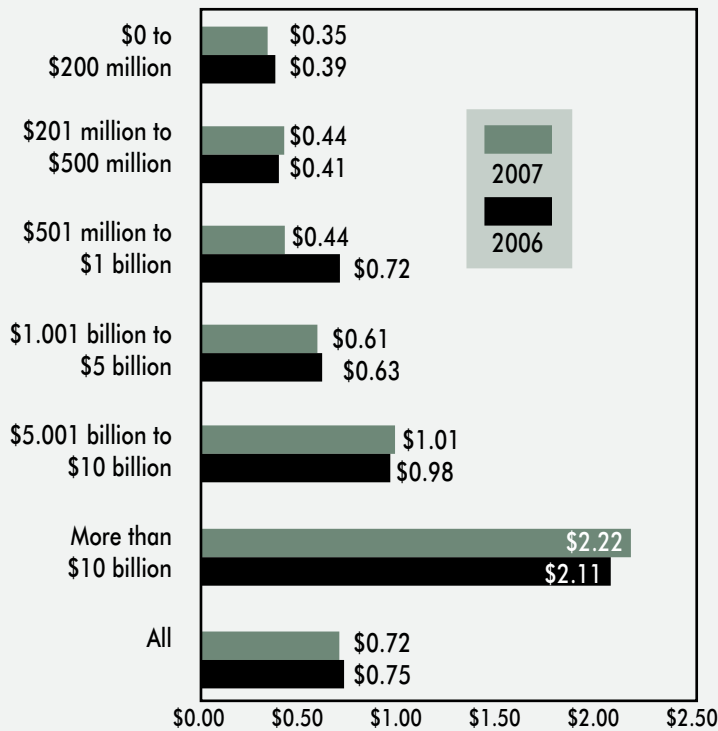


Figure 1. Cost of Workers' Comp Coverage per \$100 of Payroll, by Revenue in \$ Millions



(Source: Marsh)

of the largest cost component of workers' compensation coverage: claims and claims-handling expense. A majority of firms also take advantage of this opportunity by employing programs featuring large deductibles or self-insured retentions.

- In this year's report, more than one-third of the population purchased guaranteed-cost programs. Choice of guaranteed-cost programs is decidedly skewed toward smaller companies, which likely don't have the resources to effectively manage loss-sensitive programs.

- Seventy-one percent of companies with revenue less than \$200 million purchased guaranteed-cost programs. However, these are not immune to the effects of poor loss experience, which will result in increased premiums in future years.

A Look at the Rest of the Iceberg

The costs employers pay to fund the workers' compensation system have been increasing significantly in recent years. "While the direct costs of a workers' compensation claim are well-known, they are just the tip of the iceberg," reports Marsh.

The *indirect* costs associated with a work-related accident—including work disruption, residual slowdowns, temporary help or overtime, hiring and training costs, and damaged products—are generally a multiple of the direct costs. □

Internal Audit

WHAT ROLE DOES INTERNAL AUDIT PLAY IN ASSESSING STRATEGIC RISK?

Should internal audit focus on identifying and evaluating strategic risks? In its 2009 study, *Executive Survey on the Strategic Role of Internal Audit*, Vonya Global LLC surveyed a cross-section of executives and internal auditors from both public and private organizations in a variety of industries. The respondents were asked to express their opinions regarding the strategic role of internal audit.

The study indicates that there is a significant

gap between executive management and internal auditors in regard to the mission and expectations of audit (see Figure 1).

Key Findings

About one-third of this survey's population believes that internal auditors and executive management have a long way to go before their expectations are perfectly aligned, enabling internal audit to play a more strategic role in the company.

Alignment is strongly desired by both groups, but it remains to be seen whether or not this alignment can be achieved and the gap narrowed. The survey results indicate that the foundation of this gap can be found in what is the "perceived vision" of internal audit.

For example, internal auditors indicated that they have the capability to play a far more strategic role for their company. But executives indicated that while they would like to rely upon internal audit more strategically, they are not confident internal audit would deliver (see Figure 2).

What Is the Compliance Role of Internal Audit?

The Institute of Internal auditors (the IIA) defines internal audit as:

"...an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

While 78 percent of executives believe internal audit is aligned with the strategic direction of their organization, only 44 percent of executives state it is internal audit's mission to do so.

This gap is striking yet similar to the responses from the internal auditors. Only 58 percent of internal auditors responded that identifying all strategic risks is part of their mission, even though 99 percent who responded said it would add value to the company.

"While it is understood that internal audit typically focuses on "auditable risks," and many strategic risks are not inherently auditable, the question asks about the iden-

Figure 1: Do Internal Audit and Executive Management Have Shared Vision?



(Source: Executive Survey on the Strategic Role of Internal Audit, Vonya Global LLC)

Figure 2. Does Internal Audit Help Meet Strategic Objectives?



(Source: Executive Survey on the Strategic Role of Internal Audit, Vonya Global LLC)

Coming in future issues of The Controller's Report

- According to a new study of the 1,000 largest U.S. companies (in terms of sales), companies could wring a total of as much as \$709 billion in excess cash flow from their supply chains by adjusting their inventory levels, getting their customers to pay their bills on time, and managing their accounts payable carefully.
- Invoice processing (IP) is often rife with inefficiencies, manual tasks, and disjointed transitions from one process step to the next. A close look at costs and systems can streamline processes and cut costs.

What Is the Value of Strategic Activities?

In Vonya Global's *Executive Survey on the Strategic Role of Internal Audit*, roughly 50 percent of both the internal audit and the executive management groups responded that internal audit does not spend an adequate amount of time assessing strategic risks.

What types of activities are considered strategic—and what is the potential value of these activities?

Let's look at a sample hypothetical cost benefit analysis of a strategic versus a non-strategic internal audit function (see Figures 1, 2, and 3).

Does internal audit have the skills to evaluate strategic risks? Eighty-five percent of the internal auditors surveyed answered "yes" to this question, while 36 percent of the executives disagree, indicating that this group of executives will have a lower expectation for internal audit.

Editor's Note: The numbers in the charts below are notional and are there to give an order of magnitude rather than exactness.

Figure 1: Internal Audit Departmental Costs

Internal Audit Departmental Costs	
Salaries and Benefits	\$600,000.00
Travel	\$300,000.00
Administration	\$100,000.00
Total	\$1,000,000.00

Figure 2: Typical Non-Strategic Internal Audit Activities

Typical Non Strategic Internal Audit Activities	Potential Benefit
Auditing of Travel Expenses	\$100,000.00
Government Regulation Compliance Review	\$50,000.00
Financial Reporting Review	\$50,000.00
Total Benefit	\$200,000.00

Figure 3: Typical Strategic Internal Audit Activities

Typical Strategic Internal Audit Activities	Potential Benefit
Identification of an Underperforming Business Line	\$1,000,000.00
Improvement of the Pricing Function	\$500,000.00
Proactive Avoidance of Compliance Issues	\$250,000.00
Total Benefit	\$1,750,000.00

(Source: Michael Bechara, Granite Consulting Group Inc.)

tification of strategic risks, not the auditing of strategic risks," Vonya points out.

Meeting Strategic Objectives

The potential disconnect between the two groups is revealed in Figure 3. Internal auditors are more enthusiastic about their role in the company's overall performance than executive management.

On average, internal auditors were 22 percent more confident than executives that their work enhances their company's ability to meet strategic objectives and that they help alleviate the pressures of executive management.

When compared to the expectation gap identified in the first graphic, it appears that executive management would like more from internal audit, if internal audit could provide it.

Evaluating Strategic Risks

While 69 percent of internal auditors indicated that they have an effective process to identify all the potentially significant risks facing the company, only 47 percent of executive management agreed. The executives in this survey generally don't believe internal audit has a process to evaluate significant risks, yet 86 percent see it as valuable activity.

Seventy-six percent of executives would retain the internal audit department even without the need for compliance, while internal auditors were higher at 92 percent. What this really shows is that 24 percent of executive management would eliminate internal audit if it were not for compliance requirements. These executives obviously do not find strategic value in internal audit.

This would seem to indicate that in order to extend the value of internal audit beyond a basic compliance role, auditors must ensure that internal audit understands and is

aligned closely with the strategic goals of the organization.

“Moving the expectation of internal audit to a more strategic role will greatly enhance the perception of internal audit and improve company performance. Bridging this gap will require both groups to take steps in that direction, and as with most challenges, communication is key,” reports Vonya. □

Source: *Executive Survey on the Strategic Role of Internal Audit*, Vonya Global LLC, an international consulting firm. For more information, go to Vonya Global at www.vonyaglobal.com.

Figure 3. Is Internal Audit Aligned with Strategic Direction of Company?



(Source: *Executive Survey on the Strategic Role of Internal Audit*, Vonya Global LLC)

A Case In Point: A Tale of Two Companies

By Michael Bechara

Company A and Company B approached the strategic value of internal audit in very different ways.

Company A staffed its internal audit department with people who had a wide variety of backgrounds, such as operations, M&A, accounting, and IT. They had seasoned professionals on staff as well as newly graduated MBAs.

As a result, Company A had a highly educated and trained staff with cross functional backgrounds. This audit department was able to identify strategic risks to the business such as country risk and the viability of business lines.

Company B drew its internal audit staff from the accounting function. This resulted in an audit function that was very focused (and very competent) on accounting and finance issues—to the exclusion of strategic concerns.

As is often the case in business, the inputs were the determining factor in what the output of the internal audit department was.

How Staffing Decisions Are Made

In both cases, the staffing of the internal audit department was a conscious choice by executive management. Both companies got exactly what they intended with their internal audit team.

Does this mean, then, that one company was right and the other wrong? Is there a best practice when it comes to developing an internal audit staff?

Actually, there is no right or wrong answer to whether

the internal audit function is being strategic or not. Rather, it is a resource allocation question.

In the case of Company B, perhaps the company has sufficient strategic insights coming from elsewhere and doesn't need to draw these insights from the audit department.

At the end of the day, some people want a Ferrari and some want a Chevrolet.

As for Vonya's *Executive Survey on the Strategic Role of Internal Audit*, maybe executive management would like internal audit to become more strategic even if it hasn't necessarily made the staffing choices to promote it.

After all, executives would like everyone in the company to be strategic, if possible. Whether they truly believe internal audit can do so at this point is another question.

In the Vonya survey, 85 percent of internal auditors believe they have the skills to identify strategic risk. Yet only 64 percent of executives believe they do.

Those are not bad percentages. It's more a case of internal auditors stepping up to the challenge and showing executives that they are indeed up to the task of both focusing on "auditable risks" and taking it a step further to identify strategic risks.

Michael Bechara is managing director of Granite Consulting Group Inc., a New York based corporate governance, risk, and financial management consultancy. For more information, go to www.consultgranite.com.

THE CONTROLLER'S FORUM

IMPROVE T&E PROCESSING AND REPORTING

Challenge: Put an AP automation project in place that would allow for quicker submission, approval, processing, and payment of expense reports.

Action: After working with a number of possible vendors to analyze the various ways the company could save money, in terms of hard dollars and soft dollars, we selected a vendor that offered the most complete and integrated solution—whose core competence was in processing expense reports. Since the system was instituted, we have better visibility of spending and a huge improvement in reporting capabilities and in our payment process. We can quickly run detailed reports on travel and expense spending. We also have better reporting capabilities on travel, have more information on hand with which to negotiate with vendors, and have established cost controls on booking travel. —*Controller, services, 58,000 employees, Texas.*

CREATE CENTRALIZED AP STRUCTURE

Challenge: Consolidate AP operations from 17 processing sites into two regional processing centers.

Action: Our implementation spanned three years. We took a series of steps to improve and automate our processes. First, we implemented Lawson Enterprise Resource Planning (ERP) at all sites. Next, we implemented ImageNow front-end invoice imaging at two sites. Following that, we implemented Process Flow (Lawson's electronic invoice routing) at two sites. Our next step was to consolidate our AP operations from 17 processing sites into two regional processing centers. We coupled this initiative with the implementation of advanced technologies for workflow and electronic data capture. This involved a high level of integration encompassing Lawson ERP-V8.1, Lawson and Kofax Workflow, and Data Capture and

Imaging through Kofax Transformation Modules (KTM) Kofax Ascent, and ImageNow. During the same period, the department also instituted consolidated check processing, expanded its EDI invoicing and electronic funds transfer/automatic clearing house (EFT/ACH) payments, standardized procurement to payment (P2P) policies and procedures, and standardized P2P metrics reporting for shared AP and supply chain management/materials management performance measures.

Our department now processes invoices enterprise-wide and reports under one umbrella to corporate finance. Productivity gains and cost-saving efficiencies were achieved from the combined results of new technologies with the transition of AP into a centralized structure. Processing productivity jumped from 1,300 invoices/fte/month prior to the consolidation and introduction of new technologies to 2,300 invoices/fte/month. In addition:

- Our current fully loaded cost/transaction is \$2.45;
- Sixty-five percent of applicable volume is now processed through data capture optical character recognition (OCR):
- Our read accuracy of OCR is approximately 80 percent to 85 percent;
- Validation productivity has increased substantially over the past six months to over 3,000 invoices per day; and
- Our processing has improved to an average of one to two days unprocessed in queue.

The department now processes invoices enterprise-wide and reports under one umbrella to corporate finance. —*Manager, business process optimization, health care, 60,000 caregivers and staff, California, Arizona, and Nevada.*

THE CONTROLLER'S FORUM

STREAMLINE INVOICING PROCESS

Challenge: Move from manual system of invoicing to gain accountability of the individual invoices paid.

Action: We instituted the scanning of all payment documents—as well as online storage of scanned documents. This enabled remote users at the district's 37 locations to access the documents to reconcile their expenditures against their budget accounts—checking items that they may not have personally processed. The ability to view an expenditure in the general ledger, get the reference number, go directly to the scanned document repository online, and search through documents by their reference number greatly expedites the reconciliation process. —*Accounting supervisor, education, 3,000 employees, California.*

ELIMINATE PAPER CHECKS

Challenge: Pay vendors by credit card as a form of payment (CCR) out of the AP system.

Action: While we are over 50 percent automatic clearing house (ACH), we had many vendors still on check payments. Our goal was to eliminate about 10,000 checks annually and increase p-card spend in order to increase our rebate by \$175,000 annually. We had an existing contract with a p-card vendor, and its solution was an excellent product. As a result, it was a fairly smooth and seamless process to implement the new initiative. From start to finish, it took us only 60 days to implement. There is really no difference between the new system and ACH processing, except that we have to create an additional bank file. But it gives our vendors another option on receiving payment (CCR and ACH), since we are moving toward complete elimination of paper checks. We didn't anticipate that the program would have been so readily accepted by our

vendors since they had to pay the credit card fees in order to get their payments. However, receiving their money quicker (within 10-15 days) than the normal terms (30 days) gave vendors the incentive it took to sign up for this program. —*Accounts payable manager, retail, 14,000 employees, Tennessee.*

IMPLEMENT A DOCUMENT MANAGEMENT AND WORKFLOW SYSTEM

Challenge: Increase efficiency by introducing an AP document imaging and workflow automation system.

Action: Our goal was to create an enterprise-wide document management and workflow system. The new system would need to be flexible enough to work with the many requirements within our organization and incorporate the complex rules of our multiple sites.

Through a formal request for proposal (RFP) process, we identified six vendors to consider. We chose a vendor that was able to create an enterprise-wide content management and workflow system for our healthcare system. From conception to going live, it took three years to implement the system. We now have a fully automated Lawson AP system, flexible for each entity and offering visibility of payables. Our month-end process has been reduced down to only 30 minutes. The system automatically accrues, and we have complete visibility of all invoices.

Though the AP department did not reduce staff levels, the current staff is now involved in auditing and analytics. The skill level of the department also has increased. Our customer service to the vendor and departments (end-users) has dramatically improved. Not only does customer service have the visibility to see what is out there (invoices), it has the ability to assist both vendors and departments at real time. This allows us to resolve many issues quicker. —*AP manager, health care, 10,500 employees, Florida.*

Health Care Spending

EMPLOYERS' ATTITUDES TOWARD HEALTH CARE REFORM

On March 23rd, President Barack Obama signed into law the Patient Protection and Affordable Care Act, the most comprehensive health care reform legislation that has been enacted in decades.

The \$938 billion bill is designed to provide 32 million uninsured people with access to health insurance.

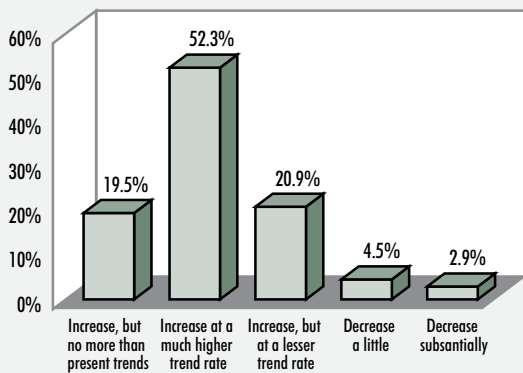
According to Law.com's *Corporate Counsel*, "the new employer responsibility legislation would penalize employers who fail to provide affordable or sufficient

health insurance to their workers ... Those [employers] with more than 50 employees would face a penalty to help defray the cost of health insurance if any employee receives government subsidies to purchase their own insurance (if the employer plan is deemed unaffordable, or if the employer does not offer coverage at all)."

It remains to be seen how employers will react to the specific provisions of the reform.

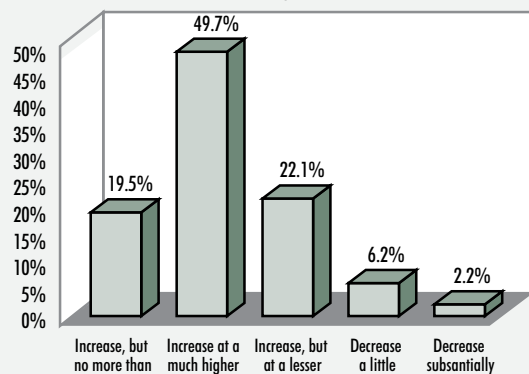
In its *2010 UBA Employer Opinion Survey Special Supplement*, United Benefit Advisors

Figure 1. Health Care Costs



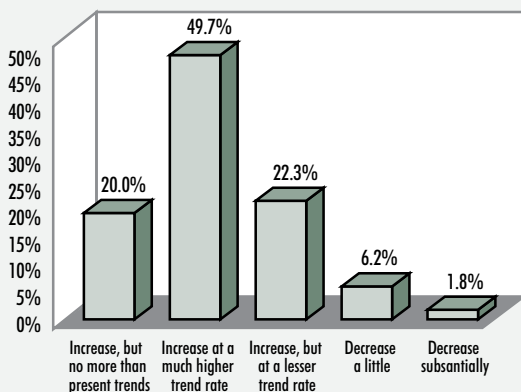
(Source: The 2010 UBA Employer Opinion Survey Special Supplement, United Benefit Advisors)

Figure 2. Hospital Costs



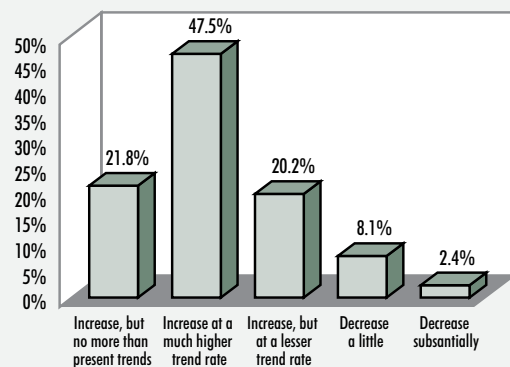
(Source: The 2010 UBA Employer Opinion Survey Special Supplement, United Benefit Advisors)

Figure 3. Physician Costs



(Source: The 2010 UBA Employer Opinion Survey Special Supplement, United Benefit Advisors)

Figure 4. Prescription Drug Costs



(Source: The 2010 UBA Employer Opinion Survey Special Supplement, United Benefit Advisors)

(UBA) compiled the results of questions on health care reform completed by 1,510 employers of all size companies, industries, and regions of the country.

Employers from across America were clear, in their responses, about their views regarding physician, hospital, and prescription costs; plan design; and contributions.

While the survey was conducted before the legislation was passed, the survey contains questions regarding some of the key items that are included in the new legislation, namely mandated employer-provided health care coverage for employees with a tax subsidy, and a mandate for coverage with tax penalties for non-participation.

When survey participants were asked what they thought would happen to the costs of health care, hospitals, physicians, and prescriptions over the next five years, an average of about 20 percent of the respondents replied that they thought costs for all of these areas would "increase, but no more than the present trends."

However, an average of about 50 percent indicated that costs of health care, hospitals, physicians, and prescriptions would "increase at a much higher trend rate" (see Figures 1,2,3, and 4).

When asked if required minimum employer contributions were to increase beyond what they are currently contributing, nearly 42 percent said that they would reduce coverage/eligibility to match their current premium contributions. About 12 percent said they would eliminate other coverage(s) (dental, vision, disability, etc.) to help offset the additional cost (see Figure 5).

When asked, "Would inclusion of coverage/contribution mandates have an impact on any retirement programs you currently offer your employees," nearly 29 percent replied that they would have to reduce contributions to their retirement plan(s).

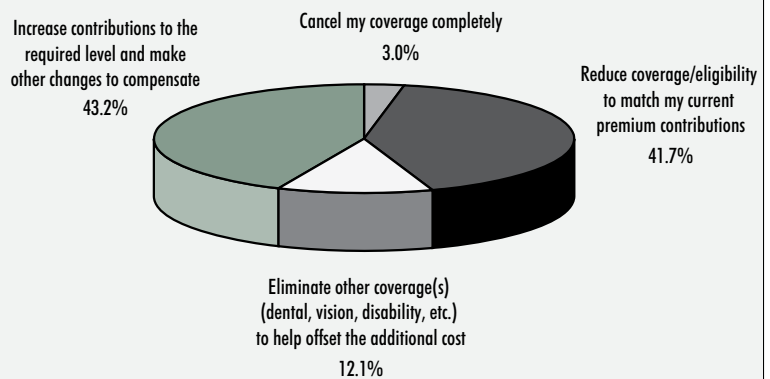
Close to 4 percent said they would likely terminate their current retirement plan(s) (see Figure 6).

Key Findings

When employers were asked if they would support the following provisions, they responded as follows:

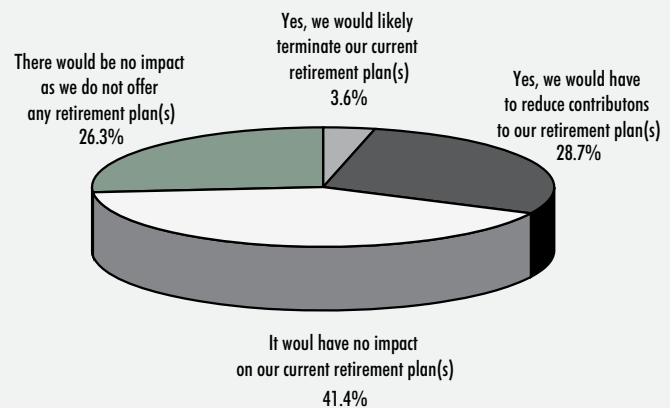
- **Mandated employer provided health care coverage for employees with a tax subsidy.** 7.5 percent said they would definitely support such a provision, 19.3 percent said they would likely support it, 42.9 percent said they would need to know

Figure 5. What Changes Would You Make to Your Plan?



(Source: The 2010 UBA Employer Opinion Survey Special Supplement, United Benefit Advisors)

Figure 6. Would Coverage Mandates Affect Your Retirement Programs?



(Source: The 2010 UBA Employer Opinion Survey Special Supplement, United Benefit Advisors)

more, 17.7 percent said they would likely not support it, and 12.7 percent said they would definitely not support the provision.

● **Immediate mandate for coverage with tax penalties for non-participation.** 6.7 percent said they would definitely support such a provision, 15.4 percent said they would likely support it, 26.6 percent said they would need to know more, 25.2 percent said they would likely not support it, and 26.1 percent said they would definitely not support the provision.

● **Provide coverage for preretirement age employees via Medicare.** 7.6 percent said they would definitely support such a provision, 19.9 percent said they would likely support it, 42.9 percent said they would need to know more, 17.0 percent said they would likely not support it, and 12.6 percent said they would definitely not support the provision.

Each of these provisions are included (to some degree) in the new legislation.

Employers generally have little faith the current effort will improve costs. More than two-thirds stated they believe health care costs will continue rising, while only 8 percent anticipate any resulting savings.

In addition, employers want their employees to become more personally responsible for their own health care and support mandated wellness programs and employee access to the information needed to make good decisions. □

Source: The 2010 UBA Employer Opinion Survey Special Supplement, United Benefit Advisors (UBA). Additional results relating

to health care in general will be available in the 2010 UBA Employer Opinion Survey, which will be released in April, 2010. For additional information go to clocaschio@UBAbenefits.com.

For more information on *Corporate Counsel*, go to www.law.com.

Improving Cash Management

CONTINUED FROM PAGE 1

performance criteria to determine “best in class” companies when it comes to maximizing cash management.

These top performers (20 percent of respondents) averaged:

- DSO of 21 days—32 days better than their peers; and
- 84 percent cash flow accuracy forecast—35 percent above that of their peers.

By contrast, the industry average companies (50 percent of respondents), averaged 39 days DSO and a 68 percent cash flow accuracy rate. “Laggard” firms (the bottom 30 percent of respondents) had a dismal 72 days DSO and just a 51 percent cash forecast accuracy rate.

The full 30-page study details the steps companies can take to achieve the enviable results demonstrated by the best in class.

Pressures Affecting Cash Management

Midsize companies, according to Aberdeen, are the hardest hit by the ongoing credit crunch—combined with a “no-growth” economy—as clearly shown in Figure 1. For example, 62 percent of respondents at midsize organizations (\$50 million to \$1 billion in annual revenues) report their top pressure to enhance management of cash is a no-growth economy and global downturn. Not far behind, 46 percent of respondents at small companies

Current Subscribers: Time to Renew?

Renew your current subscription to *Controller's Report* TODAY. Call us at 1-800-401-5937 or renew online at www.ioma.com/renew.

(under \$50 million) cite this pressure, while far fewer (24 percent) do so at the large firms (over \$1 billion).

Similarly, 50 percent of respondents at midsize companies say the global financial crisis and tight credit markets are the key driver. This pressure, however, is cited by more respondents at large organizations (39 percent) than at small companies (30 percent).

Accounts Receivable Key to Impacting Cash

Where are professionals looking for the means to increase liquidity and speed cash flow? The largest number (53 percent)—as would be expected—view accounts receivable as the key source to positively impact cash, well ahead of accounts payable (36 percent) or treasury (24 percent). (See graphic on front page.)

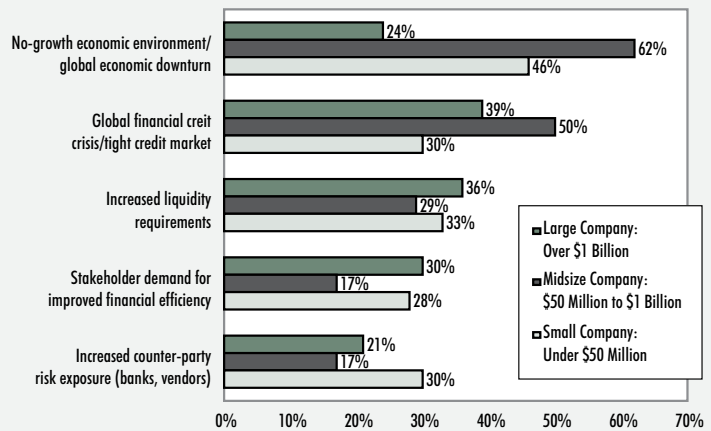
Obviously, the faster and more efficiently receivables can be collected, the sooner that cash can be utilized to meet company goals, also lessening the need to borrow under often onerous terms.

Strategies to Enhance Cash Management

The Aberdeen study found that best-in-class companies in this survey are not typically holding off on paying invoices as long as possible. Those with the lowest DSO, in fact, are paying more promptly on average in order to capture discounts for early payment or minimize late payment fees. For example, only 26 percent of best-in-class organizations in this survey stretch out their payments as a strategy to improve cash management, while 31 percent of all other respondents do so (see Figure 2). Nevertheless, as every controller knows all too well, the stretching out of payments by customers remains a serious problem overall.

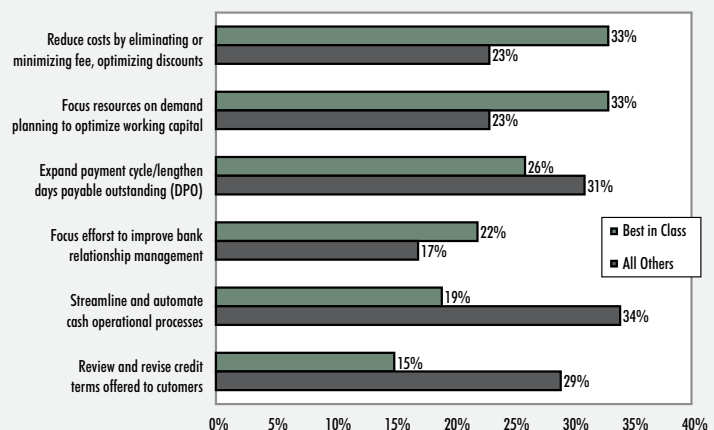
The five other top strategies to improve cash management to emerge from this survey are listed in Figure 2. All the top strategies, notes Aberdeen, are operationally based. Streamlining and automating processes, like the acceptance of electronic payments from customers or automating cash application, not only realize efficiencies but also cut costs. □

Figure 1. Top Pressures Affecting Cash Management*, by Annual Revenues



* Respondents were asked to select the top two pressures affecting cash management (Source: Aberdeen Group)

Figure 2. Top Pressures Affecting Cash Management*, by Best in Class Versus All Others



* Respondents were asked to select the top two strategies for improving cash management (Source: Aberdeen Group)

Increase Efficiency

CONTINUED FROM PAGE 1

to be the decision maker (61 percent) in companies of 5,000 to 10,000 employees (see Figure 1).

Controllers hold the most buying influence (61 percent) in the professional services sector, but only 27 percent of the controllers in that sector report that they are the actual decision maker (see Figure 2).

Controllers are most likely (67 percent) to be the decision maker in companies with larger AP departments (21 to 30 employees), while more than a third with the largest AP departments are also likely to be involved as project participants (see Figure 3).

The controller (44 percent), purchasing manager (43 percent), and CIO (42 percent) hold nearly equal buying influence across the AP enterprises surveyed, while the AP manager (36 percent) and CFO (35 percent) hold less authority. The CEO is likely to influence the buying decision in only a fifth of the surveyed organizations (21 percent).

What's in Place, What's Next, What's Nixed

Regardless of number of employees, on average, 81 percent of organizations have a centralized AP system in place on a common system.

Just under a quarter of organizations (24 percent) with more than 50,000 employees

are more likely to have decentralized processes on different systems.

Paying by direct deposit and ACH are the two processes that have been in place the longest (more than three years) for close to half (46 percent) of AP departments. P-card programs follow closely for 41 percent of organizations.

The technologies recently adopted by the greatest percentage of survey respondents are pay by ACH (67 percent) and pay by direct deposit (62 percent). Other widely adopted AP technology solutions include purchasing cards (P-cards, 58 percent); sending remittance information to vendors by e-mail (45 percent); and automating travel and entertainment (T&E) expense reporting and back-end imaging (both 43 percent).

Implementing or increasing the use of electronic invoicing and payments were the top two AP automation process goals for 2010. The move to outsource AP functions ranked low, with only one percent reporting that their goal was to identify, evaluate, or move processes to outsourcing.

Within the next year, electronic invoicing (13 percent), front-end imaging and workflow (10 percent), and Web portals for vendors to submit invoices (9 percent) are the three most popular technologies on the drawing board for implementation.

Responses for use of other technology by survey respondents include the following:

Figure 1. Role of Controller by Company Size

	Decision Maker	Buying Influence	Project Manager	Project Participant	No Role
Less than 1,000	37.6%	48.2%	18.3%	19.3%	11.2%
1,000 to 5,000	55.0	39.6	18.1	24.8	9.4
5,000 to 10,000	60.9	42.0	15.9	13.0	11.6
10,000 to 50,000	42.4	45.5	7.6	22.7	21.2
More than 50,000	45.0	45.0	0.0	25.0	15.0
Overall	46.9	44.3	15.8	20.8	12.2

- Pay by American Express through e-mail
- Electronic approval
- Consignment settlements in SAP
- Non-receivable ERS for services
- e-Payables (vendor payments)
- Business intelligence/spend analysis
- Paymode/ePayables
- Electronic payments through a bank
- Automated invoice approval routing
- T&E (electronic receipting from vendors)
- AP workflow (hands-free processing/tolerances)
- Automated entry of recurring fixed cost invoices (leases, etc.)
- E-mail invoices into central mailbox
- Distributed workflow approvals
- Outsourcing
- American Express/Concur/eExpense
- B2B invoicing
- I-Procurement
- Positive pay
- Ariba Purchase-to-Pay application
- Automated Workflow (PO/invoice processing)

Eighteen percent of AP departments cite the increased use of the Web as a top goal over the next one to three years as they plan to utilize it for vendors to submit invoices and for obtaining invoice and payment status.

Utility/energy organizations lead the way with AP automation initiatives, with almost a third (31 percent) planning to install or increase the use of electronic invoicing.

Figure 2: Controller By Industry

	Decision Maker	Buying Influence	Project Manager	Project Participant	No Role
Financial Services	50.0%	32.4%	5.9%	11.8%	19.1%
Education	54.8	41.9	12.9	9.7	9.7
Utilities/Energy	51.5	48.5	15.2	12.1	18.2
Travel/Transportation Services	42.9	42.9	21.4	28.6	7.1
Manufacturing	50.0	45.2	22.1	28.8	5.8
Government/Non-profit	58.3	44.4	19.4	16.7	13.9
Health care	43.9	43.9	16.7	25.8	16.7
Wholesale/Retail	36.4	47.7	15.9	27.3	11.4
Professional Services	27.3	60.6	12.1	15.2	15.2
Information Technology	50.0	31.8	18.2	27.3	13.6
Other	46.0	50.0	14.0	18.0	6.0
Overall	46.9	44.3	15.8	20.8	12.2

Figure 3: Controller By AP Department Size

	Decision Maker	Buying Influence	Project Manager	Project Participant	No Role
Less than 3	43.8%	42.1%	19.8%	18.2%	13.2%
3 to 5	41.0	50.0	18.0	21.3	9.8
6 to 10	52.7	40.9	19.4	20.4	9.7
11 to 15	56.6	47.2	13.2	18.9	15.1
16 to 20	50.0	38.9	8.3	19.4	11.1
21 to 30	66.7	37.0	7.4	14.8	3.7
More than 30	34.7	46.9	6.1	32.7	22.4
Overall	46.9	44.3	15.8	20.8	12.2

Travel/transportation services were most concerned (39 percent) with improving efficiencies and/or timeliness. Almost a quarter (23 percent) of respondents in professional services listed reducing costs as a top goal.

Realize the Potential of Automation

The market is ripe with a host of options for automating AP functions—from moving to

an on-demand software as a service (SaaS) to implementing a fully integrated end-to-end in-house solution that streamlines processes from the front end through the back end (i.e., data capture to e-payables).

Indeed, automation has the power not only to transform the way AP functions, but also to move the department's organiza-

Key Technology of AP Automation: A Process-by-Process Analysis

The AP Automation 2010 Report, conducted by IOMA, includes key findings and analysis of the existing and planned use of automation for AP departments. Here is a breakdown of the findings on the key technologies currently being implemented by the respondents:

- **E-Procurement.** One-third of survey respondents have already implemented e-procurement, while almost half of survey respondents (45 percent) without this AP technology have no plans to implement it. Two of every five responding organizations with more than 30 AP department staff members have had e-procurement in place for more than three years, and 21 percent of those with 21 to 30 AP employees plan to put it in place within three years.

- **Evaluated receipts settlement (ERS).** More than a quarter of energy/utility organizations and 17% of manufacturing organizations have had ERS in place for more than three years. Only one in 10 respondents in government/nonprofit and information technology has it on the implementation agenda over the next one to three years, and in other industries the percentages are even lower. Companies with fewer than 1,000 employees overwhelmingly (85 percent) report that they have no plans for its implementation.

- **Back-end Imaging.** According to survey respondents, 42 percent of their organizations are using back-end imaging. Half of larger-sized organizations, with from 10,000 to more than 50,000 employees, have had back-end imaging in place for more than three years. Similarly, most organizations (60%) with larger-sized AP departments (more than 30 employees) have had back-end imaging in place for more than three years.

- **Front-end Imaging.** Thirty-three percent of organizations plan to use front-end imaging and workflow within three years, with almost 16 percent doing so within a year, and the rest within three years. AP departments with three to five staffers are on top, with 46 percent of them adding this technology.

- **Electronic Data Interchange (EDI).** While a number of industries have had EDI in place for more than three years (led by utilities/energy at 46 percent), it is currently

being newly implemented by a number of industries. EDI is a mature process in those enterprises with 10,000 or more employees but has not caught on with smaller enterprises (those with fewer than 1,000 employees). Ten percent of organizations across all industries have plans for future implementation within three years.

- **Web EDI.** A majority of companies (63 percent) across all industries have no plans to use Web EDI, but 11 percent have conservatively planned for its implementation within three years. AP department size does not appear to be a factor in the use of Web EDI. When it comes to planned implementation, however, larger AP departments are moving ahead: 17 percent of enterprises with 16 to 20 AP staffers are planning to implement Web EDI in the next year, and it is on the drawing board over the next one to three years for departments with more than 30 staffers.

- **Negative assurance or assumed receipt.** Negative assurance or assumed receipt is not widely used in any industry. An overwhelming majority (87 percent) have no plan to use it. Just 16 percent of larger companies—those with 10,000 or more employees—have had the technology in place for more than three years.

- **Electronic invoicing.** Electronic invoicing has been in use the longest (more than three years) in utilities/energy. Just over half (52 percent) of larger-sized companies (more than 50,000 employees) have had electronic invoicing in place for more than three years. Almost 20 percent of companies with 10,000 to 50,000 employee plan to implement electronic invoicing within one year, and just over 20 percent of companies with 1,000 to 5,000 employees expect to add this technology within three years. AP departments with smaller staffs are least likely (under 10 percent) to use electronic invoicing now or to be planning to implement it in the next year.

- **Optical character recognition (OCR).** Just 6 percent of surveyed companies have used optical character recognition for more than three years, and the same percentage have used it for one to three years. Even fewer—5 percent—implemented its use within the last year. In addition,

tional role from transactional to analytical, regardless of industry, company size, or AP department staff size.

Controllers need to arm themselves with research and benchmarking in order to shed light on the current and planned use of technology in selecting, planning, and executing their automation transformation projects.

Editor's Note: IOMA's *AP Automation 2010 Report* is based on the responses of AP professionals representing 539 organizations across a broad spectrum of industries. It is broken down by industry, company size (number of employees), and AP department staff size. For more information, go to www.ioma.com. □

more than half (56 percent) of companies surveyed have no plans to use OCR. A quarter of companies with large AP departments (21 to 30 employees) plan to use OCR within three years, followed closely by those with three to 10 employees.

- **Automated Travel Booking.** Thirty percent of survey respondents in travel/transportation services and financial services have had automated travel booking in place for more than three years. More than half (55 percent) of larger-sized companies, those with 10,000 to 50,000 employees, have had automated travel booking in place for more than three years, but just 9 percent of smaller-sized companies with fewer than 1,000 employees have used the technology that long.

- **Automated T&E reporting.** Almost half (44 percent) of survey respondents recognize the importance of automated T&E reporting to help reduce costs. More than half (56 percent) of larger-sized enterprises, those with 10,000 to 50,000 employees, have had automated travel and expense reporting in place for more than three years, while 14 percent of smaller-sized companies with up to 5,000 employees will add this technology within three years.

- **Purchasing cards (P-cards).** P-cards are used by 58 percent of survey respondents. Information technology companies seem to be the most reluctant to use P-cards, with nearly half (48 percent) reporting that they have no plans to do so. More than half of companies of all sizes are using P-cards. In general, organizations with larger AP departments have been using P-cards the longest.

- **Paying by ACH.** ACH is being used by 68 percent of survey respondents. Companies of all sizes have generally had ACH in use for more than three years. Still, a quarter (26 percent) of companies with fewer than 1,000 employees say they have no plans to use it.

- **Paying by direct deposit.** Nearly half (46 percent) of all companies have been paying by direct deposit for more than three years. Company size appears to affect whether this technology will be used in the future: One-third of small companies (under 1,000 employees) have no plans to use

pay by direct deposit, while only 15 percent of companies with 5,000-plus employees feel the same. The larger the AP department, the more likely pay by direct deposit is in use.

- **Web portals.** Just 6 percent of survey respondents are using Web portals for vendors to submit invoices. Some industries seem particularly reluctant to move toward Web portals—as reported by 67 percent in education, 57 percent in professional services, and 56 percent in wholesale/retail. Of the companies that are planning to use this technology, more are looking at a timeline of from one to three years than at briefer timeframes.

- **Use of Web portals for vendors to obtain invoice and payment status.** This is not on the agenda for many AP enterprises, with 53 percent having no plans to implement such portals. More than half of companies with 10,000 to 50,000 employees have had the Web portal in place for under a year, while a third of companies with more than 50,000 employees plan to have it up and running within one to three years.

- **Automated sales and use tax verification and/or calculation.** Most industries have no plans to put it in place. Almost half (47 percent) of larger-sized companies, those with more than 50,000 employees, have used this process for more than three years, and another 16 percent will put automated sales and use tax verification and/or calculation in place within three years. Almost one in five AP departments (17 percent) with 21 to 30 staffers report that it is on their implementation agenda within three years.

- **Supplier-initiated ACH debits.** Almost three-fourths of respondents report that they have no plans to use supplier-initiated ACH debits, although one-quarter of respondents in wholesale/retail have had it in place for more than three years. Neither company size nor AP department size appears to affect implementation of this technology.

Automating processes that have historically been resource-intensive elevate AP's function by allowing staff to focus on value-added tasks that can contribute to the organization's bottom line return-on-investment.

THE CONTROLLER'S REPORT

1 Washington Park, Suite 1300
Newark, NJ 07102-3130

PERIODICALS

SUBSCRIBE TODAY!

- YES!** Please enter my subscription for 12 issues of *THE CONTROLLER'S REPORT*, which entitles me to electronic access to the current and all back issues in the newsletter section of www.ioma.com/issues/CR for \$457, plus \$18.95 S/H.*
- I'd like to save \$183 on a two-year subscription for \$731, plus \$37.90 S/H.*
- YES!** Rush me *IMPROVING THE FINANCIAL CLOSE: 2010 BENCHMARKS & ANALYSIS* for \$395 plus \$16.95 S/H. (Report #3766C)
 - Enclosed is my check for \$ _____
 - Bill me/my company.
 - Charge my: Visa MasterCard AMEX

Card #: _____ Exp. _____

Signature: _____

Tel.: _____ Home Office

Name/Title _____

Company _____

Street _____

City _____ State _____ ZIP _____

E-mail: _____

Send my subscription via e-mail

MAIL TO:

IOMA Subscription Department
1 Washington Park, Suite 1300
Newark, NJ 07102-3130 CR 10-05

Phone: 973-718-4700 or fax to: 973-622-0595

*By purchasing an individual subscription, you expressly agree not to reproduce or redistribute our content without permission, including by making the content available to nonsubscribers within your company or elsewhere.

NEW FROM IOMA RESEARCH REPORTS

Improving the
Financial Close:
2010 Benchmarks & Analysis



For the 2010 edition of this best seller, IOMA Research has conducted a major study that uncovers best practices and benchmarks for the financial close in organizations of all sizes.

The report shows how the surveyed CFOs, accounting managers, and controllers manage their closes and the issues that are most important to them. The report includes:

- ✓ Discussions of underused best practices and often-neglected opportunities to accelerate the close
- ✓ Analysis of survey data on scheduling and timing of 10 key closing activities
- ✓ Over 100 best practice "successes" from the professionals who implemented them
- ✓ Best practices versus IT: Which approach is best for you?
- ✓ 33 key best practices, ranked in importance by survey respondents
- ✓ Detailed analysis of the number of employees and staff hours needed for your close
- ✓ And much, much more

Order your copy today on the coupon to the left or call 1-800-401-5937, ext. 2, and ask for report 3766C. You pay just \$395 (plus \$16.95 S/H).