



**5 REASONS
NOW IS THE TIME
FOR FINANCIAL
INSTITUTIONS TO
AUTOMATE AP**

How automating accounts payable can save time, money and resources to strengthen your financial institution's operations in uncertain times.

What's Inside

5 ways that automating AP can streamline your financial institution's back-office operations to save you time and money while minimizing risk in these uncertain times:

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- 2. Eliminate Back-Office Inefficiencies (pg. 7)**
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Is Manual AP Costing Your Institution More Than Capital?

According to Raymond James, AP automation can **cut costs up to 75 percent** by eliminating paper checks, reducing labor expenses and minimizing late fees.¹

If your AP department is still wrestling with spreadsheets, stuffing envelopes and printing paper checks, your manual accounts payable process could be costing your bank or credit union a lot more than capital.

Outdated, paper-heavy processes are expensive, time consuming and prone to error. They also tie your AP team to a physical office, which can be problematic in the case of unexpected disruptions ranging from a natural disaster to the recent coronavirus pandemic.

If we've learned anything this year, it's that teams may be transitioned to telecommuting at a moment's notice — and those who are tied to the office with paper-heavy manual processes will face service disruptions, among other challenges.

There's a more efficient way to work that can have a positive ripple effect on all aspects of your institution's business: automating your accounts payable.

With all of the current changes and challenges, adopting a new accounts payable process may feel overwhelming, especially if you're comfortable with the system you've used for years.

However, there's no better time to adopt an easy-to-use solution that can be implemented quickly and seamlessly.

But how, exactly, can eliminating paper boost your bank's bottom line?

Does saving time really translate to revenue-generating efforts?

And what about compliance?

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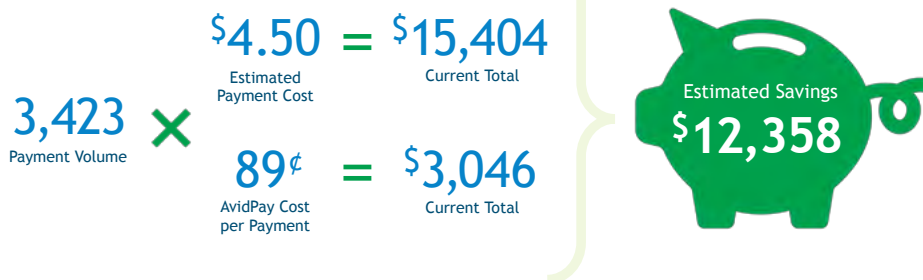
Save Money

Businesses in North America spend \$187 billion on AP processing annually. That's for direct processing and labor costs alone. The figure jumps to \$510 billion when indirect costs are factored in.²

Processing Paper Checks Is Expensive

Cutting paper checks is costing your bank or credit union money. Consider that it costs around \$4.50 to process a single paper check, including postage, labor and printing costs. Electronic payments from an **automated payment solution**, on the other hand, can cost as low as \$.89 per payment. Automating payments can generate significant savings over time.

Processing Checks Is 80% More Expensive Than Electronic Payments



Manual AP Processing is Slow

The time it takes to process payments can be just as costly as the postage and resources involved in the labor-intensive effort.

According to a report by **Deloitte**, payment delays are a major issue for 30 percent of middle market businesses, and payments take an average of 30 days with nearly half of payments arriving late.³ Contrast that with an e-payment like a virtual card, which can be processed in a matter of hours.

So how can slow payments affect your bank or credit union's bottom line?

To begin with, the lag time involved in sending paper checks via snail mail can translate to avoidable late fees. Slow payments can also make you miss out on rebates and "quick pay" discounts. A 2 percent discount for an invoice that's paid within 10 days may seem minor, but these types of incentives can add up to significant savings over the course of a quarter or fiscal year.

Save With E-Payment Incentives

Beyond saving money on check stock, envelopes and postage, many automated payment providers also offer e-payment incentives that can reduce the already low cost of processing an electronic payment. Opting for an automated AP solution that includes e-payment incentives also enables predictable and forecastable ROI.

Real-World Reality

*On a recent **BankTEL webinar**, Danielle Coleman, an Accounting Assistant at River Valley Community Bank, shared that in February, the cost of processing all 86 of the bank's payments for the month totaled just \$15.66, which represented the cost of payments minus reductions from incentives.*



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Eliminate Back-Office Inefficiencies

Automation reduces the invoice approval time **from an average of 28 days to 2.7 days.**⁴

The impact that automating AP has on overall efficiency goes well beyond dramatic time savings. The manual process is heavy on both materials and touch points, from printing a check and routing it for approval to stuffing envelopes, filing invoices and manually tracking everything on spreadsheets. Automating accounts payable significantly eases the workload on often overburdened AP departments.

Issues With Manual, Paper-Based Accounts Payable Processes



High Paper
Volume



Manual Invoice
Approval
Routing



Lengthy
Approval
Timelines



Overall
Inefficiency

Speed Up Invoice Approvals

Digitizing invoices saves time, money and trees. In addition to eliminating the burden of paper shuffling that manual systems demand, automated accounts payable systems make the data easily accessible in real time. That means payments can be accessed and approved anytime, and from anywhere. This visibility, control and convenience centralizes workflow and translates to operational efficiencies across the board.

Improve Visibility

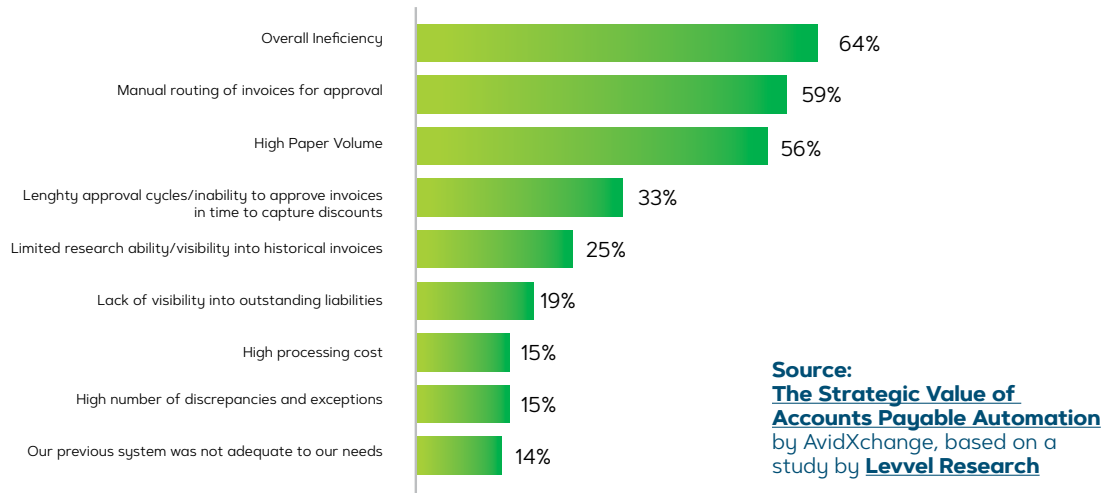
Automating accounts payable gives you full visibility into the status and history of all invoices. In a manual process, invoices can get lost in the shuffle and are often held up awaiting approval, which can lead to unnecessary delays. With automated payments, tracking is built in and visibility is complete. Anyone can see exactly where an invoice is in the approval process, and approvals can be made from any web-enabled device.

Streamline Remittance and Reconciliation

Automating accounts payable streamlines invoice reconciliation and remittance data processing, which can be done automatically without entering data into spreadsheets. Having immediate access to detailed reports makes it simple to analyze expenses for valuable insights and cash flow visibility in real time.

According to a study by [Level Research](#), back-office inefficiency was the biggest pain point that led businesses to automate their accounts payable process.⁵

What challenges ultimately led you to automate your AP process?



Real-World Reality

“It’s an understatement to say it saves us a lot of time. I don’t even know how to quantify it.”

Andrea Whitney
 Officer, Financial Reporting Team Lead Mercantile Bank of Michigan

*When the **Mercantile Bank of Michigan** was preparing for a merger, the bank automated their accounts payable to improve efficiency. At the time, a single, full-time employee was struggling to manage accounts payable for six branches. After automating their AP, growing to 48 branches and more than doubling their employees, a single employee now processes 2,000 invoices a month without issue.*



3

Minimize AP Errors and Fraud

"... **50 percent** of industry accounting personnel say their primary concern is how to manage or eliminate manual processes. They fear mistakes that could not only cost their company money, but a person their job." ⁶

Jenifer Barnum for Accounting Today

Eliminate Costly Mistakes

A payment error rate under 0.5 percent is the goal of most financial institutions. Anything higher indicates a process issue. However, according to the **Institute of Financial Management** (IOFM), more than two-thirds of businesses report an average payment error rate over 1 percent, and 10 percent of businesses report an error rate of 3 percent or more on supplier payments.⁷

AP departments at mid-sized financial institutions are often small and spread very thin. An overwhelmed accounts payable staff is more likely to make mistakes, from duplicate payments to data entry errors. These avoidable errors are costly, both in money and time spent correcting them.

An automated accounts payable system prevents duplicate payments and reduces data entry by anywhere from 50 to 95 percent. And with less data entry, of course, come fewer errors.

Minimize Fraud Risk

According to **JP Morgan's 2019 report on fraud**, 81 percent of companies were targets of payments fraud last year.⁸

The threat of fraud is on the rise as tactics grow more sophisticated and opportunistic criminals attempt to take advantage of disruptions like the coronavirus. IBM Security reports a more than 6,000 percent increase in cybercrime spam since the pandemic started.⁹ Financial institutions must remain on high alert for malware, check tampering and Business Email Compromise (BEC).

A data breach can cost financial institutions not only a financial loss, but a damaged reputation and lost trust with suppliers. In addition to real-time visibility into every payment, automating payments provides enhanced security like encryption that protects sensitive bank account information.

Electronic payments also eliminate the prevalent risk of paper checks being stolen and forged. According to a **fraud survey by the Association of Financial Professionals** (AFP), paper checks are the largest source of payment fraud.¹⁰ Around 75 percent of businesses that experienced AP fraud were targeted via checks.

The **Wall Street Journal** reports that attempted check fraud rose to \$15.1 billion in 2018, an increase from \$8.5 billion in 2016.¹¹ Automating payments completely eliminates paper checks and their associated risks.



4

Optimize Your Most Important Assets

“Too many community banks are self-sabotaging by doing what I call ‘**majoring in the minors.**’ They are focusing on non-value-adding activities and time-wasting tasks instead of directing their attention to the more important big picture: innovating in a rapidly changing banking environment.”¹²

L. T. “Tom” Hall for American Banker

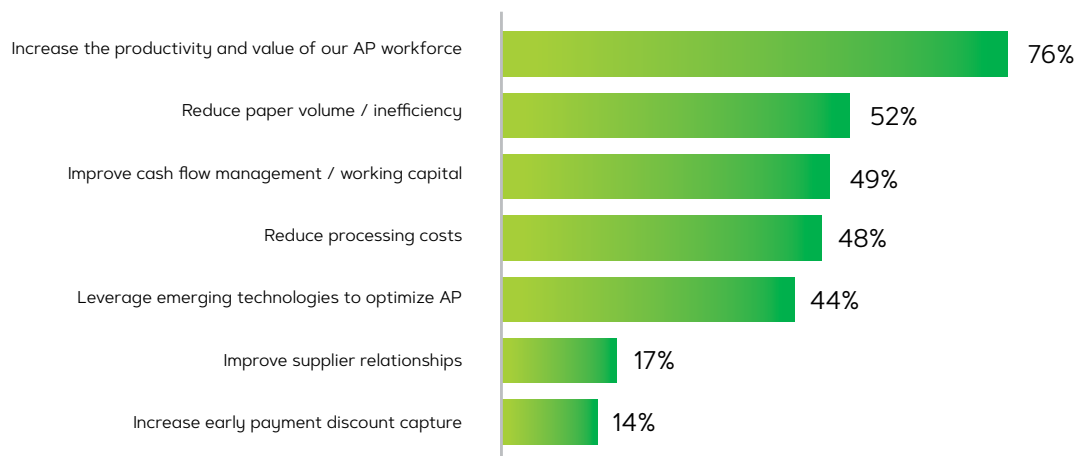
How many hours per week does your AP team spend entering invoices, coding, matching and cutting checks? How could their skills be put to better use if they got some of that time back?

Automating payments can help AP professionals leverage their skill set and abilities in the most productive ways. This found time can be dedicated to strategic, business-driving initiatives. Reallocating resources to focus on revenue-generating opportunities can help financial institutions remain competitive in a crowded industry.

This can also be crucial during disruptive times when you may need to pull your AP team into other critical, time-sensitive tasks. For example, does your institution expect to be overwhelmed by loan forgiveness applications for the Paycheck Protection Program? Reallocating resources from an AP department that's unburdened by manual payment processing could help you weather that particular storm.

According to the [Levvel Research study](#), increasing the productivity and value of the AP team was a primary goal for back-office employees.

Which of the following AP/financial management goals are most important to you in the next year?



Source:

[The Strategic Value of Accounts Payable Automation](#) by AvidXchange, based on a study by [Levvel Research](#)



5

Streamline Compliance

Automating your institution's accounts payable can simplify compliance by producing a clear and easy-to-access audit trail for both internal and external audits.


Digitized documents eliminate the dependence on cumbersome on-site file cabinets and endless paper-stuffed file folders. Enhanced controls and clear audit trails help AP teams proactively keep up with regulatory compliance and avoid fines and penalties.

With an automated system, your audit staff will have accurate accounts payable data at their fingertips, which makes it simple to follow digital trails and saves significant time, money and resources.

Real-World Reality

"I like the ease with which I can move around and do things. I can run reports, and everything I need is right in front of me. We get audited at least once or twice a year. With ASCEND, I can easily run reports and show what the approval process was."

Connie Grimes
Vice President of Operations First State Bank



What FIs Should Look for in an AP Automation Solution

No matter how much automating your accounts payable can benefit your financial institution, changing a process that's been in place for decades can seem daunting — but it doesn't have to be.

With the right solution, automating your accounts payable should be nothing short of easy. When considering software solutions, it's crucial that banks and credit unions look for the following factors to ensure a seamless transition:

Built-In Compliance



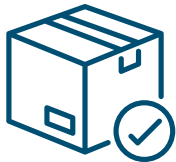
While automating AP can help you save money and optimize efficiency, these improvements may be undermined if compliance issues are left in question. In the heavily regulated banking industry, it's crucial that your software is built for compliance.

Industry Knowledge



Choose a software partner that knows your industry and has a long history working with banks and credit unions. Beyond questions of compliance, this will minimize your risk and ensure that your software is backed by an extensive knowledge base.

Easy Implementation



Automating your accounts payable shouldn't disrupt your workflow. Look for a system that can be implemented quickly, and adjusted for your specific concerns. Ask around, and be sure to select reliable software that's generally bug-free.

User Friendly



Nobody wants to invest a lot of time learning a whole new system, so ease of use is paramount. Look for a system that requires a minimal learning curve and provides exceptional ongoing support should questions arise.

Simple to Scale



Your software should be able to grow and evolve with your financial institution. Whether you face a pandemic-like disaster or you're merging and expanding, your AP automation solution should be able to change course with your institution without disruption.

About BankTEL

BankTEL helps financial institutions manage expenses with easy-to-use software solutions that maintain transparency, accountability, and regulatory compliance. BankTEL is the only international software company that focuses solely on accounting solutions for financial institutions, serving more than 1,700 financial institutions over a 28-year history.

Our client base is large, but our business structure is small, allowing for innovation, flexibility, and person-to-person relationships. We believe your accounting software should make your institution more secure and efficient.

Connect with one of our team members to learn more about how automating your accounts payable can benefit your specific institution.



Contact us:
662-228-4535

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www.banktel.com



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