



Virtualizing Financial Operations

Strategies to Thrive in a Post-Pandemic Era



The sudden and severe onset of the COVID-19 pandemic has caused seismic strategic and operational shifts for finance departments.

The requirement for organizations to work from home has immediately brought into focus the operational challenges of highly-centralized, paper-based financial processes. On a more medium-to-long basis, the potentially huge downturn in revenues for organizations across the business spectrum has made the need to understand spend and control costs even more critical. Improved efficiency and insight are no longer nice-to-haves for finance teams, but are critical to organizations' survival.

While business travel has declined over the past weeks, many employees continue to submit expense reports related to work from home expenses, whether for one-off purchases such as monitors and keyboards, or reimbursement for internet and cell phone bills. Vendors will continue to have invoices that need to be processed, approved, and paid.

Now is a critical time for finance departments to optimize and virtualize their processes, both to support operations during the current pandemic, and also to thrive in a post-pandemic world.

Inefficiencies and Lack of Insight: The Challenges of Manual Financial Processes

Business may have slowed down since the onset of coronavirus, but this hasn't reduced the need for organizations to reimburse employees for out-of-pocket expenses, or pay vendor invoices. Similarly, while the number of travelers submitting expense reports has declined, many employees who didn't traditionally submit expenses are now doing so for stay-at-home costs that they incur.

As finance departments have needed to become geographically dispersed, organizations previously relying on centralized and paper-intensive approval and payment processes have suddenly found themselves facing enormous challenges. Employees who submit expense reports need to collect and attach receipts to printed spreadsheets, and then mail them to the organization's office for approval. Similarly, physical invoices previously received centrally by mail/courier and then sent around the organization for approval now require an employee to travel to the office to collect the mailed documents, which they must then scan and email to managers and the finance team to secure approvals and process payments.

After collection, invoices and expense reports need to be scanned and then emailed to the appropriate approvers, and followed up on manually. Expense approvers need to manually verify that an expense is within policy, while invoice approvers need to verify policy, cross-check against purchase orders, and secure additional approvals dependent on transaction amount limits. After all this has been done, data needs to be manually entered into the GL system in order for payments to be processed.

As many organizations that retain predominantly paper-based processes still use manual check runs, working from home presents another challenge, as employees will need to physically visit the office each time checks need to be printed and mailed.

This is clearly an inefficient use of resources, particularly in an era where organizations need to maximize their focus on delivering the greatest possible impact and ROI from all activity. Beyond inefficiency, however, far greater are the financial challenges created by the knock-on impacts of manual processing.

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Key Challenges of Manual Expense and Invoice Processing

Increased risk of rekeying errors:

Manual data entry is inherently prone to rekeying mistakes, and the standard industry-wide benchmark for these errors is about one percent. While this may not have any meaningful financial consequences if Starbucks is entered as Starbucks for the merchant, inaccurate numbers or misplaced decimals can lead to considerable losses or accounting challenges.

Inability to effectively prevent out-of-policy and fraudulent spend:

A manual process requires both expense submitters and approvers to be very familiar with policies and limits in order to ensure compliance prior to approval, adding significant delays to both the submission and approval process. While the vast majority of expenses and invoices are submitted honestly, the small number of submissions that are intentionally outside of corporate policy or deliberately fraudulent stand a greater chance of being inadvertently approved, at a time when wasteful spend can be least afforded.

Lack of insight into spend patterns:

A significant amount of inefficient spend can be easily reduced simply by making smarter, data-based decisions. These include bulk or negotiated discounts with vendors and travel providers, or identifying and addressing pockets of wasteful or out-of-policy spend. However, data held in spreadsheets is inherently difficult to analyze and translate into trends and insights. This makes it challenging for financial teams to spot anything other than very obvious patterns, reducing organizations' ability to control spend effectively.

Challenges of records retention:

The IRS requires organizations to retain records of business transactions and employee expenses in an easily accessible manner in case of future audits. Managing and storing paper copies of receipts and invoices offsite, even if just for a short period of time, could open organizations up to liability issues, as well as simply being impractical. While some organizations may opt to manually scan these documents, this still presents a challenge for categorization, search and retrieval of images, which could cause future accounting and auditing issues.

Slower payments and reimbursements to vendors and employees:

While cash flow is critical, organizations must still adhere to their commitments to pay vendors and, even more importantly, reimburse employees in a timely manner—now more than ever. Organizations' inability to approve, process and make payments and reimbursements in a timely manner could seriously impact both the viability of suppliers as well as employees' own financial situations.

Inability to effectively manage and forecast cash position:

While the previous challenges could no doubt cause significant short- and long-term headaches for finance leaders, timely and accurate insight into an organization's cash position and flow can mean the difference between survival and insolvency during a financial downturn. The cumulative impact of misplaced or forgotten expense reports and invoices, slow approvals, and delayed entry of data into accounting systems can lead to a potentially catastrophic lack of insight into an organization's cash position.

Virtualizing and Automating Financial Operations to Deliver Efficiencies, Insights and Cost Savings

Turning paper-heavy, manual financial processes into virtualized online processes with real-time data extraction from images, smart approval workflows and sophisticated analytics capabilities can transform organizations and their finance teams. Removing the need for paper-based expense reports and invoices to be manually approved and entered into accounting solutions can dramatically improve efficiency.

With innovative mobile-centric solutions, sophisticated near-real-time optical character recognition, and data mapping capabilities, expense and invoice data no longer need to be manually entered by users in order to begin the approval and payment/reimbursement process. Business travelers can simply capture and upload a receipt image on their phone as soon as a transaction takes place. From there, it's automatically scanned, with merchant and transaction data extracted and mapped into the appropriate fields in an expense entry, ready for submission. Once submitted, expenses are automatically routed for approval, based on pre-configured rules. When all approvals have been made, expenses can be automatically exported into the financial system, with payment notifications sent to the bank to initiate ACH reimbursements.

The process is broadly similar for invoices. Electronic invoices can be emailed to a central receiving address, and paper invoices mailed to a central clearinghouse where they are scanned and uploaded. Based on the fields within the invoice that are extracted and mapped into the automation solution, line items are created with all applicable transaction and merchant data. Approval routings and spend policies can be applied based on the pre-configured business rules, and each approver in the chain will receive electronic notifications to sign off the invoice in turn. Finally, payments can be created either as needed or on a schedule basis via ACH, card, or check.

Organizations that move their expense and invoice solutions from paper to virtual processes benefit from a broad range of productivity improvements, while also reducing risk and increasing spend insight. These solutions can be rapidly implemented, so organizations can quickly move their teams to a virtualized environment.

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Key Benefits of Automated Expense and Invoice Processing

Touch-free data entry:

Eliminating the requirement to manually enter data—from creating the initial expense report to entering data into the GL system—can have wide-ranging cost benefits for any organization. Manually typing the information onto a spreadsheet or a financial system is highly time consuming, and prevents employees from focusing on activities with a greater financial benefit to the organization. In addition, removing the human element of data entry takes away the slowdown based on employee procrastination—submitting expenses is rarely high on anybody’s priority list—further speeding up the process. Furthermore, the high accuracy of sophisticated modern OCR solutions eradicates the potential for costly data keying errors.

Organizations that take the next step and integrate corporate credit card data feeds or purchase order systems into their expense and invoice automation solutions can further decrease the need for human intervention. Transaction data from card issuers can be automatically matched with purchase receipts to avoid the need for manual tick-and-tie processes. Similarly, invoice processing solutions can use sophisticated data extraction and mapping capabilities to automatically match purchase orders with corresponding invoices and shipping orders, reducing errors and minimizing reconciliation time.

Streamlined approval workflows:

Approval routing workflows are automatically configured into the expense and invoice solutions during the implementation process. This ensures that once submitted, they are sent to each approver in turn based on reporting lines, approval limits, GL codes and other characteristics. Each approver is automatically notified via email, and can view and approve the expenses or invoices either within their browser on a

laptop, or even on their phone on the mobile app. This can turn a multi-day approval process into one which can be achieved in near-real-time.

Once all approvals have been made, the item can be automatically sent to the accounting system, and an automated payment notification submitted to the bank. This process eliminates the requirement for any paper to be manually sent around the organization, eliminating misplaced documents and providing clear visibility into the approval process.

Automated policy enforcement:

Manually verifying expenses and invoices against corporate policies can be a time-consuming and often inaccurate task, which can lead to significant financial leakage. Deliberate expense and invoice fraud can also be difficult to identify, particularly if perpetrators use sophisticated schemes to cover their tracks. Spend policies can easily be integrated into expense and invoice automation platforms, removing the need for approvers to remember allowances or cross-check with employee handbooks.

Organizations can establish thresholds for any kind of expense, from flight and hotel costs, to meals and out-of-pocket spend, which can then be configured into the solution to either prevent submissions over the approved limit, or requiring submitters to explain any overage. Policies can be easily be relaxed or tightened as required, to help cost control.

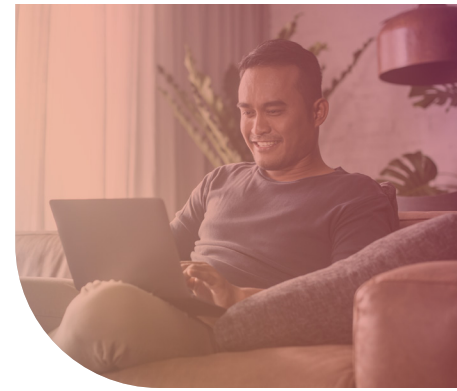
Timely spend visibility:

During a period where cash visibility and cash flow forecasting are critical to an organization's financial survival, the ability to track all outstanding spend in a timely manner is essential. Expense and invoice automation solutions enable transactions to be reconciled and moved to the balance sheet far quicker than using manual processes. In addition, finance professionals can create reports of expenses and invoices which have been submitted but are still in the approval cycle, allowing them to get a real-time view of outstanding spend.

Insightful data:

One of the greatest opportunities that expense and invoice automation offers for cost control is using insight into spend patterns to make smarter, more informed spend decisions. Instead of attempting to spot patterns and trends in complex spreadsheets, finance departments can create straightforward queries into areas such as category or merchant spend, or can easily visualize patterns of inefficient or wasteful spending. This could include tracking what percentage of hotel spend is made with a single chain, to negotiate and manage volume discounts, which can often be 20% less (or more) than advertised rates.

Alternatively, travel and finance teams could use dashboards to identify inefficient purchasing patterns—for example, an office or department that frequently purchases flights within two weeks of travel—to understand the reasons behind these and correct the behavior if needed. More efficient spend could reduce corporate outlays by millions of dollars without producing any impact on the organization.



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Conclusion

Virtualizing and automating corporate expense and invoice processing can have both immediate and long-term operational and financial benefits for any organization. In the short term, bringing all processes into the cloud can have drastic efficiency improvements for paper-based finance departments. They eliminate the time-consuming and costly paper chase for mailed, hard-copy expense reports and invoices, and dramatically cut down employee time spent on creating and processing them. In the current environment where employee productivity is critical, eliminating time spent on low value administrative tasks can lead to major efficiency improvements.

Virtualizing these operations may solve the immediate challenges presented by the current work from home environment, but the long-term cost control improvements of expense and invoice automation go far beyond simple increases in team productivity. Organizations that leverage these solutions' built-in capabilities—to prevent wasteful and inefficient spend, make smarter purchase decisions, and increase cash visibility—can experience deep, long-lasting financial benefits.



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