



Content

c e n t r a l

Ademero Document Management Software

Streamlining the Accounts-Payable Process



Ademero
software

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EXECUTIVE SUMMARY

Managing accounts payable is a common practice in every commercial establishment. Whether you deal with goods or provide services, materials and supplies have to be purchased to conduct ordinary business. However, recent changes to network infrastructure have made it possible for businesses to streamline this process.

Purchase orders, invoices, and other documents can now reach their destination using any number of protocols on the Internet, such as e-mail. These tools allow organizations like yours to lessen the amount of paper produced and handled, which increases productivity and reduces overhead costs.

This white paper provides an overview of using document management software to move away from a paper-based accounts-payable process. This is accomplished by centralizing payables information, making purchase processes electronic, integrating business software, and implementing electronic workflow. Several solutions to common accounts-payable issues are provided, including how to take advantage of every early-payment discount and how to help prevent fraud.

Within the context of accounts payable, we present Content Central, a browser-based document management system designed to give organizations a convenient way to capture, edit, and manage documents and other content in the workplace.

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INTRODUCTION

Business Benefits of Document Management Software

The path to success in today's business environment has changed dramatically over the past decade. Before this century, businesses carried out daily operations primarily using a communication infrastructure of phone calls, fax transmissions, and courier services. Documents created to facilitate business activity were faxed or copied for relevant parties and then filed or stored in some physical location. Recipients manually processed the information, often creating new documents using portions of the originals.

The speed capability of information transfer between two business entities, such as supplier and retailer, drives the characteristics of the supporting infrastructure, including how information is created, stored, and retrieved.

These days the Internet and its various methods of communication and data transfer have provided businesses with a faster way to send and receive information to and from suppliers and customers. The speed is so rapid that it has become a competitive advantage for companies embracing it. In technology-driven industries, businesses that cannot move information as fast as its competitors cannot survive. Simply put, the 20th century method of creating, storing, and accessing documents no longer matches the capabilities of today's high-speed network infrastructure.

While document management software has existed for several decades, its usefulness has only recently become apparent. It promotes not only the speedy creation and distribution of documents but also the efficiency of inhouse workflow processes. Current-day software includes functionality to create documents from e-forms, automate storage management with retention policies, retrieve documents using search engines, track access and modifications, and facilitate approval processing.

Along with modernizing customer relationship management (CRM) software and any line-of-business applications, implementing document management software should be a top priority for any organization that seeks to lower costs and streamline document-centric business processes like accounts payable.

INTRODUCTION

Content Central

Browser-Based Document Management Software



Content Central, developed and supported by Ademero, is an electronic document management system (EDMS) that operates under the server-client model. Administrators install the software package on one or more computer servers, and deploy it to personnel via a single hyperlink. Users access and interact with Content Central using a preferred Web browser, and software updates occur only at the server. Content Central is inherently remote-capable, but many organizations choose to use it only for internal operations, fitting well in accounts-payable processing.

Inside Content Central users find tools to create, capture, retrieve, modify, manage, and distribute documents. Creation of documents occurs via PDF-based e-forms. Files of any type can be captured from scanners, folders, e-mail addresses, or user input. Content Central converts scanned images into fully searchable PDF files, and all documents can be retrieved using content keywords and other index information based on the document type. Integrated e-mailing and faxing tools let users distribute documents without requiring any e-mail or fax software locally.

Content Central includes a browser-based document viewer and annotations editor that users interact with inside the Web browser. Full document editing begins with a single click, launching a document's native application. All revisions are maintained separately for historical purposes. An intuitive approval-processing system allows users to approve or reject documents that have been routed to them. An embedded workflow engine handles the automated portions of the software, including sending notifications and performing other scheduled or event-based actions.

PART 1: STREAMLINING ACCOUNTS PAYABLE

1.1 | Centralizing Payables Documents

The first step in converting most of accounts-payable workflow to a document management system is to determine the various document types involved and understand when and where they come into the process. From the buyer's perspective, a *purchase order* is typically the key document type in a purchase, but the *invoice* from a supplier or vendor is what begins the payment process. Any supporting documents that are needed to process and pay invoices will be defined as individual *document types* within Content Central. Each document type has its own configuration, including the indexing structure, security permissions, and retention policy.

The *Packet* tool in Content Central will automatically link the document types for a given purchase by a key identifier, such as the purchase-order number. This virtual connection between documents is established as soon as the key values (in this case, purchase-order numbers) arrive in the system, which cuts out the time spent actively gathering supporting documents from various sources to cut a check for a supplier. By using Content Central to manage accounts payable, the overall process becomes passive: users capture and identify documents as soon as they arrive, and the software links them automatically while managing their life cycle.

After document types have been configured, you will need to determine the format of each document and its corresponding method of capture. For example, it will be common for many invoices to arrive in paper form by mail.

Content Central captures paper invoices with the help of a document scanner. DirectScan™, a browser-based scanning applet within

Content Central, allows users to image and upload documents to the server. Alternatively, Content Central can accept images from production scanners or multi-function devices, and an applet exists to simplify scanning from select multi-function peripherals (MFPs).

For electronic invoice delivery, Content Central can monitor one or more e-mail addresses and capture either the body of the e-mail or its attachments. XML-based load files can be used to provide index and routing information about the documents they describe.

Because each vendor is different, capturing the details of the invoice can be difficult to automate, but you can choose to provide index information before or after capturing an invoice. The minimum amount of indexing needed includes the invoice number and purchase-order number. Entering additional index information, such as the vendor's name and invoice date, will help users find invoices later.

This configuration procedure will be replicated for each of the remaining document types in the process.

1.2 | Making Purchase Documents Electronic

Creating purchase requisitions and purchase orders electronically is a quick way to reduce the amount of paper produced. Content Central's eform technology can store PDF-form templates used to establish new documents in the system. After a new document has been generated with this process, Content Central can automatically route it to an approval process as well as distribute it to appropriate parties.

If your purchase process is currently paper

PART 1: STREAMLINING ACCOUNTS PAYABLE

based, you will experience an immediate savings in paper costs and storage space for these document types because they will be printed rarely in your office. If you already have an accounting system that handles your purchase documents, you can choose to integrate that information as described in the next section.

1.3 Integrating Software Applications

Content Central can retrieve index information from accounting software and other applications by connecting to one or more databases and performing lookups. The DMS establishes connections using ODBC (open database connectivity). This information can be used to provide one or more index values in documents. Some documents can be indexed completely using a single index value used as the key value for lookups.

This is particularly useful for incoming supplier invoices when Content Central has been connected to accounting software like QuickBooks. After processing clerks provide the PO number, Content Central performs a data lookup, and the integration can return the vendor name, PO amount, PO date, and other relevant index data. The information will be as accurate as what is already in the accounting database.

DATABASE SUPPORT

- *FoxPro*
- *Microsoft Access*
- *Microsoft Excel*
- *Microsoft SQL Server*

- | |
|--|
| ▪ <i>MySQL</i> |
| ▪ <i>Oracle</i> |
| ▪ <i>Pervasive</i> |
| ▪ <i>PostgreSQL</i> |
| ▪ <i>ProvideX (Sage)</i> |
| ▪ <i>QuickBooks QODBC (FLEXquarters)</i> |

1.4 Implementing Electronic Workflow

Now that accounts-payable documents have been created, captured, and indexed within the document management system, daily workflow can be transformed from a physical process to an electronic one. Content Central's built-in approval-processing system and workflow engine contain the tools necessary to route, approve, reject, distribute, and manipulate accounts-payable documents. Approval processes can be created for each document type used to initiate workflow.

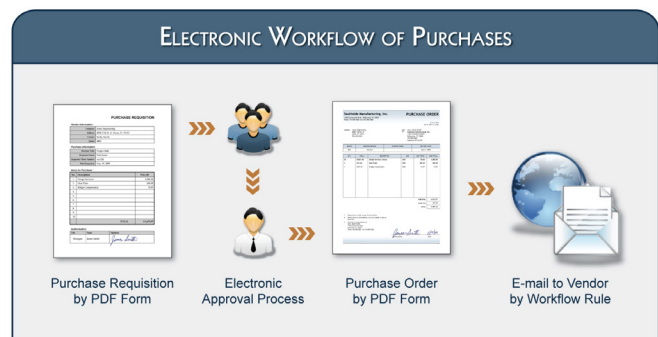


Figure 3: Electronic Workflow of Purchases

For example, an approval process might be created to handle the workflow of a new purchase. In this scenario, an employee can request a purchase by completing a purchase-requisition form in Content Central. The new form is immediately placed on an approval

PART 1: STREAMLINING ACCOUNTS PAYABLE

process where it must be approved by a department manager. The manager approves the purchase in Content Central, and it moves to a purchasing agent. The agent creates a purchase order the same way, but now the supplier's email address is added as part of the document. After the PO has been created, Content Central can route it directly to the supplier's e-mail address without further human interaction. (Figure 3)

Another example is invoice processing. After an invoice is captured, it's immediately routed to a processing clerk. The clerk then determines the path it should take based on the department that it involves as well as other factors relevant to the process.

Furthermore, Content Central's workflow engine can be configured to begin payment workflow only when the necessary documents have arrived to support the process. In this case, a separate check-and-balance workflow rule should be created to start the payment process if one or more supporting documents have not arrived after a given amount of time. This ensures all invoices will receive attention in a timely manner.

An obvious business benefit of an electronic approval process is the small amount of human involvement required. The software handles all routing, deadlines, notifications, tracking, and post-approval actions. Personnel simply approve or reject the items in their individual queue.

2.1 | Early Payment Discounts

Prioritizing invoices for early-payment discounts isn't the easiest task in a paper-based environment. By entering payment-term data when capturing invoices, Content Central's workflow engine can set approval-processing priorities.

For example, a workflow rule can be created to set a high priority on any invoice with payment terms *2/10 Net 30* (2% discount within 10 days, due in 30 days). When the invoice is captured, the processing clerk selects a matching payment-term item from a choice list. After the invoice has been committed to the system, the workflow engine begins the approval process and sets the priority accordingly.

Additionally, an administrative option can be set to force users to approve or reject items in their queue by order of priority, causing invoices with discounts to be processed before those without discounts. To enable this feature, select the *Force user to approve only first item in the Approval Queue* option followed by the *Priority* sorting method. Do this in the profile of each user involved.

2.2 | Invoice Fraud

Paying only legitimate invoices can be a challenge if processing clerks are not familiar with your suppliers or vendors. To remedy this situation, department managers should be included in the workflow to approve all invoices that are relevant to their individual department. When configuring an approval process for invoice processing, be sure to add a stage for the user or group representing a

department's manager or managers.

It's unfortunate but possible that some fraud can occur within your office. Content Central's revision history keeps track of all changes, approvals, and rejections; a detailed audit trail can be produced when needed. If there's any question about a particular document or file, the *Document History* menu item from the View menu provides this information.

2.3 | Duplicate Invoices

Content Central can alert users during invoice capture if the invoice number for a specific supplier already exists in the database. This helps prevent processing the same invoice twice, avoiding the frustration that can come from trying to get a payment reversal or credit.

When configuring the index field for *Invoice Number*, select *Check for duplicate value on update/commit* followed by a sub option *Limit duplicates by other field*. Pick the field representing the supplier/vendor name or identifier. By doing so, Content Central will alert users when entering an invoice number and vendor that already exist on an invoice in the system.

2.4 | Check Production

Receiving, processing, and approving inbound invoices makes up the bulk of the work involved when paying a vendor, but a method of payment, often in the form of a check, still needs to be produced. Take advantage of your accounting system if it can be configured to carry out tasks based on external signals.

Content Central's workflow engine includes the ability to run an external application or

script based on an event. First define the script or application that will instruct your accounting system to produce a check. Do this by defining an *External Application* inside the *Configuration Manager*. You can specify information about the transaction using command-line parameters.

Next, define a *workflow rule* to launch this external application upon completion of an approval process by combining a single *trigger* and *action*. Create a workflow trigger of type *Approval Processes: Movement on Process* with the evaluation type *Approval by Final Member*. Be sure to choose the correct approval process. Then create a workflow action of type *Run External Application*, selecting the external application you defined earlier.

After an invoice has been fully approved, the workflow engine will launch the application or script instructing your accounting software to produce and/or print the check.

2.5 | Electronic Invoices

It doesn't make sense to print invoices that arrive by e-mail, so let Content Central capture them in their native format as soon as they show up. This works best for suppliers you work with on a regular basis. If you have a small number of these high-use vendors, create an e-mail account for each. Then create a *Capture Job* for each of these e-mail addresses using the *Catalog Manager*.

Content Central will monitor each e-mail address throughout the day and night. When invoices arrive they will be routed to the *Coding Queue* for further processing. You can have processing clerks notified by e-mail when new invoices arrive by establishing a

workflow rule consisting of a *Coding-Queue Arrival* trigger and a *Send E-mail* action.

2.6 | Purchase-Order Creation

Handwriting purchase orders and faxing them to vendors is still a common practice in many offices. Consider changing this using Content Central. Convert your purchase-order template into a PDF form, providing data-input fields in the form of textboxes and selection lists. Add some logic to the form to calculate totals. Upload this form into Content Central using the *Capture Form* feature in the document type for purchase orders. Afterwards, new purchase orders can be established by selecting *Form* from the *Capture Type* list in the *Capture* area of Content Central.

PO numbers can be generated on the fly with the use of auto-incrementing index fields. When creating a field, choose the *Numeric* type and select the *Auto Increment Value* checkbox. Initially, you can specify a start value to maintain the numbering scheme of your existing purchase orders.

Beyond the form creation and PO-number configuration you can add an optional *E-mail Address* field to the purchase-order document type. The workflow engine can be configured to e-mail new purchase orders to the recipient provided in this field. The e-mail can be sent before or after any approval processes.

2.7 | Lost or Missing Documents

Estimates show that it costs \$120 to find a lost or misplaced document, and \$220 to reproduce a lost document.¹ A strong effort should be made to capture as much of the paper that comes into your office. OCR (optical

PART 2: SEVEN SOLUTIONS FOR COMMON ACCOUNTS PAYABLE ISSUES

character recognition) technology recognizes and converts the text on images of paper documents, and this information can be used to find documents in a matter of seconds.

Redundancy is another advantage to using document management software to centralize documents and information. Numerous copies of your data can be created for backup purposes—a nearly impossible task in the paper-based world. Furthermore, the cost of computer-based storage space is extremely inexpensive compared to the price of adding file cabinets, shelves, and real estate.

¹Coopers and Lybrand

SUMMARY

Document management software provides a means to transform the way accounts-payable processing gets done in today's business environment. Content Central's browser-based model makes full use of the speed capability of today's network infrastructure. Your organization can experience a measurable savings in overhead expenses and labor by centralizing payables data, integrating business software, and implementing electronic workflow.

A number of solutions exist for common accounts-payable issues when using an electronic document management system. Some solutions, such as enabling workflow rules to automate the purchase-order delivery process, increase overall in-house productivity. Others, like entering payment terms from an invoice for approval-process prioritization, can save money.

The methods and solutions described in this white paper for streamlining your accounts-payable process can be applied gradually over time, and the best results come from properly training and encouraging personnel involved in the operation.

ABOUT ADEMERO

Ademero develops and supports document management software and provides related professional services designed to automate business processes and simplify office workflow. Based in the Tampa Bay area, Ademero supports its customers with availability 24 hours-a-day on every day of the year.

The company's flagship product, Content Central, is a browser-based document management system created to provide businesses and other organizations with a convenient way to create, capture, retrieve, edit, and manage documents and other content originating in hard copy or digital form.

For more information on Ademero, visit www.ademero.com.