice processing tasks. These could range from coding, exception processing, and problem resolution, to vendor support and disbursements. This is something a startling number of companies don't have a handle on.

Companies should be encouraged to evaluate their AP departments, identifying areas for savings and improved efficiency, while also benefiting from an outside vendor that can provide them low-cost services and technologies that companies can “plug in to” as needed.

Once companies have better control over the AP processes, they can start gathering important data on their business, which can be leveraged to glean actionable business insights, empowering them to continually improve what they do. ■

