

# The New Transparency

## GETTING A GRIP ON ACCOUNTS PAYABLE

Enterprises are more vigilant than ever when it comes to their financials. Call it the New Transparency. And while they've been increasing controls and accountability since the passage of Sarbanes-Oxley legislation in 2002, one area where many have remained vulnerable to this point is accounts payable.

One need look no further than the recent property tax refund payment scandal in the District of Columbia to fully appreciate the importance of transparency, visibility, and control in payment-related transactions.

In this instance, poor oversight and a lack of sufficient controls resulted in an extraordinary theft. Ultimately, 11 individuals were convicted in a scheme to defraud the Office of Tax Revenue. Over an 18-year span, nearly \$50 million in illegal tax refunds were embezzled from the district.

Although the scale of this particular scandal is shocking, payment fraud is unfortunately all too common. According to David Sawyer, a Certified Fraud Examiner and Internal Auditor, one out of every two businesses becomes a victim of payment fraud every year. In other words, payment fraud is not so much a matter of if, but when.

In recent years, there have been many cases of fraud in the accounts payable world:

- + One AP employee was convicted of embezzling \$82,000 from Aspect Software, a telecommunications company in Chelmsford, Mass. The woman created false entries in the company's AP systems to steal the funds.
- + Hibar Systems, a liquid dispensing equipment manufacturer with major offices in Raleigh-Durham, revealed that a senior employee in the accounts payable department stole \$2.2 million by manipulating accounting records and making duplicate payments.
- + In April of 2011, a Texas man was charged with financial crimes after he allegedly tricked publisher Conde Naste into believing he represented its printing company, diverting roughly \$8 million of accounts payable into his own bank account.

The time to invest in AP automation is now. The later a business waits to embrace the New Transparency, the greater the risk that it will become a laggard rather than a leader.

Obviously, this problem is widespread. But companies can take steps to address it. To prevent payments fraud and other related issues from happening to your company, you are challenged to increase controls and transparency in the accounts payable process. The question, however, is how you can increase controls without simultaneously decreasing efficiency. Won't added controls simply make it more difficult to approve and process payments? Won't they increase costs and distract you from more critical tasks?

The key to overcoming this challenge lies in smart automation. This may include document scanning, document management and workflow software, e-payment, and possibly even outsourcing some or all of the accounts payable process. Many successful companies have leveraged these solutions to reduce transaction processing costs, improve financial controls, and increase accounting transparency.

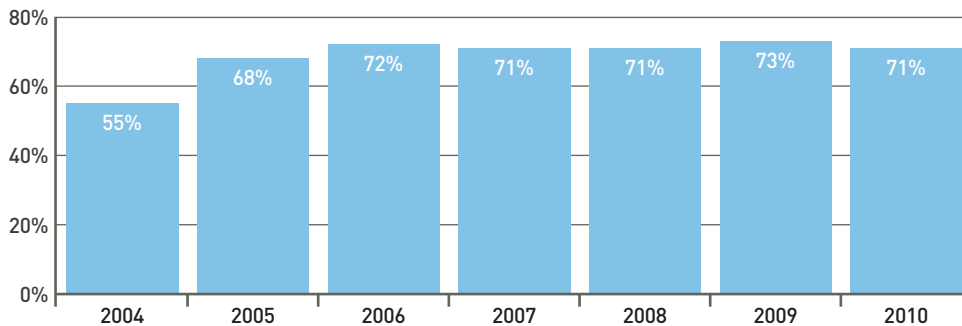
However, many other companies remain mired in traditional, paper-based and labor-intensive accounts payable processes that do not lend themselves to the New Transparency.

It is difficult, if not impossible, to achieve transparency if your people must chase down paper invoices and other financial documents across the company to answer simple questions. It's also impossible to strategically manage payments and spending. And vulnerability to fraud increases exponentially when there is no constant, real-time snapshot into accounts payable activities, including approval rights. Automation, therefore, is critical if you are to fully get a grip on accounts payable.

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### Risk Without Reward

Enterprises are now more challenged than ever to confront their risks. In its 2011 survey of fraud and control, the Association for Finance Professionals (AFP) found that fraud levels remain a persistent problem—despite increased vigilance. Researchers found that 71% of organizations had experienced payments fraud in the prior year. The research suggests that checks are the payment method most often targeted for fraud, with 93% of attacked organizations reporting that checks were involved.



Beyond the perils of payment fraud, enterprises face many other risks in relation to ambiguous financial processes. Indeed, reports of substantial write-downs and other failures related to lack of transparency can be found in virtually every sector.

For instance, when General Motors posted a \$39 billion loss in November 2007 that shocked the markets, it was a lack of visibility into the company's accounting process, not a real downturn in revenues, which was the cause.

Risks are also personally real for financial managers. Disclosure in today's business environment is essential, but managers cannot disclose adequately unless they have full and accurate information. Managers literally risk signing away their careers based on incomplete or inaccurate information.

More immediately, managers run the risk of allowing operational costs to needlessly rise due to maverick spending and other unmanaged expenses. When you "don't know what you don't know," you are vulnerable to unnecessary costs. You have no clear visibility into your spend management process—much less any opportunity to enhance or optimize it.

### Benefits of the New Transparency

The goal of the New Transparency is to minimize the number of unknowns that exist in your finance and accounting processes and gain accurate, actionable insight that can drive your business. It's about gaining confidence in operations that enables your company to bring individuals and groups together in a better management structure. It promotes accountability and helps develop a healthy corporate psyche.

This is particularly true in accounts payable. Your business has to pay its bills, but it's vital to ensure those expenses are paid in a smart, effective and efficient fashion. If you embrace automation to meet this goal, you'll want to evaluate possible accounts payable solutions for their ability to help you increase control and compliance, reduce costs, and gain greater visibility into your operations.

By investing in a solution that can intelligently automate your accounts payable processes, you can realize multiple key benefits. Among them:

- + **GREATER CONTROL AND COMPLIANCE.** By applying automation technology to the AP process, you ensure tasks are managed and business rules are followed consistently. You no longer depend on inefficient and error-prone manual intervention. Both efficiency and control are achieved. Additionally, process automation delivers an archive of data on AP that you can use to continually fine-tune business rules around the process and achieve still greater control.
- + **ENHANCED PREDICTABILITY AND ACCOUNTABILITY.** Historically, forecasting was at the mercy of information availability. Predicting future expenses required managers to assemble invoices and other information manually, from various personnel and departments, and in different formats. It was also difficult to hold departments accountable for their spending due to this lack of visibility. In contrast, automating the AP process enables you to look at expenses with a few clicks of a mouse, making it easier to predict expenses and ensure spending accountability.

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**+ INCREASED EFFICIENCY AND EFFECTIVENESS.** Manual processes are notoriously inefficient. An automated solution not only delivers greater transparency, but also increased efficiency. AP processing will cost you less than it did before because you are using technology to streamline, automate, and eliminate manual processes, rather than physically routing approvals and requests around from one office to the next.

Gaining transparency into your AP doesn't just enable you to handle invoices more efficiently, it also gives you more control over your capital. Knowing what your true expenses are gives you the confidence to utilize and invest money accurately and optimally. It also empowers you to forecast more accurately: if you don't properly recognize expenses due to unknown or aging AP, you can't accurately plan your budget. Finally, gaining transparency in AP helps you prevent fraud.

But it's not just automation that represents opportunity for impressive gains. By taking the added step of outsourcing the AP function, you may be able to enhance control, effectiveness and efficiencies still more. According to a recent report from Aite Group, companies that outsource accounts payable processing to solution providers not only increase transparency but can expect up to a 50% reduction in in-house processing expenses.

### Real-world Results

Companies that remain opaque in their AP processes are unable to reduce costs and payment errors or to report on the status of AP in an accurate and timely fashion. They risk falling into the "laggard" category and potentially spending as much as 20 times what best-in-class companies do to process invoices, according to the Aberdeen Group. At the same time, their competitors, who are improving and automating AP processes, are gaining ever-greater advantage in the marketplace.

Organizations have seen the benefits of their AP automation and outsourcing efforts. For instance, Marriott was faced with a newly acquired business division that was not performing up to corporate standards. Upon investigation, Marriott realized that the performance problems were caused by overspending, lack of budgetary control, and overall inefficiency in the new division's AP department.

Marriott invested in an automated AP solution that converted the division's previously paper-based and manual process to an electronic one, allowing for a higher level of transparency and efficiency. As a result, the company was able to reduce spending and enforce budgetary controls while ultimately benefiting from a much more cost-efficient process.

In another case, a mid-sized retailer was faced with mounting late tax payment penalties and increased scrutiny from the IRS due to poor visibility into its tax liabilities. The firm invested in an automated tax fulfillment process that provided better visibility into tax payments across the organization. Today, this company's tax and treasury departments can monitor and review tax liabilities and payments on a single platform. Late penalties have been eliminated, and compliance costs have dropped significantly.

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Lastly, one of the country's largest not-for-profit organizations was experiencing telecommunication service cut-offs due to unpaid invoices. This had a devastating impact on the organization's ability to raise funds via telephone solicitation, a significant source of its income. The problem was not a lack of funds to pay bills but, rather, a lack of visibility into what needed to get paid and when.

Recognizing the critical nature of this segment of AP and an internal failure to process these invoices as needed, the organization contracted with an AP outsourcer, which provided them an automated and electronic platform for invoice review and payment. As a result, the organization is now able to view, monitor, and pay these invoices in a suitable timeframe to prevent the discontinuation of telecommunication service.

### Time to Transform

The benefits of the New Transparency are clear and compelling. In the AP process alone, companies are able to increase control, forecast accurately, reduce fraud, and improve supplier relationships by deploying intelligent automation strategies. They are obtaining greater visibility and actionable insight.

Encouragingly, automation and outsourcing solutions available today have proven to enhance the AP process in a cost-effective manner. These solutions enable companies to increase control while simultaneously reducing costs—generating a strong return on their investment.

The time to invest in AP automation is now. The later a business waits to embrace the New Transparency, the greater the risk that it will become a laggard rather than a leader.

### About Anybill

Built on the premise that all payments are critical, Anybill was created in 2001 to transition any AP transaction to an automated solution. We combine our proprietary technology with unmatched customer service to deliver a complete Software-as-a-Service solution. Clients retain efficient workflows while gaining greater visibility and control, better cash flow management, streamlined approval processes, 24/7 accessibility, and increased auditor confidence. Anybill works with clients ranging from non-profit associations to some of the largest multinationals. We are headquartered in Washington, DC, and are SSAE 16 SOC compliant.