Accounts Payable Invoice Processing

White Paper
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The Business Challenge

As companies look for ways to contain costs and gain competitive advantage in an uncertain economy, they must evaluate their operational efficiency with greater scrutiny than ever before. Back office operations such as; Accounts Payable (AP), Accounts Receivable (AR) and Human Resources (HR) were once considered operational cost centers, but are now focal areas of strategic importance. Accounts Payable is leading the charge.

Today, over 90 percent of most companies' AP transactions are bogged down in paper based processes. Add a statutory 7-year retention requirement, and your AP process efficiency is literally tripping over the paper. ERP and financial systems can't create efficiency until they become aware of the transaction. Unfortunately, 30 percent or more of transaction processing time is spent getting paper ready for data entry. Of course once the invoice has been captured into the system, the challenge is now on locating the invoices and other supporting documentation (i.e., proof of delivery documents, purchase orders) for any issues that may arise. An additional 40 percent or more of the remaining processing time can be spent trying to find them. As a result, most companies have not realized the full benefit or return from their investment in ERP or financial system technology.

Invoice Processing Costs

Processing an invoice involves capturing key data, entering it into the proper financial systems, and initiating the related business processes. Although straightforward, this task needs to scale to handle the increasing number of invoices your business will receive each day. Accuracy and efficiency are major concerns to handle the existing and increase in volume.

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. Actual costs depend on the level of process automation you and your business partners implement.
Simply put, AP invoice transactions create six cost points that effect bottom line earnings. These cost points include:

- Capturing documents no matter the source. How do you effectively capture paper, faxes, email attachments, EDI and other formats that AP invoices arrive in?
- Eliminating data entry into ERP/financial systems since data entry consumes the majority of an AP clerk’s effort throughout the day.
- Managing and storing AP transaction objects (invoices and supporting documents) such that it can be retrieved instantaneously at the desktop.
- Automating the routing of invoices through matching (PO based invoices), coding (non-PO invoices) and approval/exception processes to ensure timely entry into the ERP system.
- Providing a secure mechanism for internal parties to inquire about transaction status and to review transaction content.
- Providing a disaster recovery mechanism in the event of a catastrophe.

The All Star AP Invoice solution has the functionality to address these cost points in the most efficient manner possible including ease of implementation and end user functionality.

**Opportunity for Success**

Companies that want to be successful in times of economic challenge and change need to embrace technology advances to drive operating efficiencies within their organization. Your challenge is to be open to new technology when warranted, but also to exploit existing technologies like ERP applications, by adding functionality that will help these systems and the people that use them, operate at peak efficiency. Once this efficiency is achieved, you are able to realize several benefits within your organization including:

- Streamlining the capture of all documents associated with the payables process as early as possible.
- Extracting as much data as possible from the captured documents in order to eliminate as much manual data entry as possible.
- Manage the captured documents in a manner to eliminate or minimize the chance of lost or misfiled documents.
- Ensure document retrieval in seconds from your ERP environment or a secure and easy to use web based system.
- Accelerate the approval and exception processing of these transactions by eliminating the delay of a transaction going from point A to point B (90% of a transaction’s processing time is spent moving the documents to the appropriate approvers or finding the appropriate documents).
- Take advantage of discounts for early payments through prioritization of transaction processing.
- Produce cost efficiencies and reduce cycle times by monitoring the process from start to finish.
- Ensure data recovery in the event of natural disaster or other catastrophic events.
- Simplify the implementation of these systems through the use of scalable, fault tolerant and point and click configurable technology.
The Four Step Approach to Invoice Processing

The following is a typical process that All Star has implemented for our customers. There are pieces of this process that can be included or excluded based on your requirements but this process describes the complete end to end solution for AP invoice processing.

Step 1 – Controlling the Collection of Documents

All Star’s goal is to inject the AP invoices (paper, electronic faxes, email attachments, EDI etc.) into one consistent capture process right away. All Star’s solution can help you efficiently capture invoices at distributed and remote locations regardless of volume or the format of the invoice. Invoice data can be transported electronically, instantly, anywhere in the world and arrive in a work queue in the same manner as documents scanned locally.

The benefits of immediately capturing 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

Step 2 – Data Transformation

With the document capture under control, the next step is to optimize how invoice data is extracted and transferred to downstream applications for verification, PO matching, approval, and payment.

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 (off shore data entry) can introduce security risks. Taking advantage of automated data extraction technology is the key to achieving the goals of process transparency and straight through invoice processing.

All Star’s solution will allow you to automatically extract invoice header, footer and line items data with little or no manual intervention. Data transformation consists of; locating the various formats of data, extracting the data, formatting the data and validating the data prior to any human intervention. Once those four steps have been accomplished, human intervention only occurs when the data does not exceed the thresholds you set for accuracy.

As a result, you should achieve the following:

- Reduce or eliminate data-entry cost and labor
- Increase overall productivity
- Increase staff responsiveness
- Reduce data entry errors; increase data accuracy
- Significantly decrease invoice processing time

In summary, the cleaner the data is before it enters your workflow, the less time your staff will spend on manual intervention. All Star’s solution enables you to refine the information capture process to become more efficient, and reap the benefits of straight-through processing.
Step 3 – Document Retrieval

In many cases, just having the documents immediately available for retrieval would provide a significant ROI for a system. This is the case at this point of the process. Once data has been extracted, the documents and data are now released to the document management and workflow system. Users can immediately retrieve the invoices and related documents from within their ERP system or from an easy to use web interface. Once retrieved, documents can be;

- Viewed
- Annotated
- Emailed
- Faxed
- Printed

Online Access and Remote Workers

Whether on the road, working from a remote location, or simply catching up with work from home, All Star’s solution provides a centralized repository that can be accessed by all employees with the proper security and rights from anywhere in the world, 24 hours a day. To be competitive, companies must have this type of “information agility” in order to effectively react to dynamic changes in their marketplace.

Customer Service Implications

Customer service can be greatly improved with immediate access to these documents. Document images can be presented online and the result is a higher rate of first-call resolution and more satisfied customers. By linking this retrieval capability to the company web portal, employees, vendors and customers are able to satisfy their own requests without engaging Accounts Payable employees. Viewing invoices, purchase orders and shipping documents can all performed transparently to a company’s normal business hours and can reduce the call demand and provide an arguably superior level of customer service. The bottom line is that when customers and service representative can refer to the same information in real time you benefit in terms of more efficient and effective customer service and more satisfied customers.

Decision Making

Information is power. Whether on paper or in digital form, nearly all business information takes shape in a document. In many cases, this important information is hidden from the whole of the organization and makes effective decision making and strategic planning more difficult and less effective. All Star’s document retrieval solution will enhance the flow of information and you no longer need to measure document retrieval in hours or days. Everyone can have access to important documents, from numerous sources, in under a minute, empowering your organization to formulate strategies and tactics based on solid, timely information.
**Step 4 – Business Process Automation**

Business process automation is a means to seamlessly incorporate policies and procedures into your company’s system environment and your staff’s daily activities. Automation eliminates routine decisions, redundant tasks, and maximizes your employees’ efforts for decisions best suited to their expertise. All Star’s solution enables you to automate these critical decisions with confidence and ease and is built upon a secure, adaptable and scalable architecture that is easy to use.

- **Productivity** – Streamline processes and eliminate redundant and time-consuming tasks
- **Accuracy** – Eliminate error-prone tasks and oversights
- **Consistency** – Guarantee consistent practices among employees
- **Adaptability** – Instantly comply with regulations and best practices
- **Standardization** – A single point of process management, employing electronic

90 percent of the total time in any business process consists of moving information from one person to the next. Making a business process electronic does not mean the work at each step in the process becomes easier or quicker. What it will do is eliminate the majority of the time that it takes to move a transaction (and its supporting documents) from point A to point B.

**Built for Now and the Future**

The term “workflow” is defined in different ways. Products vary greatly, and are often nothing more than approval routing processes. When a workflow solution is implemented, it may meet the needs of the company at that point in time, but the goal is process automation, and processes will certainly change, therefore, serious consideration should be the ease with which the solution can adapt to future needs. Some workflow solutions fall short of truly supporting business process automation, and thus limit your ability to fully implement your vision and achieve your goals. All Star’s advanced workflow software is a powerful solution that is highly adaptable to your needs. While scalability is important, another important aspect is that the workflows are built and managed through a graphical user-friendly facility. The elimination of custom coding and the use of a point and click tool will accelerate the implementation of each workflow process.

The extensive capabilities of All Star’s business process automation solution enable the automation of all types of company processes. It also has numerous processing options such as routing, escalation, database update/validation, data exchange among external databases and business applications, calculations, e-mail, fax, electronic signatures, audit trails, and unlimited information management (e.g., reports, documents, images etc.). This solution is built for your requirements now and your requirements in the future.

**Accounts Payable Invoice Processing**

All Star’s solution will initiate a workflow process once the invoice has been received from the capture system. Each invoice will be injected into the workflow process and a work package will be created for each invoice.

**Work Package**

The concept of a “work package” is a key element to the success of the workflow solution. All Star’s work package contains all the critical elements required to automate or review each transaction. The work package will contain; all of the data extracted from the image, the documents (invoice, purchase order, shipping receipt) needed as reference, a user task list to eliminate the “what do I do now” questions and a complete audit trail of everything that has ever been done with that work package. All of this information is contained within this work package and the user does not have to go to any other system to review/approve/deny this transaction.
Table of Authorizations and Database Lookups

Once the work package is initiated, all of the proper checks will be completed to ensure all of the data required to route the transaction is contained in the work package. Lookups against a Table of Authorizations (TOA) will be done for Non-PO invoices as well as standard vendor lookups against the Vendor Master and duplicate invoice checks against the workflow, imaging and ERP databases to ensure this invoice has not already been processed.

Non-Purchase Order Invoices

Non-PO invoices will be routed to the appropriate departments who then will forward the work packages to the buyers for GL coding. These invoices will re-enter the approval workflow and will be routed to the appropriate approvers based on the results of the TOA lookups. The big advantage of using workflow with Non-PO invoices is the ability to GL code the invoices from anywhere in the world and the ability to automate the approval once the invoices have been coded.

Purchase Order Invoices

PO invoices will attempt to be matched based on the line item data to their associated purchase orders. Typical matching will be done based on unit amounts, quantities and total amounts of each line item. Additionally, checks are performed against the requisition to ensure the total number invoiced YTD do not exceed the total number requisitioned based on quantity or amount. The big advantage of using workflow with PO invoices is the ability to totally automate the processing of these invoices based on the line item matching between the invoice and the purchase order.

Post Data to ERP

Once these invoices have been approved, All Star’s solution will post the data into your ERP systems with complete validation and error checking capability to ensure the data is posted correctly. Any errors found will stop the posting of that transaction and that transaction will go to an error queue for resolution.
Professional Services

All Star’s staff of highly skilled technicians and developers help maximize investments starting with the planning and implementation stages and followed by training and on-going support. The knowledge of our employees, their business experience, their professional services skills and their core values are what set All Star Software Systems apart from the rest.

Our standard project phases for every implementation are; Application Analysis & Requirements Definition, Installation, Configuration, Testing, User and Administration Training, Onsite Post Installation Support, System Documentation, Custom User Guides and Project Management.

Support

All Star Software Systems provides support for all the products we sell and implement. In general a support contract includes the following items:

- Phone & email support (Help Desk)
- Remote support (VPN/Terminal Services)
- Onsite maintenance (in case the problem cannot be solved via Help Desk or Remote services)
- Quarterly onsite maintenance (fine tuning and cleanup no matter if there are problems or not)
- Software updates from manufacturers
- Onsite update installation and testing

The goal of All Star's system support is to provide a generous contract in order to provide proactive support rather than just reactive support. All Star's goal is to keep your system running smoothly and trouble-free. This proactive approach helps us stay one step ahead of any problems and keeps your system running smoothly.

Strong Project Management

All projects are allocated an experienced Project Manager who is ultimately responsible for the delivery of the system. Over the years, All Star has cultivated an experienced pool of Project Managers who are capable of managing the delivery of a wide variety of projects. Many of these systems are mission critical to the customers business.

Methodology

The success of All Star solutions has been expedited and enhanced by the All Star Professional Services Group (PSG) through the use of a streamlined methodology.

Methodology Elements

- Incremental implementation phases for improved project control and more rapid realization of benefits.
- Rapid deployment of a base solution in the initial implementation phase. This will provide a foundation for understanding the technology and validating the definition of subsequent implementation phases.
- Knowledge transfer - All Star’s goal is to educate end user and administrative resources on process analysis and re-design techniques, product knowledge and application of All Star and related technologies during the Solution Definition and initial Solution Development phases of a project.
Methodology Steps

- Solution Definition – analyze requirements; define detailed scope and conceptual design, infrastructure and application architecture; and define phased implementation plan – all detailed in a ‘scope document’ – the primary deliverable from this phase.
- Solution Development – set up infrastructure; install and configure software; set up applications and processes; development, integration and testing of system; project management; and technical knowledge transfer.
- Solution Rollout – end-user training; implementing the solution at user workstations and the transition from paper-based to automated workflow processes.
- Solution Extension - ‘continuous improvement’ process; identify ‘extensions’ and enhancements to the solution to improve benefit realization.

Organization and Communication

Effective communication is crucial to the delivery of a complex project enabling seamless team working between customer and the project team. Our fail-safe approach is to recommend that in all cases that two channels of communication are available at all times. The primary channel of communication on a “day to day” basis is between the respective project managers of the customer and the project team. A secondary, more senior level of communication is crucial for escalation and taking a broader picture of the objectives at a Project Board level.

We also believe in a more integrated approach to the sales and implementation process. Having separate sales processes to that of project implementation processes causes a separation during project kick off. We believe in a more integrated approach where each “salesperson” has a technical background and is an integral part of the project team. The proposal is turned into a project document by the sales engineer and this document is reviewed in detail during the project kickoff meeting (sales and services team members are a part of this meeting). Once this meeting is complete, the project document is updated and the project is handed off to the project manager.

Consistent Architectural Design

All Star has the philosophy of being a learning organization, constantly feeding back lessons learned from previous and existing projects to improve the design and implementation of new and existing systems. This feedback originates from the project implementation teams and the customer support organizations. All Star project managers ensure that this feedback is incorporated into the architecture of all new and existing systems and that there is a process of constant improvement.

Contact Us

For more information on how All Star can help you ACCELERATE your Accounts Payables invoice process, please contact us at 860 613 1500 or visit us on the web at www.allstarss.com.