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Benchmarking Survey Form

Accounts Payable Benchmarking

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<p>Industry: <input type="text"/></p> <p>Company Name: <input type="text"/></p> <p>Survey Respondent: <input type="text"/></p> <p>Respondent's Email: <input type="text"/></p> <p>Annual Invoice Volume: <input type="text"/></p> <p>Annual A/P Lines: <input type="text"/></p> <p>Annual Disbursements: <input type="text"/></p> <p>Active Vendors Within 12 Months: <input type="text"/></p> <p>ACH/EFT Payment Volume: <input type="text"/></p> <p>Optional: Fee Per ACH: <input type="text"/></p> <p>Optional: Fee Per Wire: <input type="text"/></p>	<p>Accounts Payable Platform: <input type="text"/></p> <p>T & E Platform: <input type="text"/></p> <p>Document Imaging Platform: <input type="text"/></p> <p>eInvoicing Platform: <input type="text"/></p> <p>Catalog/Procure Platform: <input type="text"/></p> <p>Procurement Platform: <input type="text"/></p> <p>Check Issuance Frequency: <input type="text"/></p> <p>Annual Payments Issued: <input type="text"/></p> <p>P-Card Bank: <input type="text"/></p> <p>P-Card Volume: <input type="text"/></p>	<p>Invoices - %age of Electronic Invoices: <input type="text"/></p> <p>Invoices - %age of Electronic Lines: <input type="text"/></p> <p>Payments - %age of Electronic Payments: <input type="text"/></p> <p>Disbursements - %age Supported By PO/Contract: <input type="text"/></p> <p>Management FTEs Supporting A/P: <input type="text"/></p> <p>Non-Management FTEs Supporting A/P: <input type="text"/></p> <p>Optional: Cost Per Invoice (dept budget/Invoices): <input type="text"/></p> <p>Optional: Cost Per Line (dept budget/invoice lines): <input type="text"/></p> <p>P-Card Provider (Mastercard, Visa, AmEx): <input type="text"/></p> <p>Optional: P-Card Rebate %: <input type="text"/></p>
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<p style="text-align: center;">A/P Infrastructure</p> <ul style="list-style-type: none"> <input type="checkbox"/> Global Payables Platform <input type="checkbox"/> Global ERP Instance <input type="checkbox"/> Global Chart of Accounts <input type="checkbox"/> Shared Services Center <input type="checkbox"/> Work Team Environment <input type="checkbox"/> Partnered with Purchasing <input type="checkbox"/> Internal Benchmarking <input type="checkbox"/> External Benchmarking (Within Prior 12 Months) <input type="checkbox"/> Monthly Metrics to Senior Management <input type="checkbox"/> Dashboard of Metrics for Business Units <input type="checkbox"/> Service Level Agreement with Customers <input type="checkbox"/> Measure Responsiveness to Customer Contacts (calls, web, fax) <input type="checkbox"/> Accounts Payable Web Site (FAQs, policies, etc) <input type="checkbox"/> Vendor Web Inquiry <input type="checkbox"/> Web Surveys (Employees) <input type="checkbox"/> Web Surveys (Vendors) <input type="checkbox"/> Key Stakeholder Communications 	<p style="text-align: center;">Processing Efficiency</p> <ul style="list-style-type: none"> <input type="checkbox"/> Document Imaging <input type="checkbox"/> Electronic Signatures/Approvals <input type="checkbox"/> Electronic Data Interchange (EDI) <input type="checkbox"/> Evaluated Receipts Settlement (ERS) <input type="checkbox"/> Pricing Catalogs <input type="checkbox"/> Web Invoicing/Uploads <input type="checkbox"/> Summary Billing for Low Dollar Invoices <input type="checkbox"/> Procurement Card <input type="checkbox"/> Electronic T&E <input type="checkbox"/> Laser Check Printing <input type="checkbox"/> Check Imaging (CD-ROM/Web) <input type="checkbox"/> Electronic Payments (ACH) <input type="checkbox"/> Email Remits For ACH <input type="checkbox"/> Track Blocked/On-hold Invoices <p style="text-align: center;">Cash Management</p> <ul style="list-style-type: none"> <input type="checkbox"/> Standardized Payment Terms <input type="checkbox"/> Tracking of On-Time Reporting <input type="checkbox"/> Perform Cash Forecasting Using Payables Data <input type="checkbox"/> Days Payable Outstanding Reporting <input type="checkbox"/> Missed Cash Discounts Reported at Least Monthly <input type="checkbox"/> Monitor Quick Pays <input type="checkbox"/> Flag Potential Cash Discounts Prior To Payment <input type="checkbox"/> Dynamic Discounting <input type="checkbox"/> Credit Balance Vendors Tracked Monthly <input type="checkbox"/> Payables Withholds Payments to Delinquent Customer 	<p style="text-align: center;">Payables Controls</p> <ul style="list-style-type: none"> <input type="checkbox"/> Company Code of Ethics <input type="checkbox"/> Company Hotline to Report Potential Fraud <input type="checkbox"/> Vendors Authenticated in Public Domain Prior to Setup <input type="checkbox"/> Vendor Name & Address Standards <input type="checkbox"/> Continuous Vendor Monitor <input type="checkbox"/> Controls/Compliance Function Within Payables <input type="checkbox"/> Internal Control Scorecard <input type="checkbox"/> Invoice Coding Standards <input type="checkbox"/> Statistical Sampling of Invoices for Errors <input type="checkbox"/> Daily Invoice Audits <input type="checkbox"/> ACH/Wire Audits <input type="checkbox"/> Post-ERP Flagging of Dupes Prior to Payment Release <input type="checkbox"/> Post-ERP Flagging of Tax Errors Prior to Payment Release <input type="checkbox"/> Prevent/Track After-The Fact (ATF) PO's <input type="checkbox"/> Positive Pay For All Disbursing Accounts <input type="checkbox"/> Refund Checks Tracked by Month <input type="checkbox"/> Uncashed Checks Pursued at 90 Days <input type="checkbox"/> Annual Recovery Audits <input type="checkbox"/> Vendor Statement Reviews (Internal/External) <input type="checkbox"/> Reverse Sales Tax Audits <input type="checkbox"/> Telecom/Utilities Audits
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Glossary of Accounts Payable Best Practices

A/P Infrastructure

Global Payables Platform represents a common Enterprise Resource Platform (ERP) for Accounts Payable that supports all business units, domestic and international. By adopting a common platform, companies can achieve consistent data capture, faster consolidation of financial results and common processes globally. Further synergies can be achieved by operating on a single instance of that A/P platform, but performance issues have hindered widespread adoption of this practice.

Global ERP Instance describes organizations that have successfully been able to migrate to one instance of their ERP platform (versus multiple boxes, vendor masters, etc.).

Global Chart of Accounts represents a single chart of general ledger accounts utilized by all business units, domestic and international.

Shared Services Center is an organizational structure used to achieve “world class” financial practices. All or most of the key financial functions (Accounts Payable, Accounts Receivable, Fixed Assets, Payroll, General Accounting, etc.) are organized in a central location. By centralizing these functions, the best and brightest financial minds in the organization can reengineer payment processes, ensure consistent data capture, and implement technologies that would not be cost effective across numerous locations.

Work Team Environment increases productivity through improved employee morale and teamwork. Work teams are created by organizing functional areas into groups of specialists (e.g., Team 1 - processes manufacturing invoices, Team 2 -check requests, etc.). Teams, rather than individuals, are responsible for managing workflow and implementing process improvements. Benchmarking is used to measure team performance and improvements.

Partnered With Purchasing describes a very close working relationship between accounts payable and purchasing. The two functions work jointly on projects to reduce costs and cycle time in the end-to-end acquisition of goods & services. In the most tightly linked organizations, purchasing and payables report up through the same chain of leadership.

Internal Benchmarking compares the current performance of your operation versus prior performance. In addition to measuring versus prior periods, it can also be used to evaluate performance across individuals or teams. Common items benchmarked internally include monthly invoice statistics, processing backlogs, turnaround times, invoice processor productivity, invoice cycle times, error ratios, proportion of electronic processing of invoices & payments, days payable outstanding and much more.

External Benchmarking is a means to assess your company’s Accounts Payable performance relative to other companies. Performance metrics are developed and can be compared both within and outside of your industry (i.e. invoices processed per full-time equivalent). Industry comparisons are likely to be more comparable, while comparisons outside your industry are more likely to identify leading edge techniques that can provide a quantum leap in performance. If significant gaps exist in performance between companies, steps can be taken to identify and revamp the relevant processes.

Monthly Metrics To Senior Management represents a package of A/P statistics that are surfaced to senior financial management at least monthly. Measures are typically reported regarding cost, processing efficiency, controls, and customer service.

Dashboard of Metrics For Business Units represents real-time (or near real-time) reporting of accounts payable metrics to business unit customers. By reviewing metrics, identifying bottlenecks and evaluating available cash discounts, business units can respond more timely to process those bottlenecks and realize cost savings opportunities. This enhances the visibility and velocity of key operating measures, and generally increases compliance by highlighting relative deficiencies by business unit.

Service Level Agreement With Customers represents an agreement with business unit customers as to certain operating parameters that will be met by a shared service center. These usually cover the cost of service, timing regarding how quickly invoices will be processed from

the submission date, speed of vendor set-ups, on-time reporting, and responsiveness to vendor calls.

Measure Responsiveness To Customer Contacts (calls, web, fax) indicates operating metrics associated with incoming contacts from vendors. These usually address the percentage of inquiries resolved on the first call, average time waiting on the phone, call abandon rates, email/fax response within 24 hours, and other parameters that promote responsiveness.

Accounts Payable Web Site is a web site specifically dedicated to supporting internal and external customers for accounts payable. It will typically contain Frequently Asked Questions (FAQ), information regarding accounts payable and expense reimbursement policies, phone numbers for questions, operating hours, and other information to provide guidance to customers.

Vendor Web Inquiry is a web-based system that enables vendors to check on the status of invoices and payments 24 hours a day/7 days a week. These systems can typically answer the following questions quickly, accurately and around the clock: Has my invoice been entered in your system? If yes, is it on hold, scheduled for payment, or already paid? Upon receiving an electronic payment, a vendor web inquiry can identify the intended invoices to facilitate cash application by the vendor. Vendor web inquiry can also enhance morale since your customer support staff is freed up to handle the more complex research questions (versus routine payment status questions).

Web Surveys (Employees) represent surveys conducted to solicit input from employees as to their satisfaction with the T&E reimbursement process. This independent evaluation can provide valuable insight into potential weaknesses/inefficiencies in the expense reimbursement process that can be proactively addressed.

Web Surveys (Vendors) provide an independent perspective on your company's payment performance from your suppliers. Although these surveys take time to track and evaluate, they can be extremely valuable to companies attempting to "partner" with suppliers. The survey can provide insight into potential weaknesses/inefficiencies in the payment and procurement process. Once issues are surfaced, they can be proactively addressed.

Key Stakeholder Communications - Examples are scheduled monthly or quarterly meetings with key Accounts Payable stakeholders to discuss payables related issues & opportunities or a key stakeholder newsletter which summarizes on a monthly or quarterly basis any relevant progress, issues or opportunities with your key Accounts Payable stakeholders.

Processing Efficiency

Document Imaging is a fast, highly efficient means of storing and retrieving invoice documentation. Instead of retaining paper invoices or microfilm, invoices are scanned into a digital format, stored on computer media and available for easy retrieval/printing. The primary benefits are speed, reliability, enhanced audit capability, improved morale, potentially reduced staffing requirements and more responsive customer service. The most effective imaging systems incorporate the ability to perform an automated "pre-fetch" of documents based on specific selection criteria, and to send faxes directly to outlying locations.

Electronic Signatures/Approvals describe routing and approval processes that are handled via software versus the typical routing of paper documents. Just as with manual approvals, authority levels are dictated by the dollar magnitude and associated control risk. Through passwords or other security measures, approval processes are validated, documented and reported to the appropriate management levels.

Electronic Data Interchange (EDI) allows companies to accept invoice information electronically into its Accounts Payable system. This greatly increases accuracy and can eliminate significant invoice processing workload.

Evaluated Receipts Settlement (ERS) represents a two-way match between purchase order and receiving report (also referred to as "Pay On Receipt"). ERS works on the assumption that the approval process is already in place via a controlled purchase order and that the receiving report simply verifies the receipt of goods. The physical invoice from the vendor lends no additional control and causes significant work in logging, handling and resolving discrepancies.

Pricing Catalog describes a supply chain solution that offers (supplier) pricing information online for easy accessibility from numerous company locations. This pricing catalog is set up via a company's "intranet" to provide negotiated pricing information in a timely and cost effective manner. Properly used, all outlying locations can take advantage of company-wide negotiated agreements, streamlined supplier base, and a decreased administrative effort associated with routing purchase orders, updating prices and redundant negotiations. The company benefits through increased purchasing leverage, enforcement of negotiated pricing and a manageable base of suppliers.

Web Invoicing/Uploads describes software tools that process/upload invoices into the accounts payable system, reducing/eliminating the costs of data entry by the payables operation. These can be utilized via software or as an Application Service Provider (ASP). Current providers include companies such as BillingZone, iPayables, Direct Commerce, EC Outlook, and Xign.

Summary Billing for Low Dollar Invoices is best utilized for high volume/low dollar purchases. Vendors suited for this type of billing often include linen services, delivery or courier service, bakeries, and limousine services.

Procurement Card is ideally suited for streamlining payment of small dollar invoices. Cost savings result primarily from the elimination of costly manual requisitions, purchase orders and data entry of invoices. Procurement cards also facilitate payment restriction (a.k.a. "Commodity Code Blocking"), and threshold monitoring commensurate with each individual's budgetary authority.

Electronic T&E represents software packages (such as Concur, Extensity, Neccho, IBM Expense Manager, and others) that streamline the processing of travel and expense reports. Most electronic T&E solutions allow 24/7 web access, handle entry of expenses off-line, collect

information for negotiating with airlines, rental car and hotel vendors, apply business rules to validate submitted expenses, provide routing & approval by higher authority levels, automate accounting entries, and enable direct deposit of funds into an employees' bank account.

Laser Check Printing is a technology that enables check and remittance information to be printed on blank check stock. The check stock can incorporate common security features such as void pantograph, laid lines, precise details, etc. and can be used to maintain multiple bank accounts without maintaining separate stock. The primary cost savings relate to easily changing bank accounts and avoiding the expense, security issues and printer adjustments associated with multiple printed check stocks.

Check Imaging (CD ROM/Web) is the storage of canceled check images on CD-ROM or the web versus microfilm.

Electronic Payments (ACH) represents the electronic transmission of funds into a vendor's bank account (a.k.a. "Electronic Fund Transfers" or "EFT"). Versus processing paper checks, electronic payments can save \$0.50 to \$2.00 per payment issued by eliminating the time and expense associated with printing, folding, stuffing and mailing checks to vendors. The control exposure associated with check fraud and stale dated checks can be eliminated as well. Since the vendor receives funds more timely, terms may be renegotiated to ensure that such a change is "float neutral".

Email Remits For ACH represents alerts sent out to your accounts receivable contact concurrent with processing an ACH payment to that vendor. This is intended to provide sufficient remittance detail to enable vendors to promptly & accurately apply cash (similar to a remit stub on a paper check). Email remits can also be used to notify employees of T&E reimbursements that occur via direct deposit. The stub is formatted to show the applicable cost center, account charged and amounts deposited.

Track Blocked/On-Hold Invoices represents reporting to track, measure and communicate blocked and on-hold invoices. By tracking these bottlenecks, steps can be taken to promote greater management visibility and eliminate process flaws.

Payables Controls

Company Code of Ethics represents a company issued code of ethics. Nearly all fraud studies have demonstrated that a company code of ethics can dramatically reduce the prevalence of fraud.

Company Hotline To Report Potential Fraud is one of the most common means of identifying internal fraud. The use of a telephone hotline that offers direct access to internal audit or higher has been given even more visibility as it has recently been mandated by the Sarbanes-Oxley legislation.

Vendors Authenticated In Public Domain Prior To Setup describes procedures used to verify the existence of business operations prior to setting up a vendor on the accounts payable vendor master. By requiring more stringent information upon vendor set-up, the likelihood of "phantom" vendors and conflict of interest is greatly decreased. Specific items requested from prospective vendors include a physical business address, telephone number, sales tax certificate, state incorporation papers, and other information that confirms a bona fide business entity. Companies may use Dun & Bradstreet, state incorporation records, telephone directories, phone calls, directory assistance and more to assist in the verification process.

Vendor Name & Address Standards describe coding standards that are applied to vendor set-ups to ensure consistency, and minimize the likelihood that an existing vendor will be set up again. Naming conventions should cover the use of Company, Corporation, Industries, & Inc., use of ampersands versus "and", the treating of a leading "The", the use of numeric values in company names, punctuation, spacing, and apostrophes. Address standards should describe the use of standard abbreviations ("St" versus "Street", "Ln" versus Lane", "Rd" versus "Road, etc.), numeric values in street names (i.e. "1st" versus "First"), treatment of North, South, East & West, abbreviations in the city name (i.e. "St Paul" versus "Saint Paul"), and foreign addresses.

Continuous Vendor Monitoring refers to computer and forensic techniques used to continually review disbursements for "at risk" vendors. This proactive approach searches for fictitious vendors, government prohibited vendors, scam vendors, conflicts of interest, or other "at risk" situations.

Controls/Compliance Function Within Accounts Payable represents staff dedicated to internal controls within the accounts payable area. Responsibilities held include sample audits of invoices for errors; verify vendor set-ups, audit of account reconciliations, oversee internal/external recovery audits, track credit balance vendors, and other control-related duties.

Internal Control Scorecard is a set of metrics delivered to your senior management team that assesses the performance of your internal control measures. The items measured relate to error ratios, overpayments prevented, accounts reconciled, vendor set ups, and other key control points.

Invoice Coding Standards represent a series of procedures to promote consistent data entry of vendor invoice numbers. The primary objective is to train the staff keying invoices to prevent inconsistencies that could result in duplicate payments. These standards typically address the handling of leading zeros, dashes and alphabetic characters, but should also cover invoices without true invoice numbers (e.g. consultant's bills, check requests, etc) and other common invoice types.

Statistical Sampling of Invoices For Errors represent audits performed by accounts payable staff to assess processing accuracy and ensure compliance with company policies. Items typically checked include mathematical precision, proper vendor information entered, appropriateness of cash discounts, invoice date and number keying, and proper signature authorization. Statistical sampling is used to gauge overall compliance without the time and expense of a 100% audit.

Daily Invoice Audits are conducted on a daily basis to identify and quantify processing defects as a percentage of overall volume. They are the primary means to track invoice processing quality, and are typically performed using statistical sampling techniques.

ACH/Wire Audits represent threshold driven audits (i.e. >\$250K) for ACH and wire transfer prior to funds transfer.

Flag Duplicate Payments Prior to Check Release represents a post-ERP control on duplicate invoices to capture payment prior to check release. This control flags those items missed by the standard on-line checks within SAP, Oracle, PeopleSoft, etc., particularly those caused by keying errors on vendor, invoice number, date or amount.

Flag Sales Tax Errors Prior to Check Release represents a post-ERP control for sales tax errors to capture inappropriately charged sales tax prior to check release. Despite products like Vertex & TaxWare, evaluation errors can be made regarding the commodity purchased subsequently causing overcharged tax.

Prevent/Track After The Fact PO's establishes a process to restrict or monitor the use of After The Fact (ATF) purchase orders. Since the PO is created after the purchase order versus before, it defeats the intent of a purchase order as a pre-purchase authorization. These situations, when noted, should be highlighted and reported to financial management.

Positive Pay For All Disbursing Accounts refers to a bank service that reconciles checks submitted for payment against the company's list of bona fide disbursements. This daily reconciling of check activity is designed to verify check disbursements and prevent fraud. The disbursing company must explicitly approve submitted items that do not match the bank's list.

Refund Checks Tracked By Month represents the tracking of checks returned by vendors to Accounts Payable by number and amount of checks. It can be a critical quality control metric to quantify internal control weaknesses resulting in an overpayment. Ideally, these checks should be classified by underlying reason (duplicate payment, rebate, returned merchandise, etc.) and whether it is A/P Controllable or Non-Controllable.

Uncashed Checks Pursued At 90 Days describe processes whereby any accounts payable checks that are stale dated beyond 90 days from issuance are subjected to audit evaluation. The checks are investigated internally with the submitting business unit and externally with the vendor to ensure that the disbursement was issued for a bona fide liability. If not, the check is voided and the monies are returned to income.

Annual Recovery Audits describe third party audits performed each year to identify and recover overpayments that may occur within an Accounts Payable function. Recoveries can include items such as duplicate payments, paid credit memos, returned merchandise credits, pricing errors, rebates and more.

Vendor Statement Requests is a targeted request for detailed statements of account balances from your primary vendors, preferably prior to year-end. The primary objective is to identify

recoverable credits reflected on your vendors' books, but not in your own internal records. Since many vendors write-off credits to miscellaneous income, we recommend this exercise be performed every six to twelve months.

Reverse Sales Tax Audits represent external audits of sales tax practices to identify overcharged sales and use tax, as well as compliance violations. Since these firms are typically paid on a percentage of monies reclaimed, it is critical to manage the claims pursued to ensure recoveries do not trigger an even more significant sales tax liability.

Telecom/Utilities Audits describe specialized audits of telephone bills, electric, gas, water and other utility bills to eliminate errors and ensure all applicable discounts are applied. Most provide recovery of past errors and optimization of future billings by placement in the optimal rate class or tariff.

Cash Management

Standardized Payment Terms represent a limited, common set of payment terms across the vendor base. As an example, direct material vendors are paid in 30 days, and indirect vendors in 45 days. If a vendor would like to be paid sooner, they can be paid in 10 days if they commit to a 2% prompt payment discount.

Tracking of On-Time Reporting represents the collection and reporting of statistics regarding the timeliness of payment. Specifically, on-time reporting describes the percentage of invoices that are paid in accordance with negotiated payment terms (i.e. 95% of invoices are paid on-time).

Perform Cash Forecasting Using Payables Data

Perform Cash Forecasting Using Payables Data describe the use of disbursement data to assist in projecting cash requirements. This can be done using historical payment patterns projected into the future, and can be supplemented by utilizing the scheduled payment date.

Days Payable Outstanding Reporting represents the tracking and reporting of Days Payable Outstanding (DPO) measures to senior financial management. As a critical component of the overall cash conversion cycle, progressive companies are tracking DPO, Days Sales Outstanding (DSO), and Days Inventory Outstanding (DIO) to maximize cash flow.

Missed Cash Discounts Reported At Least Monthly represents reporting communicated to senior financial management of the proportion and dollar magnitude of missed cash discounts. Cash discounts can amount to hundreds of thousands or even millions of dollars in incremental cost savings annually for large-scale accounts payable operations.

Monitor Quick Pays represents reporting that is available to track and monitor large dollar payments that are disbursed quickly (usually less than 5 days). By enhancing visibility to quick disbursements, cash management and Days Payable Outstanding can be improved.

Flag Potential Cash Discounts Prior to Payment Release represents a post-ERP control for cash discounts to alert the relevant staff in accounts payable to expedite invoice processing to ensure available cash discounts are maximized. We have also seen this capability made available to business units, and segregated into immediate pays (2 days or less), 3-7 days, and over 8 days.

Dynamic Discounting is a technique that allows your vendors to go on-line to check on invoice payment status, and then opt to receive their funds earlier in exchange for a prorated cash discount amount.

Credit Balance Vendors Tracked Monthly represents the monthly monitoring of vendors with credit balances to ensure that monies owed are promptly identified, pursued for collection, or if active under a different identifier, promptly applied to subsequent vendor remittances.

Payables Withholds Payments To Delinquent Customers applies primarily to companies with an overlap between their customers and vendors. By using a systematic link between Accounts Payable and Accounts Receivable (such as Federal Tax Id), companies can eliminate the exposure of issuing payments to delinquent customers.