

Invest Wisely in A/P Technology

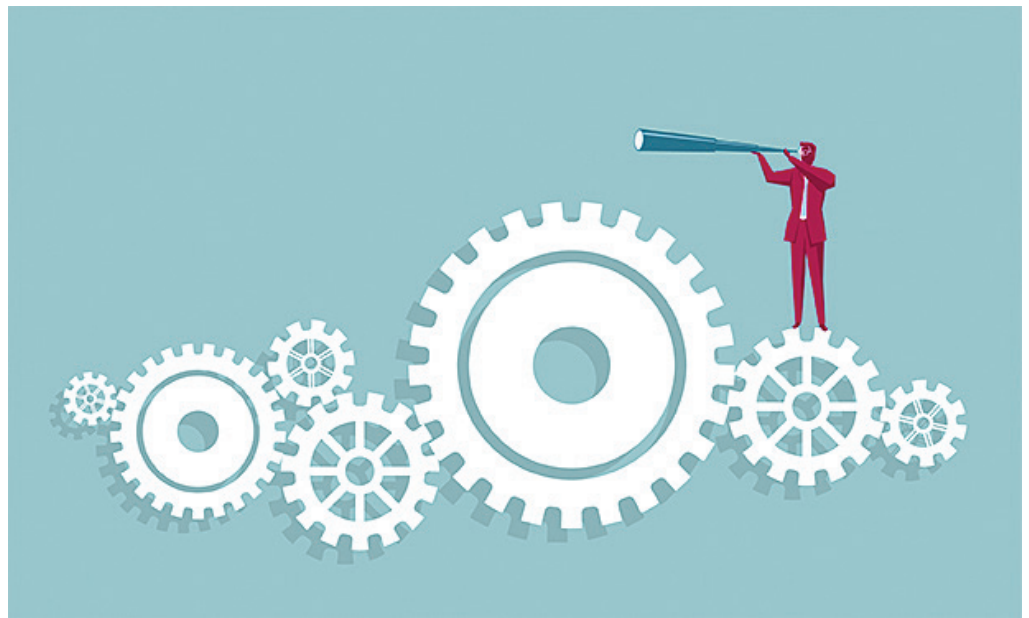
6 features that make a solution best-in-class.

BY SETH BLACHER

Corporate accounts payable (A/P) departments are looking to operate at maximum efficiency and scale, while reducing risk and generating rebate revenue. The key to success is effective automation.

Efforts to achieve these goals frequently encounter familiar challenges. For instance, despite the focus in recent decades on transitioning to electronic payments, more than 4 out of 10 business-to-business payments are **still made by check**¹. Manual processing of checks is expensive. In addition, check payments often result in extra work for payers, who must respond to inquiries from suppliers regarding payment status because mail float slows delivery.

A/P managers also must address rampant payments fraud. Although check fraud remains a major problem, an even faster-growing scourge is **payments fraud involving wire transfers,**



Automated Clearing House (ACH), and **card payments**, due to **business email compromise** and **impostor fraud** schemes.

In **one 2019 survey**, 82 percent of organizations reported fraud incidents². Now, the **Federal Trade Commission (FTC) has warned** against **Covid-19** related scams, including calls or emails offering government pandemic relief to businesses in return for an up-front payment, robo-calls pitching bogus test kits, and fake online retailer websites seeking to attract payments for

essential supplies that are never delivered³.

A/P departments are also experiencing pain around reconciliations, as a high volume of exceptions often creates extensive additional manual work.

So, what's preventing companies from achieving A/P goals around efficiency, risk mitigation, and revenue? Most observers say a major barrier is a lack of IT resources. The good news is that the IT resource challenge, as well as other obstacles, can be addressed by the more robust

A/P automation solutions that banks are beginning to introduce. Selecting the right solution, with the right features and capabilities, is paramount.

An A/P automation solution should offer end-to-end capabilities through a single platform, create desired efficiency, reduce fraud, and help A/P departments develop a new revenue stream for their organizations. Let's review the six features A/P teams should seek when shopping for a best-in-class automation solution.

Six Features to Target

1. ERP integration. Traditionally, integrating an A/P automation solution with an enterprise resource planning (ERP) system has required a significant time commitment from internal IT resources and lots of testing. The integration process may take four to six months or more.

But some A/P solutions now have built-in ERP integration. Ideally, an A/P team should seek a solution that offers plug-and-play connectivity with their ERP system. This will make the onboarding process painless, with data-in and data-out capabilities that may not require any IT resources to execute.

2. An extensive supplier network. In the past, doing the up-front IT work to install an automation solution was just

the first step to A/P automation success. Next, the project team would have to do the hard work of supplier enablement—doing the necessary outreach to persuade suppliers to accept their electronic payments and buy into the program.

Fortunately, there are now solutions that can immediately plug companies into an extensive, existing supplier network. Selecting a solution with a ready-made network consisting of hundreds of thousands of suppliers can ensure that, on day one, the company should be able to immediately move a significant number of its existing suppliers to electronic payment.

A best-in-class A/P solution includes tools that a company can use to upload its vendor master file and compare it against the suppliers included in the bank's network. This process enables the A/P team to identify suppliers that are receiving checks from the company today but accept electronic payments from other customers—and so would presumably be open to replacing the company's checks with electronic payments.

3. A variety of payment options. The supplier network should offer several electronic payment options, including virtual card, both basic and premium ACH, and transactions on the

RTP® Network. It should also offer a selection of payment speeds that provide accelerated liquidity options for the supplier at a cost that can drive rebates back to the customer's A/P function.

In fact, with an A/P solution that has a robust supplier network, a company's A/P staff may be able to drive so many suppliers to convert to electronic payments that they generate rebates which cover the entire cost of the automation program.

4. Streamlined invoice management workflows.

The most time-consuming part of the accounts payable process is invoice data capture and approvals. Without invoice automation, A/P departments must manually key in data from invoices sent by email and U.S. mail, then search for purchase orders (POs) to match each invoice against. If the match isn't apparent, additional time is required to manage exceptions to move toward approval to pay.

A best-in-class invoice management process enables the A/P group to automate invoice data capture and matching of invoices to POs. Available solutions leverage emerging technologies such as robotic process automation (RPA) and **artificial intelligence** to maximize accuracy and efficiency in the invoice-matching process. The goal should be to

manage exceptions and approve invoices for payment via a digital workflow using a desktop computer, tablet, or mobile phone. Such a process can significantly reduce the amount of time A/P spends processing invoices and can enable the business to scale without adding headcount.

5. Fraud prevention. With more than 80 percent of companies reporting real or attempted fraud, payment security is a critical centerpiece for any A/P automation solution. A/P professionals must have a high degree of confidence that every payment sent is secure and will reach its intended destination. To accomplish this, they need an automated means of authenticating suppliers and verifying that the bank accounts do, in fact, belong to the suppliers they need to pay. The prevalence of business email compromise and impostor fraud makes it vital for payers to ensure their payments are going to a verified supplier.

When considering an automation solution, the A/P team should ask banks on the shortlist how they authenticate suppliers and validate their accounts. In addition, decision-makers should:

- Ask bankers about the trends they are seeing in attempted payments fraud.
- Inquire whether the bank will send an alert when it sees the

payer organization is making an atypically large payment to a supplier.

- Confirm that the bank's solution will store sensitive supplier data on behalf of the payer organization. (The A/P team should avoid storing sensitive supplier data internally whenever possible, because of the reputational risk that could result if the data were hacked.)

Also, keep in mind that any solution which shifts checks to virtual payments can substantially reduce payment fraud risk, given the added levels of security and protections afforded by card-based payments.

6. Efficient reconciliation. A payment isn't complete until the open payable is matched with a settlement record and closed out in the ERP system. Aging payables might require research or manual reconciliation. Typically, the ERP system will assign a unique transaction ID to a payment when A/P sends it to the bank for processing. But many bank systems fail to retain that ID, so the settlement record or confirmation that A/P receives from the bank may not automatically close out the open payable for clean reconciliation.

In contrast, a best-in-class A/P automation solution should be able to deliver the unique

transaction ID that the payer assigned to the payment, in a pre-defined field of the settlement record, enabling fully automated reconciliation.

Emerging A/P automation solutions are positioned better than ever before to help companies manage the challenges of migrating from checks to electronic payments. When consulting with banks on ways to optimize A/P operations, make sure to evaluate their proposed automation solutions based on these six ideal features.

Seth Blacher is senior vice president and head of Global Payables for Global Treasury Management at U.S. Bank. U.S. Bank provides businesses with digital capabilities to move money into and out of a business quickly, efficiently, and securely, in addition to the credit and deposit services traditionally offered by banks. Visit usbank.com/accounts-payable to learn more.

¹2019 AFP Electronic Payments Survey

²2019 AFP Payments Fraud and Control Survey

³<https://www.ftc.gov/news-events/blogs/business-blog/2020/03/seven-coronavirus-scams-targeting-your-business>

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