

Tech-Savvy Buyer's Guide to
**AP Automation
For TOPS Users**



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01 A Note to the Tech-Savvy AP Professional

The Future of Accounts Payable

Over the last decade, it has become increasingly apparent that automating accounts payable processes can significantly improve an organization's overall financial operations. Automation adds significant value to accounts payable, including real-time visibility into performance and financial status, increased accuracy, and better compliance with tax laws and industry regulations.

If your HOA is still receiving paper invoices or paying bills, you're not capitalizing on today's best practices. You're also missing out on the unlimited potential for savings after relieving your AP team of time-consuming tasks such as opening the mail, data entry and filing mountains of paper.



Applying automation to your AP and payment processes means eliminating paper invoices and checks from your HOA entirely while reducing your processing costs by more than half along the way.

02 The Problem with Paper

The Old-Fashioned Way is Way Outdated

Paper-based processes are expensive because of the time-intensive manual tasks inherent in invoices and paper checks. Some companies think they've automated their accounts payable process by scanning and e-mailing their paper invoices when all they've really done is digitize an outdated operation and add an element for tracking invoices using e-mail.

These HOAs may have saved a few days by getting the bill to the approver electronically, but they haven't eliminated the task or the time associated with it. In fact, they've added costs, because they had to buy a scanner and pay for the document imaging system.

With automation, community association managers can:

- *Quickly and easily provide the board with detailed reports*
- *implement board member approval requirements for invoices*
- *Easily handle a high volume of invoices w/ multiple formats*
- *Use multiple payment options*
- *Integration with TOPS accounting system software*



**Increase Efficiency.
Go Paperless.**

03 Why Does My Business Need AP Automation?

AP automation adds significant value to accounts payable, including real-time visibility into performance and financial status, increased accuracy, and better compliance with tax laws and industry regulations.



HOA management companies can reduce their AP and payment processing costs up to 60% with automation, eliminating all of the manual tasks associated with paper invoices and checks in the process. By automating the accounts payable process, companies can track invoices electronically, streamline workflows, and have a central repository for invoice data that can be accessed anytime, anywhere.



Automate Your Process.



Chris Elmore

*Director of Product Strategy
at AvidXchange Inc.*

How long have you been in the automation industry?

CE: I've been working in the accounts payable automation industry for nearly 15 years now. What's funny about that is that, for the first couple of years that we were doing this, we didn't even know it was accounts payable

automation. It was so new; we hadn't found the right terminology to describe it. We'd say stuff like "electronic invoicing" or "EIPP (Electronic Invoice Presentment and Payment)," but it wasn't until around eight years ago that we officially labeled it as AP automation.

How many companies have you spoken with about AP automation?

CE: Over the years, I've consulted with approximately 4700 companies on the subject of automation. After numerous meetings, phone calls, and webinars, around 1200 of those companies came to the conclusion that they were ready to automate their accounts payable process. The thing about automation is that there are still many AP professionals who don't know what it is, how it works, or the impact it can have on their job - that's why there's such a gap; it's a huge shift.

With 1200 companies under your belt, surely you have some memorable success stories?

CE: Way back in 2002, the United Services Automobile Association (USAA) wanted to leverage technology to grow their business, but

not their AP department. Using the AvidXchange platform, they were able to quadruple in size without adding any additional AP staff.

Here's another crazy story. We did a cost analysis with a business and discovered that the main person responsible for filing invoicing was being paid \$75,000 a year. How? Why? Well, four years prior, the AP department employed four part-time file clerks. They reduced staff by creating a program called "Fun Filing Friday."

The idea was that every Friday, the entire accounting department would get together and file invoices. Like any corporate program, it started off with a lot of enthusiasm. Four years later, however, the program disappeared. Only one person in the accounting department was filing invoices. Using AvidXchange software, this company was able to take that highly skilled employee and help them transition back to their intended role within the company.

That's what's so sinister about manual tasks. When you look at task delegation – the best use of a person's time – you start to see some alarming things. A highly skilled individual may spend most of their time doing data entry instead of focusing on high-level, strategic tasks.

When a decision maker like a CFO or controller steps in and decides to automate their accounts payable process, these kinds of miracles of efficiency start to happen.

You've written extensively about "New Time" as one of the benefits of AP automation. Can you expand on that concept?

CE: When a company decides to look into AP automation, they do what I like to refer to as "The Beauty Contest."

They do an Internet search and find a few automation companies and invite them over to show off their software. The idea is, at the end of this beauty contest, there will be a clear winner because they've looked at everyone's software. What actually happens is there are two solutions that are so close that they can't make a decision.

There's only so many ways you can digitize an invoice. From putting it into an approval process, to coding and tracking it, to account system integration, all automation software looks more or less identical. One might be blue, another might be red, but there won't be much of a measurable difference. That's because the

software is insignificant next to the benefits of the services provided. That's why I came up with this concept of "New Time."

New Time is the time you receive back from automation. If we look at the beauty contest scenario, AvidXchange has the advantage because our New Time is around 5000 hours annually. That's the time that's given back to a company. If you look at our next closest competitor, their time savings might be around 1800 hours while the third-best option might add 1000 hours.

The difference between us and other automation solution providers is that they're solely software companies. That means that there's still a considerable amount of time and effort required by you to get those invoices into your accounting system. For example, consider email invoices. With AvidXchange, we receive email invoices, capture all the essential information, and process it into an approval process without anyone on the client-side touching it.

Our software-only competitors? An email invoice is sent to an AP manager who has to print it out and scan the email into the automation software. In addition to these time-consuming tasks, there's

also some data entry and OCR (optical character recognition) involved as well. It's easy to see how software without the power of a network behind it could end up costing you time and money instead of streamlining your process.

How does automation protect B2B companies from fraud?

CE: When it comes to paper, AP professionals believe they have more control. "At least with the paper, I have it in my hands – I know it's there." This is misleading. With paper, you don't have the ability to put a series of checks and balances on it. With automation, you can add additional approvals to the process with ease and create fraud monitoring reports that check for duplicate invoices. Our software tracks who enters the invoice, who approves it, and who batches it to the accounting system – and it can't be the same person for each task.

In the risk world, there's the issue of collusion. The more people a fraudster has to recruit to collude with, the more secure your system is. I worked with a Chicago company to ensure that seven people had to come together to get an invoice through the system and paid out. What's the likelihood of that happening? You're

talking about an *Ocean's Eleven* situation. With paper, you only need one or two people to commit fraud.

According to an article in *Printing Impressions*, Kenneth Wild II defrauded Houston's Memorial Hermann Health Systems of nearly \$10 million in April of 2015. The 49-year-old printing and mail services manager submitted more than 200 invoices from a Digital Designs, a fake company that never provided any materials to the hospital system. He would then cut checks to this ghost account, which were sent to a post office box he controlled.

Wild used the money to live the jet-set life, taking vacations to England, Germany, Iceland, Netherlands, and China. He also lived it up in the Houston area, eating at posh restaurants and lavishly renovating his home.

An anonymous tip exposed Wild's activities and resulted in an arrest. Wild's plea bargain includes restitution to Memorial Hermann Health Systems that requires him to relinquish all of his financial assets, including his home, vehicles and retirement plan. He now faces up to 20 years in prison.

What's the deal with ePayments? Why are

companies still using paper checks?

CE: At AvidXchange, we like to talk about "The Power of the Network." We've asked vendors and suppliers if they would like to receive more electronic payments, and the answer is a resounding "Yes!" So then we went to the people making the payments and asked if they'd like to be able to send more electronic payments, and of course the answer was, "Yes!" Unfortunately, neither side is doing it. Why? ACH.

ACH (Automated Clearing House) was created in the '70s to help banks clear checks. It doesn't scale for electronic payments, however. Midmarket companies don't have the manpower to manage an ACH group, so they cut a paper check instead. It's quick and easy in comparison, even if it isn't the most efficient solution. The problem, of course, with a paper check is that every time you send one out, you send out the essential information a criminal needs to take your money.

That's why we've developed the AvidXchange Network. We wanted to create software and services that mirror a large market company's ACH management group for mid-market companies. We're providing them with the same

benefits and services that creating their own department would, without the expense.

Where are we going? What does the future hold for ePayments and AP automation?

CE: The Network is the future. It's more than just invoices and e-payments. It's about vendor preference, their criteria for payment, remittance information, software for tracking and reconciliation, clearing account services – even Positive Pay. When you send a check through the AvidPay Network, it will fall under a Positive Pay program you don't have to pay for or administer. Sounds pretty great, huh?

This network is going to become bigger and bigger – we're currently at 275,000 vendors –and it's going to become a conduit for payments. Factoring and dynamic discounting are going to help suppliers and buyers and communicate better and seduce stragglers to make the jump.

05 How AP Automation Benefits AP Clerks & Managers

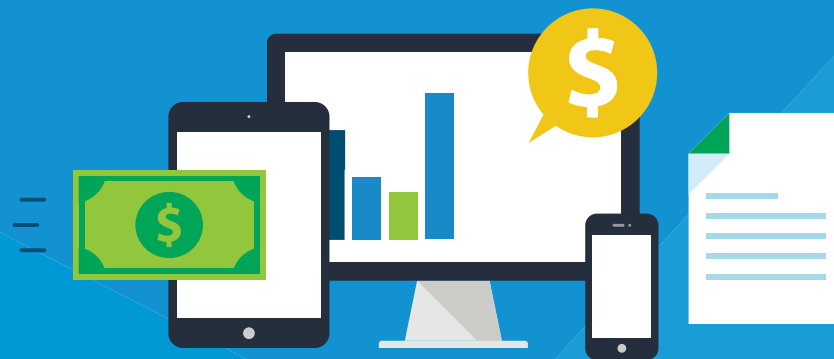
As an AP manager, your goal is to ensure payments of vendor invoices and expense vouchers are timely while maintaining accurate records and control reports. As a supervisor, you're also responsible for making sure the accounts payable department is performing their duties efficiently.

With paperless invoice processing, the AP manager can easily approve payments in batches and be alerted automatically when any issues surface, such as payment disputes with suppliers. This gives you time to focus on higher-level tasks such as overseeing and developing the AP staff and keeping up with the latest technological and financial advancements.

Other tasks you can focus on? Researching solutions that can save the organization money, such as dynamic discounting or supply chain financing, or even bringing in added revenue, such as p-card rebate programs.

For clerks and other members of the AP team, automation minimizes the need for manual tasks such as data entry, handling and filing physical documents, looking up each TIN individually, and printing checks. Clerks can focus instead on more important tasks such as verifying data for accuracy, handling exceptions, answering questions from suppliers, maintaining the master vendor file, and analyzing numbers.

No longer does a team member need to worry about fixing data entry errors and transpositions. AP automation reduces the frustration of manually working through exceptions and eliminates repetitive and time-consuming tasks for every member of the team.



06 How AP Automation Benefits Controllers

As a controller, you're all about streamlining processes, reducing operating costs and creating efficiencies. But how can you focus on these high-level tasks when inefficient, outdated processes are wasting your time?

The use of dashboards to monitor activities in an AP operation is one of the most exciting technological developments in AP automation. The days of pouring over spreadsheets are over thanks to dashboard views!

Dashboards allow a real-time view into all the metrics involved in your company's cash flow. You can focus

on strategic tasks such as improving the department's productivity and championing new initiatives that will save the business time and money, thus impacting the bottom line.

You're a controller. Naturally, you like to be in control. One of the common myths of AP automation is that controllers lose control in the process. Actually, automation provides more control over and increased visibility into the payment process. With a few clicks of the mouse, you can search for and retrieve invoice and payment information at any time and from anywhere you have access to the Internet.



06 How AP Automation Benefits Controllers

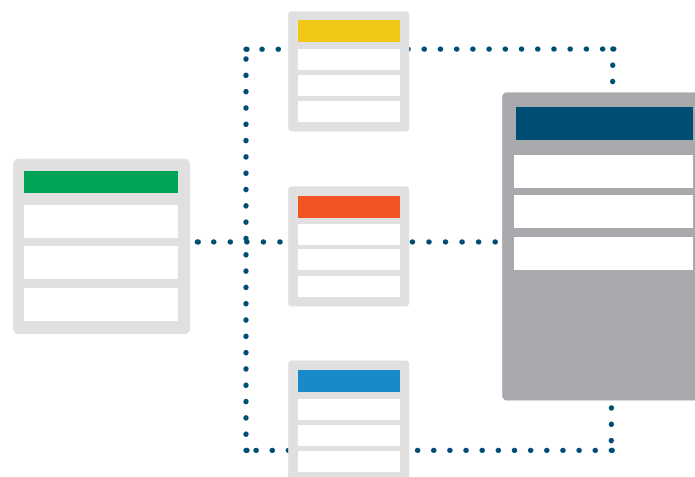
AP automation also makes the payment approval process easier and more efficient for controllers. Personalized business rules automate the routing, matching and circulation of invoices, which are configured to your company's specific needs.

Once your workflow is established, the invoice is automatically routed to the appropriate people for approval when it's received into the system. The approver then looks at the invoice within the portal, and can either approve it or dispute it.

Not having to review each transaction individually gives you more time to focus on important tasks such as:

- Analyzing data
- Researching industry trends
- Securing early-payment discounts
- Negotiating vendor contracts
- Reducing late fees
- Ensuring audit compliance
- Planning for the future

In addition to faster processing times, greater accuracy, and better compliance with tax laws, AP automation provides you with the peace of mind that you're in control of not only the accounts payable department, but the financial health of your organization as well.

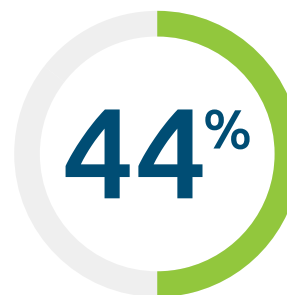


07 How AP Automation Benefits CFOs

As a CFO, you're responsible for managing the financial risks of your HOA. You need real-time access to payables for budgeting purposes, as well as the ability to monitor overall business spending so you can report to the executive team.

In today's paper-based AP process, it's difficult to focus on the financial future of your business when you're buried under a mountain of checks that need your signature. Inefficient, outdated processes are preventing you from being in complete control of the bottom line.

By studying the financial operations dashboards, you can see and compare real-time metrics – such as days payable outstanding (DPO) and days sales outstanding (DSO) – for an unabridged view of your company's financial health. This allows you to be a stronger resource for the CEO and the board of directors in charting your business strategy.



Higher processing cost when performed manually vs. through an automated system.

We know you're data-driven, so let's talk about the bottom line.

PayStream Advisors' research indicates that the average cost to process a transaction is 44 percent higher when performed manually rather than through an automated system. Accordingly, reducing overall cost ranked as the top factor driving organizations to focus on electronic payments, as reported by 84 percent of respondents in PayStream's 2015 Electronic Supplier Payments report.

07 How AP Automation Benefits CFOs

If you want to leverage your cash-on-hand more efficiently to pay for vendor goods and services, automation provides unprecedented visibility into your organization's cash flow. You can assist the CEO in high-level decision-making in ways that help your HOA grow and become more profitable, such as mergers and acquisitions, capital improvements, launches of new products and services, geographic expansion, and increases in staffing.

Paper-based requisitioning systems are unwieldy and introduce unnecessary delays to the purchase order routing process. Paperwork for product and service purchases is often completed after the purchase has been made.

With AP automation, your accounts payable team will benefit from faster processing times, greater accuracy in payments, and less staff time allocated to data entry.



**Faster
Processing
Times**



**Greater Accuracy
in Payments**



**Less Staff Time
Allocated to
Data Entry**

08 Fraud Activity in the HOA Industry

Automation enforces strict adherence to business rules, reducing opportunities to commit fraud. Unfortunately for Kornerstone Community Management, their paper-based process left them open to fraudulent activity.

Police Execute Search Warrants in HOA Case

Police detectives took 14 file cabinets containing legal documents, 55 boxes of files and computer memory from seven machines on Aug. 11 after searching the office of the management company that 11 homeowners associations claim stole their money, documents showed.

That number of complainants has since increased to 25 homeowners associations managed by Kornerstone Community Management, a Garner-

based company, which has been the target of the investigation.

No one has been arrested yet and it still may take some time, police say. The investigation is ongoing. "We want to make sure we conduct a thorough investigation before we consider charges," Lt. Lori Smith said.

Detectives executed a second search warrant, in which they seized three laptop computers, a computer storage device and 10 credit cards on the same day when they searched the Clayton home, a truck, a Jeep and two cars owned by Diana Ellis Kelly, the owner of Kornerstone.

A third search warrant let police go into two units at a Garner self-storage business, but they did not seize any evidence there, the documents show.

The warrants were issued a day after police went to Kornerstone's offices in Suite 1300 at 102 Benson Road and found the doors locked.

Police got calls from 11 homeowners associations on Aug. 9 and 10 reporting that they were missing money from their bank accounts or could not get access to accounts. Later, more than a dozen others filed reports.

The first call came from Wellington Homeowners Association, located in Angier. The president of that HOA said all its money in their PNC Bank had been removed. Kornerstone Community Management was in charge of their HOA's finances.

The second report came from the president of the HOA at the Village at Aversboro in Garner. They, too, had their finances managed by the company before deciding to switch companies.

08 Fraud Activity in the HOA Industry

Board members had given Kornerstone a 60-day notice that they would be canceling their contract with the company. Kornerstone sent an acknowledgment email on April 4.

However, on July 14, an invoice was created by Kornerstone Management Company for \$11,687 for management fees for the next 14 months.

Another check was written to the Village at Aversboro for \$55,497 from the operating account to close it out. But that check bounced.

The HOA's president, Jeff Swain, claimed the Village at Aversboro was supposed to have more than \$82,700 in their reserve account, but there was no reserve account. In total, they claim they lost nearly \$150,000.

With the first two reports, there was a total of \$159,979 reported stolen.

Some of the HOAs that filed reports said they did not have access to a bank account number associated with their HOA. Those that did have access to an account number were not allowed access to the account through the bank.

"Homeowner Associations would receive documents from Kornerstone advising them of their assets and liabilities but these were documents created by Kornerstone and not the financial institution," the warrant states.

Smith said the police still are not sure of the exact total taken from the HOAs. She said of the 29 HOAs Kornerstone managed, one HOA did not report any losses, and three have not been contacted yet.

Source:

Alexander, Alexander M. (2016, August 26 11). Police execute search warrants in HOA case. *Garner Cleveland Record*. Retrieved from <http://www.newsobserver.com/news/local/community/garner-cleveland-record/article98053217.html>

Manual processes rely on post payment review to detect deviations from business rules. By the time you've detected an issue or discovered an error, the fraud has already occurred.

Conclusion: Create Efficiency in 2017!

Thank you for reading the...

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This guide was created by [AvidXchange](#). AvidXchange revolutionizes the way companies pay their bills. Serving more than 5,000 clients throughout North America and 300,000 vendors nationwide, AvidXchange is an industry leader in automating invoice and payment processes for companies spanning multiple industries including Real Estate, Financial Services, Energy, Non-Profit, and Construction.

Interested in automating your payables in 2016 and creating efficiencies for your AP team? Our automation specialists will create a customized demo and walk you through the streamlined workflow of an automated AP process.

To schedule a demo, click [here](#).