



# Three Steps for Improving Critical KPIs

How global audits and advanced analytics can help

## Help Your AP Teams Deliver Strategic Value

If you work in accounts payable, you are well versed in the operational stresses that come with the job. With continual pressure to pay the most invoices for the least possible cost, it is easy to become mired in production processes to the exclusion of more strategic issues. And when that happens, you fail to get the visibility and recognition you deserve.

If you want to ensure your own accounts payable team is adding strategic value and earning accolades for the value it delivers to the broader business, try this three-step approach. You will be on your way to becoming a corporate standout.

01

### Recover More—and Do It Sooner

The most effective accounts payable teams conduct frequent audits to recover dollars erroneously paid to vendors. These errors can be traced to a variety of sources—from keying mistakes to the same invoice paid on separate payment platforms. Unfortunately, though, most companies conduct audits long after payments have been disbursed, using a lengthy, manual process to review electronic files and paper invoices.

Experience shows the longer the time interval between an erroneous payment and your attempt at recovery, though, the less likely you are to recoup your losses.

There are ways you can shorten your audit cycle and pursue recoveries closer to the time of the transaction. If you outsource your recovery audit efforts, choose a partner who uses technology to automate the review process and is able to work efficiently across multiple countries, cultures and languages. You might choose to use similar technology to assist your own internal audit team. When you do, you'll be poised to identify more recoveries, while shaving months or more off the time an audit involves.

Technology also can make your audits more comprehensive. Auditors who rely on manual reviews often concentrate only on high-value disbursements. They may miss important, recurring errors at lower spending levels that add up to significant losses. Take a more comprehensive, technology-enabled approach and you'll recover more.

Also look for recoveries that go beyond the duplicate payment. Credits are one important example. They can originate with merchandise returns or markdowns, canceled orders, rebates, unapplied cash discounts, freight allowances, forgotten deposits or credit memos mistakenly paid as invoices. And the potential losses can be significant. Review all statements to identify the credits you are owed and haven't yet captured.

Broaden your net and use technology to assist. You'll recover more and you'll do it sooner.

Another example is contract and pricing compliance. If a supplier bills incorrectly, do you have a process in place to catch it? Do you also have procedures to monitor for related errors made internally?

Imagine you are a buyer for a company that routinely purchases a commodity priced at .75 per cubic foot. Unfortunately you type 75 into a contract you are preparing, missing the decimal point. In this real-world example, the mistake wasn't discovered until after the accounts payable team issued a check for 100 times the amount due. Similar overpayments can happen when a unit of measure is entered incorrectly or when there is a lag in entering new prices into your pricing catalog.

So broaden your net and use technology to assist. You'll recover more and you'll do it sooner.

# 100X

*Amount of overpayment due to a single missed decimal*

## 02

### Prevent More

Rather than relying solely on after-the-fact audits, join the growing cadre of companies who are adopting a proactive, prevention-based model that takes advantage of the full capabilities of sophisticated recovery audit software. Data from each of your payment platforms can be consolidated and analyzed to detect duplicate payments, sales-tax errors, missed discounts, fraudulent vendors and other costly mistakes before payments are released. You can also use the information you uncover to identify and shore up important weaknesses in your processes to keep mistakes from recurring.

You may think your ERP platform is already providing sufficient protection against errors, but these systems simply aren't configured to provide the level of monitoring that accounts payable organizations need. For example, if a company code, vendor, invoice number, date or amount is entered inconsistently or in error, an ERP system won't identify duplicate payments. ERP platforms also aren't configured to find fraudulent vendors and employee collusion, which can be costly problems if left undetected.

By adopting software designed specifically for use by accounts payable, you'll have the sophisticated capabilities needed to catch problems before payments are made—making a positive impact on your profits and working capital.

## 03

### Expand Your Strategic Horizons

The most highly regarded accounts payable organizations are using what they learn during recovery and prevention to drive down costs, continuously improve and become far more strategic. They are analyzing data from across their procure-to-pay systems globally to develop strategic insights.

Global data transparency can help you track the progress of quality initiatives, validate previous management decisions, monitor SOX compliance, isolate controls weaknesses, rank your suppliers based on risk parameters, identify and reduce the number of payment terms—and more.

Here are examples of how the “best of the best” are using data insights to excel:

#### Cash Management

Cash discounts negotiated for early payment can be a great cash management technique. You analyze pending invoices and offer to shorten the payment terms in return for a discount on the amount owed.

A recent benchmark survey shows that best-in-class accounts payable shops are capturing 80 percent or more of all discount opportunities, often adding millions to their bottom line.

You can often find savings, though, by simply paying your vendor at the precise interval indicated by your contract. One large corporation spending upwards of \$250 million a year on healthcare discovered it was paying in less than 10 days, despite the fact that there were no terms requiring it to do so. When it

started to make payments according to the specific terms of its contracts, the company was able to hold onto its cash for a month longer, while still meeting vendor expectations.

**80%**

*Discount opportunities captured by best-in-class AP shops.*

## **Strategic Sourcing**

A typical corporation buys hundreds of unique commodities and has multiple sources of supply for each. While it can be risky to limit your operation to a single vendor, it also can substantially increase your costs to procure goods or services without the leverage of an effective spend-management strategy.

Let's say you're part of a global organization and each local office negotiates for cleaning services, trash pickup and security guards. You're probably not getting the low rates you would get if you negotiated a country-wide or global contract.

An accounts payable team can become a true value-added partner to purchasing by analyzing payments and providing a vendor-based spending analysis. Your purchasing team will then have the comprehensive information needed to drive important strategic sourcing decisions.

## **How to Get There**

If you want to encourage your organization to move beyond recovery and prevention to become more strategic, the key is to have the right mix of people, processes and tools.



### **The Right Mix of People**

Take a long, candid look at your staff. Evaluate how their skills stack up against those required to take you to the next level. Make the skills you're missing the focus of your hiring efforts, or look for skilled partners who have the expertise you lack.



### **The Right Processes**

Adopt regular recovery audits. Focus on clear, repeatable audit processes that cast a broad net. In addition to looking for duplicate payments, incorporate a review of freight bills, taxes, statement credits, pricing and contract compliance. Strive for process efficiencies and concentrate on benchmarking and continuous improvement.



### **The Right Tools**

Develop a roadmap for moving from cumbersome and error-prone manual processes to new, automated systems. Select world-class tools to support your people and processes, including recovery audit software that does double-duty as a proactive continuous monitoring tool. You'll move beyond the limits of your legacy systems and will be able to establish a world-class delivery platform that helps you manage controls, reduce risks and track global KPIs that are critical to your business.


If you want to evolve your accounts payable operations successfully—your people, processes and tools—remember to begin with the end in mind. Select your targets, put metrics in place to measure success and implement a strategy to get you there. Then all you need is the focus and passion to make it happen.

## To Find Out More

Do you need help you in adding strategic value to your accounts payable team? Our technology-powered recovery audit services recoup overpayments and uncover root causes. You also may want to explore preventing duplicate payments with our firststrike® software, or cash management and statement audits using technologies offered with our industry-leading apexportal® supplier portal software. To learn more about how these services and software can benefit your organization, contact apexanalytix at +1 800-284-4522.

## An added bonus.

### Self-Fund Strategic Projects

 With artificial intelligence software, auditors typically find and recover more claims. And that means greater returns to your bottom line. Many teams use what they recover to invest in strategic projects—from supplier portal solutions to fraud detection software.



## About the Author

Phil Beane is Senior Vice President, Global Field Operations for apexanalytix, where he leads our commercial and retail audit teams and our international operations. He was previously responsible for leading our audit and software implementation support teams in the Americas. Prior to joining apexanalytix, Phil worked with GMAC Insurance, Questcon Technologies and BCE Emergis, where he specialized in quality assurance consulting and management. Phil graduated from the University of North Carolina at Greensboro with a degree in information systems.

**apexanalytix** revolutionized recovery audit with advanced analytics and the introduction of firststrike overpayment prevention software. Today, apexanalytix leads the world in supplier management innovation with apexportal and smartvm, the most popular supplier onboarding and compliant master data management solution available. With over 250 clients in the Fortune 500 and Global 2000, apexanalytix is dedicated to providing companies and their suppliers the ultimate supplier management experience. To learn more visit [www.apexanalytix.com](http://www.apexanalytix.com), email [apexinfo@apexanalytix.com](mailto:apexinfo@apexanalytix.com) or call +1 800-284-4522.

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