
Approvals on the go: How automation improves the accounts payable approval process

What is accounts payable automation?

Dealing with repetitive, paper-based processes can eat up an entire workday. It can take hours to manually code an invoice, chase down managers for approval, and generate a printed check. There's no time left to assess performance, data, or processes to save time and money. To reduce overall costs, finance departments are investing in accounts payable (AP) automation software. AP automation software is a cloud-based solution that streamlines the accounts payable process from invoice to payment distribution electronically.

Accounts payable automation software streamlines invoice, approval, and payments based on your business' current rules and processes. Companies that implement AP automation software see improvements in spend visibility, the auditing process, and cash flow. They find more time in the day to focus on the details that matter most, such as evaluating effective spend and negotiating vendor contracts.

Businesses that are on the fence about AP automation software are skeptical for a few reasons—the biggest being that they're afraid the finance department will no longer have control and visibility into transactions. In this eBook, you'll discover that the opposite is true. AP automation not only streamlines the accounts payable process, but it completely changes the approval process as well, giving finance departments more control and visibility with easy-to-access historical payment and invoice records within the AP solution portal.

Before automation

Procurement

The purchasing department places the order and transmits a copy of the purchase order (PO) to the AP department. The organization receives the goods or services — either through the receiving department or the employee who ordered them — and the vendor sends the invoice to AP.

Invoicing processing

An AP clerk manually keys the invoice data into an accounting system before physically storing the paper document in a filing cabinet. New supplier information is entered using the organization's naming conventions to avoid duplication. Both new and existing supplier information is checked for accuracy against internal sources, such as the master vendor file, and external sources, such as the IRS Taxpayer Identification Number (TIN) matching service and the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) list of countries, individuals and organizations sanctioned from business in the United States.

Invoice approval

Handing off printed invoices to the appropriate manager or department and waiting for approvals can take days, sometimes weeks. A recent PayStream Advisors report shared that lengthy approval cycles are the top cause of late payments.

At this stage of the process, an AP clerk conducts a three-way match, comparing the PO, the receipt, and the invoice to identify any inaccuracies or mismatched data. An AP manager prepares or approves paperwork for any exceptions for short delivery, damaged items, wrong items shipped, or other issues.

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Payment

The AP team prepares the payment, either by writing a check or setting up a transaction via Automated Clearing House (ACH) or electronic funds transfer (EFT). An AP manager approves the payment, authorizing the department to take an early pay discount for a supplier if the payment is being made within the date range specified in the terms. The payment is sent via U.S. mail, wire transfer, ACH/EFT, shipping company, or courier.

After automation

Procurement

The purchasing department places the order, first ensuring that no significant exceptions appear in the automated system from previous orders. The organization receives the goods or services — either through the receiving department or the employee who ordered them. The receiver notes any issues with the order in the automated system, and the system sends an alert to the appropriate staff in the AP department.

Invoicing processing

The AP department receives an electronic version of the vendor's invoice, with or without a separate electronic purchase order. The system pulls information from the invoice and uses it to auto-populate electronic documents, checking it against sources including the master vendor file, the IRS TIN matching program, and the OFAC sanctions lists, and sends an alert to an AP supervisor whenever it finds an exception.

Invoice approval

During the implementation process, AvidXchange works with you and your team to understand your current approval process. Then, we build that approval process into your rules-based workflow. Once the workflow is established, the system conducts a match automatically, turning a purchase order into an invoice using PO flip technology if necessary. Invoices are routed to the appropriate people for approval once they're in the system. The approver then looks at the invoice within the portal and can either approve it or dispute it.

Of course, there will always be invoices that have exceptions. Maybe they exceed a certain amount threshold or must be approved by another department. Without slowing down the process, AP automation software allows you to create special rules for certain invoices, so they're automatically routed to the next step needed for payment.

Payment

The system checks the status of terms for that vendor and applies any early payment discounts to the transaction. Then it prepares the payment, setting up the transaction via ACH/EFT, procurement card, or other methods as specified by the supplier. The system routes the payment information to an AP manager for approval.



I love AvidXchange – approving and coding invoices has never been easier! It makes my job smoother and more enjoyable. I also like that I receive email notifications when I have invoices pending for my review and approval.

Mayrani Naranjo, Assistant Property Manager



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Anytime, anywhere approvals

Reviewing and approving invoices can take days. In many companies, there are different approvers for each part of the payment funnel including invoice and payment amount. Manually approving payments and invoices can be frustrating, especially when approvers are out of the office. Waiting on approvals slows down the payment process, which could lead to late payments.

Automated AP processes expedite approvals, with added rules and restrictions to the workflow. These rules and restrictions eliminate the hassle of reaching

will be able to track invoices electronically, streamline workflows, and have a central repository for any time, anywhere access to invoice data.

AvidXchange's payment automation solution enables companies to pay vendors electronically while maintaining all their banking relationships and their current approval workflows. And our PayControl feature creates flexibility for things such as step-level approvals and multiple approvers. Once the workflow is established, invoices and payments are automatically routed to approvers.

No longer will you have to "gently remind" approvers to do their job and approve things — you've got intuitive software and aging reports to do the dirty work for you.



Our AP process is so efficient and streamlined now! From receipt of the invoice to approval and payment. For me, the best part is having all the invoice images in one place with easy access. Research now takes seconds instead of minutes or hours when searching for misplaced invoices.

I am so grateful we switched to AvidXchange!

**Nora Clavell,
Staff Accountant**

Approval rerouting

One thing guaranteed to frustrate your approval process is an out-of-office reply from a key decision maker. At some point, every AP professional will step away from his or her desk and spreadsheets and go on vacation. Trouble is, while they're away, all of those important daily business decisions still need to be made.

The AP team experiences this pain in a very tangible way if they are still processing paper invoices. Because while the boss is on the way to Aruba or Aspen, their invoices are stuck on Overdue Mountain. Without the appropriate precautions, it's possible that the one person you need to approve invoices in your organization is out of town without cell service for days or even weeks!

For approvers, the beauty of implementing an AP and payment automation solution is that your accounts payable team can reroute approvals while executives are out of office, so business can continue as usual. When you set up your automated AP and payment solution, there will be established rules to define how approval should be delegated in the absence of an approver, so you still have all the control you normally do, but you don't have to be physically present to make decisions.

Even if you choose not to reroute approvals, if you have Internet access then you have the same ability to approve invoices and payments that you normally do.

out to an approver every month about the same dollar amount threshold. Approvals can also be rerouted in the absence of the approver to keep business running as usual. All approval options are set during implementation for a smooth, efficient process. AvidXchange's invoice application is designed to mirror your current approval processes and workflows, without all the paper and inefficiency. By automating the process, your company

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Implementing AvidXchange helped our company minimize paper usage and makes invoice searching easier and quicker. Remote approval has helped speed up invoice processing time when employees are away from the office.

David Wieand, Senior Finance Accountant

The vendor approval process

If it's not broken, why fix it? That's the general sentiment when it comes to processes concerning vendor approvals and additions. Why is there so much hesitation to optimizing these processes? The truth is that doing anything new can be risky. The risk is that you're talking about changing a process that, let's face it, has worked and is probably not all that bad. Accounting and finance folks usually decide if a change is worthwhile by weighing the difficulty of the change against the benefit and impact to the organization. That's why a new vendor approval process often sits on the back burner.

Evaluation is important because over time a process can get complacent. The downside with a complacent process is that people become overly familiar with it, start to find ways around it, and get lackadaisical, resulting in errors.

When evaluating your vendor approval process, here are ten ways to improve your current process:

10. Evaluate paperless options

Paper has intrinsic problems because paper invoices can get lost and can have incomplete information. Also, paper must be manually passed around for approvals, which creates lengthy approval times that can result in late fees. When you automate your AP processes, these problems dissipate.

9. Let them know you are watching

If you are automated, then don't make it a mystery that the system tracks everything about the process. Therefore, there is visibility into every part of the process and late approvers, etc. are easy to identify. If you aren't automated, then make sure you have internal audit procedures to ensure everyone is held accountable.

8. Define "approval"

The people who typically feel burdened by having to approve are usually the people that don't feel as though they need to be involved in the approval process. It's important to define what you want the person to approve, such as approval for budget or approval for completed work.

7. Use dollar breaks

Automatic breaks are great to ensure that people see and approve only the vendors that need their attention. Certain vendors are more work than others.

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6. Don't be the bad guy/gal

When you automate, make the automation software the “bad guy.” The beauty of an automated AP process is that there are rules in place for approvals, and the software will do the job of sending out reminders for invoices and payments that need to be approved. The software does it automatically, so not only do you not have to think about it or manually run a report from an Excel spreadsheet, you don't have to go in person to address the approval or have the email come from you.

5. Make it easy

If the approval process you have in place is easy to understand and follow, then the people who have to do the approvals will be inclined to approve things sooner and with more frequency. An example of making things easier would be to have all vendors in a queue with an email reminder.

4. No repeats

Make sure that a person is not in the approval process more than once doing different approvals.

3. Gang's all here

Certain vendors can be approved by more than one person, so it lessens the burden on one person to approve vendors and speeds up the process.

2. Plan your work

When people know their role in the approval process, then they understand that there are dependencies to their approval and will be more likely to approve faster.

The Number 1 Tip:

1. Go Mobile!

People think that if they are at a standstill, then they need to be on their smartphone—give them the joy of doing work while they're waiting. If you use an automated AP process, they should be able to login to a portal and approve invoices and payments from wherever they are.

This guide was created by AvidXchange™. AvidXchange revolutionizes the way organizations pay their bills. Serving more than 5,500 clients throughout North America and 400,000 vendors nationwide, AvidXchange is the leading provider of cloud-based, purchase-to-pay solutions for enterprise and midmarket organizations, spanning multiple industries including real estate, financial services, energy, non-profit, and construction.

Let's start the conversation

To learn more about KeyTotal Invoice & Pay powered by AvidXchange, please contact your KeyBank Payments Advisor or go to key.com/payments.



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