
Accounts Payable Business Process Management

Centralized receipt of invoices centralizes your power of the process.

Most accounts payable (AP) systems — even within the largest companies in the world — are hampered by paper-based methods that limit control and accountability of their processing. By relying on vendors' forms, the physical movement of invoices and varying standards of invoice data, companies place themselves at a disadvantage in the efficient processing of their AP and open themselves up to liabilities that may escalate if left unchecked. Centralized outsourcing of accounts payable functions provides a simple and effective measure to correct these potential problems by creating your own repository for invoices and an electronic processing methodology that maintains control of invoicing functions at this central location. Results have shown more effective control of liabilities, improved duplicate elimination and even the intangible benefits of better supplier-base relations. Plus, tracking and measuring of both AP processes and the efficiency of the service itself can be detailed to gauge progress toward specific return on investment (ROI) goals with respect to the outsourcing engagement.

Control begins at the center.

Centralized receipt of invoices not only acts as a benefit of the outsourcing solution, it is integral to its success. This highly specialized AP processing methodology depends upon electronic processing of invoice data from the start. By establishing a central point of receipt for invoices, it is possible to efficiently process them into an electronic format (eliminating paper invoices, altogether) for quick approval routing or receipt matching. Centralized receipt also allows certain information standards to be enforced, with regard to data capture and verification procedures. This allows you to respectfully request specific receipt information from vendors to aid in the detection of problems

such as duplication of invoices or purchases made from outside approved vendor designations.

Reporting and tracking of processes are also more efficient, as are exception resolutions. Since data is centralized, standardized and readily accessible via the Internet, it's possible to implement an effective customer service center and support group, to offer quick answers and tracking capabilities for questions that arise. Systems based on centralized processing are typically capable of better than 99 percent accuracy in their processing. This assurance offers you unprecedented control over your AP functions, providing demonstrated improvements in efficiency and cost savings.

Build a business process partnership.

There is no “off-the-rack” solution for outsourcing AP processes. A process this complex and high profile can naturally pose challenges to a company’s culture and established methodologies. There’s also little that can be done to ensure 100 percent compliance with a centralized system. That’s why it takes time to research your current business processes, to ensure quick adaptability to changing circumstances. This is an evolutionary process that develops over the life of the outsourcing engagement.

In centralizing your overall processes, it’s important to establish benchmarks for success along the way. By setting your performance standards according to a transaction-based model, there’s a simple scale by which to measure your results. Simply calculate the costs in processing your current volume of invoices and base your outsourcing rate on a lower per-transaction fee. This leaves the onus of maintaining efficiency on your outsourcing partner, while you experience a predictable cost structure based on actual usage of the service, not processing variables. Since it’s in the best interest of your partner to achieve best practices within your processes, both parties benefit from the streamlining of the service. It’s the best possible situation: both partners have equal interest in improving their overall performance.

Communication is the key.

An effective internal and external communication plan regarding your AP process is essential in building compliance. This informs all parties involved of the importance of centralizing your AP functions. Your goal should be to make the changeover period a realistic timeframe for maximum compliance, while effectively reinforcing the benefits of the new system. That said, there will always be situations where people can’t or won’t comply. Your partner should strive to

accommodate these situations with a flexible system that accounts for non-compliance without disruption to the overall system.

Core benefits of centralized receipt.

As stated before, not only is the centralized receipt of invoices key to the functionality of the AP process, it also provides inherent benefits:

- Who’s buying from preferred vendors? Who isn’t? The benefits of your business relationships depend upon compliance by everyone in your organization. Are you missing negotiated purchase levels? Are you failing to earn discounts available to you from certain vendors? Improved reporting and tracking allow quick reference to better maintain preferred vendor relationships and to better manage internal invoice approvals.
- What’s your best price? Historical data pinpointing your purchasing and payment records with vendors allows more powerful price negotiations.
- Where are costs escalating? Centralized data is more easily compared against baseline or historical benchmarks. This allows better reporting across your business with respect to accounts payable.
- Has it already been paid? Duplicate invoices are more quickly identified.
- Is this a good invoice? Approval routing is handled at the speed of the Internet to insure proper purchasing authority. Plus, with centralized processing, standards are in place with regular vendors that chart typical monthly expenses. When those standards are exceeded, it’s quickly investigated.
- What are the staffing liabilities? Shifts in market conditions can expose your company to liabilities in maintaining or reducing headcount. With an outsourcing partnership, you enjoy predictable staffing levels within your AP operation and avoid hiring, recruiting, training and retention expenses.

The process behind AP business process outsourcing.

Document Services — In a centralized location, invoices are received, opened, sorted and batched to quickly convert them to electronic files for more efficient, accurate and trackable processing.

Transaction Processing — This service should be free of any distractions that might hinder accuracy ratings. Rather than fielding inquiries or attempting problem resolutions, these specialists must be focused on accurate, efficient data entry and early recognition of suspected duplicates and errors.

Customer Service Center — A specialized group of resources should be made available for general information and to route critical items to the right action teams. Whether they handle the resolution themselves, or assign an action priority code for resolution, the action needs to be swift and the results substantive. Nowhere else are the benefits of outsourcing AP functions more apparent over internal systems. This is where the value in your solution will be most evident. Tracking all inquiries for effective resolution of every request ensures continued high standards.

Support Group — AP professionals are your key contacts for critical suppliers, exception resolutions and issues that escalate beyond the customer service center. An effective outsourcing solution will include a staff whose expertise spans multiple areas of the AP process. Make sure your solution includes provisions for these experts to be readily available for exception resolutions that can't be closed in the customer service center.

Special Services — A complete outsourcing solution provides a group that specializes in finding keying errors or vendor duplication and provides reclamation services, as well. It should also provide stale-date check

analysis, 1099 management services, procurement and travel and entertainment (T&E) card maintenance, accounts reconciliation, as well as others.

Disbursement Services — It's important that your outsourcing solution mesh comfortably with your disbursement schedules, including the ability to handle critical (24 hours or less turnaround) payments. Be sure your outsourcing provider is capable of meeting your disbursements needs today, and advancing your solution in the future.

Additionally, outsourcing builds an environment where AP-specific professionals have a motivational career track that rewards them for the excellence they deliver to clients. When situations arise that require special attention, the top specialists in that field can be deployed seamlessly, without disrupting the overall flow of operations. Your core team remains intact, while the specialists are rotated on and off of your account as needed to scale the solution to your specific needs.

Relationship therapy.

Building and maintaining relationships with suppliers can positively change your purchasing bottom line. An AP outsourcing solution works with you and your suppliers to maximize the benefits of the services to all parties involved. By streamlining approvals, receipt matching and insuring timely, accurate payments, both sides of the AP process begin to build a "preferred" status that, over time, builds a stronger relationship.

Benefits include:

- Improved discount earnings
- Preferred customer pricing
- Better negotiating power at contract renewals

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- Stronger data capture options for validation of invoices
 - Professional supplier support through a customer service center

The results of building a better relationship with your supplier network are immediately apparent. By outsourcing your AP processes in a centralized model, you will be taking what many companies consider a “back office process” and turning it into an opportunity to positively affect the efficiency of your overall operation. You’ll also enjoy real cost savings, not only in process efficiencies, but also in improved payment accuracy and personnel expense compliance, as well.

Journey to the center.

Expert attention and ease of transition make up the primary considerations in choosing a centralized outsourcing solution. As you develop your AP processes into one powerful engine that drives your accounts payable operation, you’ll experience unmatched control over invoicing issues that once went unnoticed or seemed out of reach. Best of all, you’ll have certified AP professionals showing you these improvements and more — tailored to your business model — at an overall cost savings to your business.

About SourceNet Solutions

SourceNet Solutions, Inc., is one of the country's leading providers of finance and accounting business process outsourcing (BPO) services. In its role as a market leader in AP outsourcing, SourceNet has a proven track record of growth and success, and has consistently demonstrated the ability to help companies achieve continuous process improvement. Also, SourceNet’s controls and audits are built to meet the strict accounting requirements of a Sarbanes-Oxley (SOX) framework.



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