

# CREDIT CONTROL

Incorporating ASSET & RISK REVIEW



## Electronic Invoice Authorization – Providing the foundation for an efficient accounts payable department

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### **Biography**

*Catherine Murphy has been V1's Head of Marketing for nine years. Catherine has been in the IT industry for over 20 years, working for a range of companies including Performix Technologies and Fraser Williams.*

*Catherine specializes in accounting applications and has an excellent understanding of how to maximize efficiencies in the finance department using integrated, add-on software applications.*

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### **Abstract**

*We live in an IT dominated world and yet many accounts payable departments still use manually-intensive processes to get a supplier invoice authorized and then paid. Paper-based invoice authorization is time-consuming, costly and prone to error and so to maximize efficiencies, account payable teams need to*

*adopt automated processes. By investing in electronic document authorization software, this allows the automatic approval of invoices from the desktop, thereby providing a solid foundation for an efficient accounts payable department. This article will discuss what is involved in automated invoice authorization, why you should enable invoice authorization via mobile devices, and the benefits to be gained from going down the automated approval route.*

## **Introduction**

Organizations remain under significant pressure to reign-in their spending while maximizing efficiencies. It is a challenge many are facing – how to improve operational efficiency without having to incur huge additional costs? Accounts payable teams are no different as they look to improve accounts payable efficiency without having to invest in expensive and complex new solutions.

The key to improving accounts payable efficiency without ‘breaking the bank’ is to automate supplier invoice processing using electronic document management (EDM) solutions. There are a number of EDM solutions that when integrated with the organization’s finance/enterprise resource planning (ERP) system, can fully automate invoice processing from initial receipt of the invoice through to paying the supplier.

For those organizations that aren’t in a position to invest in a full suite of document management solutions, they should consider investing in document imaging and electronic authorization software. For a nominal outlay, these two key solutions provide a strong foundation for an efficient accounts payable department.

## **A paper-based accounts payable process**

The purchase-to-pay (P2P) process varies from organization-to-organization, however a typical P2P process involves raising a purchase order (PO), authorizing the PO, sourcing and selecting the goods/services, provision of the purchase order to the chosen supplier, receipt of the goods/services, receipt and authorization of the supplier invoice and then paying the supplier.

This procurement cycle can prove labour intensive with the accounts payable team typically printing, photocopying and circulating thousands of paper supplier invoices for authorization every month. These invoices are often manually signed and then returned to the accounts payable department for actioning.

The supplier invoice processing stage alone is surprisingly expensive, costing as much as £50 per transaction. Receiving purchase invoices into the organization, entering the data into the accounting system, photocopying the invoices for the files, sending paper invoices around the business for authorization, returning these invoices to accounts payable for payment and sending out remittance slips

can all prove extremely costly. These manually-intensive processes are also leaving organizations vulnerable to inefficiencies and mistakes.

### **Automating invoice authorization**

By simply automating the authorization of invoices by integrating document imaging and authorization solutions into the finance/ERP system, the accounts payable team can experience significant efficiency savings.

When a supplier invoice arrives into the organization, it can be imaged using a 'fit for purpose' scanner and document imaging software. The imaged invoice can be automatically tagged to the appropriate record in the finance system and then electronically archived, eliminating the need for paper files. At the same time, using authorization software and pre-defined authorization routes, the imaged invoices can be automatically emailed to the relevant approvers for them to approve, reject or query on-screen. The approvers can also view all associated documents on-screen such as purchase orders and proof of deliveries to aid invoice authorization. Once the invoices have been authorized, the finance/accounts payable department is notified so that payment can be made.

### **Authorization 'on the move'**

By adding the ability for invoices to be approved via mobile devices, this can further streamline invoice authorization.

Authorise Mobile is V1's new mobile invoice authorization solution, which extends the use of V1's authorization solution, Authorise. This module allows users to instantly authorize, reject or query imaged supplier invoices from any email enabled Smartphone or tablet, including Blackberrys, iPhones, iPads and Androids.

Using Authorise Mobile, each time there is an imaged supplier invoice for approval within Authorise, the relevant approvers receive email notifications to their email enabled devices. Each email contains three different links, giving the option to approve, reject or query the invoice. Once the approver has clicked on the relevant link within the email, a message is instantly sent to Authorise, where the invoice is dealt with accordingly.

The demand for invoice authorization 'on the move' was highlighted by a recent V1 survey in which 149 senior professionals, including managing directors, finance directors and IT directors/managers, were surveyed from a cross-section of UK public, private and third sector organizations. The findings reveal that 76% of survey respondents agree that being able to view and authorize documents 'on the move' delivers a distinct advantage. These results are in contrast to the survey findings that only 55% of senior management are able to access corporate IT systems via their mobile devices, which is worrying given

the commonplace nature of mobile devices in the workplace and the flexible hours many staff work.

### **Key benefits of electronic authorization**

By moving from paper-based authorization of invoices to automated invoice approval, there are a number of benefits to be gained for the accounts payable department (and the organization as a whole), from cost and efficiency benefits through to improved governance.

#### ***Less administration***

Facilitating the paper-based approval of invoices can monopolize the accounts payable department's time. Posting paper invoices to staff at different offices for their approval, keeping track of where invoices are in the approval chain, requesting copy invoices and filing and retrieving invoices can all take-up a lot of time, side-tracking the team from more value-adding tasks. With electronic invoice authorization, administration is freed-up and the approval process is far more streamlined.

#### ***No lost invoices***

Paper invoices can easily get lost or mislaid during the approval process, impacting supplier payment. And at what point does the accounts payable team find out that an invoice has gone astray? Some organizations only find out that an invoice is missing when a final demand arrives in the post. Clearly, lost invoices considerably hinder the invoice approval process and can also impact HMRC compliance (which requires the retention of invoices for the past seven years). Automated authorization eliminates lost invoices and ensures that all invoices are easily accessible for HMRC purposes.

#### ***Authorization transparency and greater control***

How many accounts payable clerks post an invoice for authorization and then totally lose sight of where it is? An electronic document authorization solution gives the control back to the accounts payable team. The solution provides instant visibility of where an invoice is in the approval chain and the audit trail shows who has approved what and when. This allows the accounts payable team to considerably improve authorization efficiency, better manage supplier payments and improve corporate governance.

#### ***Reduced costs***

The printing, photocopying and posting of paper can prove costly. Some organizations are spending many thousands of pounds each year by simply posting invoices for staff approval. Add to this the costs of storing invoices, especially if a third party archiving facility is being used, and the costs can be considerable. By moving to an automated authorization solution, thousands of pounds can be saved each year.

### **Early payment discounts and reduced late payment penalties**

The paper-based authorization of invoices doesn't easily lend itself to taking advantage of early payment discounts due to the lack of visibility over where invoices are in the approval chain. With electronic document authorization, the accounts payable team is better equipped to take advantage of early payment discounts while avoiding late payment penalties.

### **Improved supplier relationships**

An automated approval process provides the accounts payable team with the tools to improve supplier relationships as they can answer invoice queries immediately and provide a realistic idea of when invoices will get paid.

### **Summary**

The economic climate is testing many organizations, forcing them to look for efficiency savings without having to invest heavily in new systems. Document imaging and authorization solutions integrated into an organization's finance/ERP system deliver a cost-effective solution to improved accounts payable efficiency. For a nominal outlay, these solutions can revolutionize invoice processing, putting an end to the time-consuming, costly and precarious paper-based invoice authorization process.

### **Case Study: Amethyst Group**

Amethyst Group, a leading provider of warehousing and distribution services, has centralized and streamlined its purchase-to-pay (P2P) processes with the implementation of V1's document imaging and authorization software. Amethyst has also reduced the time taken to close its financial accounts by four days and has significantly cut invoice approval times using V1's technology tightly integrated into its SunSystems v5.3 accounting system.

David Nolan, Financial Director at Amethyst Group, says, "We sought a document management and imaging solution to enable the more efficient handling of financial documents and to streamline our invoice authorization processes."

Using V1's software, Amethyst has eliminated time-consuming, paper-based P2P processes. Purchase invoice authorization is now centralized and done electronically meaning that instead of purchase invoices arriving into the finance department, being manually logged and then posted to approvers based at six locations around the country, the invoice authorization process is fully automated. This has dramatically cut invoice approval times.

Nolan says, “We now have instant desktop access to our financial documents which has reduced the time taken to close our accounts by four days. As a result of the improved efficiencies we’re now experiencing, we have also saved the equivalent of half a person’s time in our accounts department and as we no longer need to employ an expensive third party archiving facility to scan our documents, we are saving thousands of pounds each year.”

With V1’s technology, Amethyst now has a 100% record of all purchase invoices and knows exactly where these invoices are in the approval chain. This has helped to reduce the number of supplier queries and has provided the company with a firm audit trail of who has approved which invoices and when.

Nolan adds, “As well as eliminating lost invoices, V1’s technology has streamlined our purchase-to-pay cycle, significantly speeding-up the processing of 15,000 invoices each year whilst helping to avoid late payment penalties.”



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