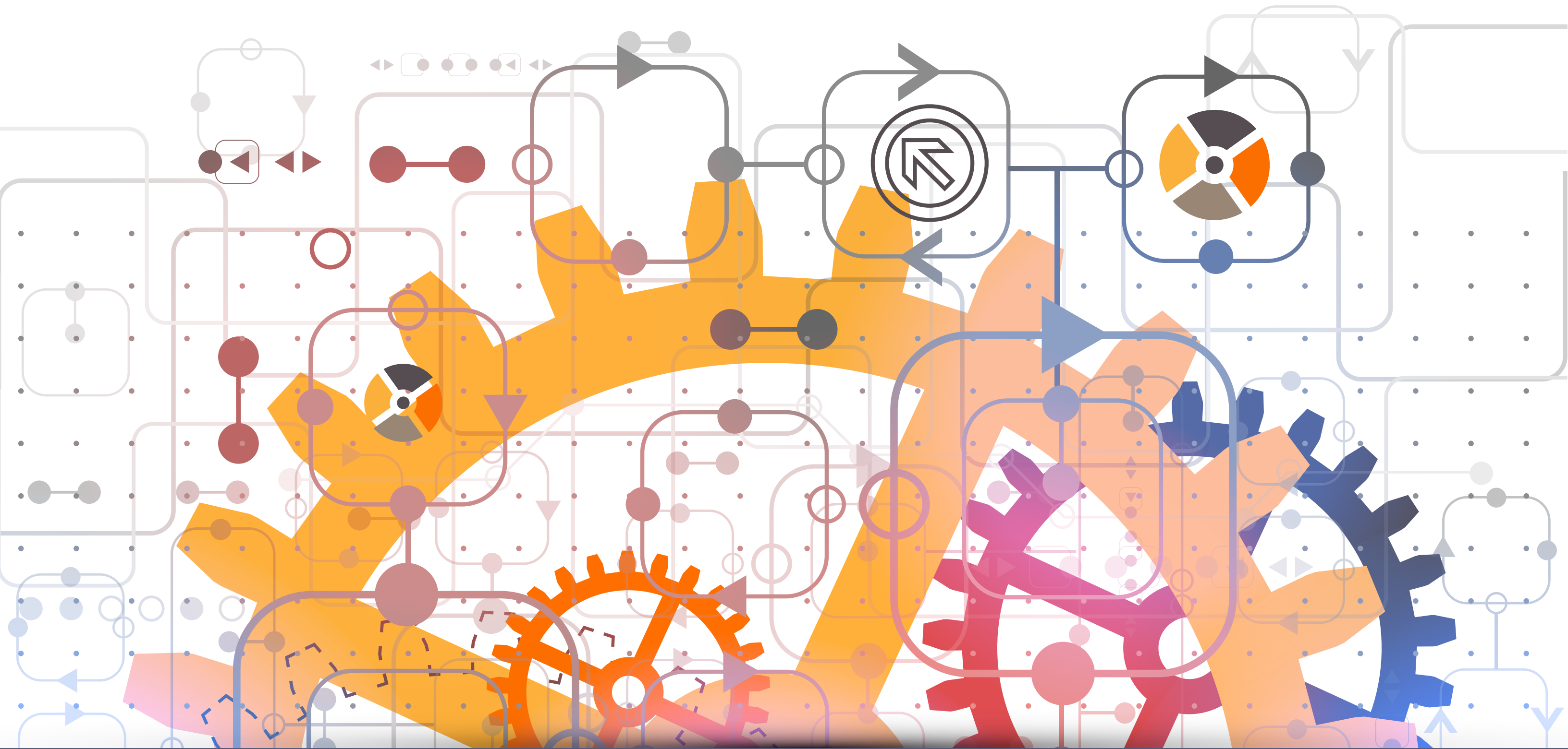

AP & AR AUTOMATION EXECUTIVE REPORT

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Keeping Your Company and Your Customers' Payment Data Safe

By, Jessica Pincomb Moran, Senior Vice President and General Manager, Cloud Payment Solutions

Today's cyber landscape allows tighter collaboration and communication between trading partners, which fosters process efficiencies and growth. As we share more data, the responsibility to keep that data secure becomes critical. According to a survey of over 1,000 chief financial officers and corporate controllers conducted by Grant Thornton, LLC, 59% indicated that undetected data breaches were the top cyber security and data privacy concern at their organization. Further, 54% were specifically concerned about customer / client privacy data being compromised. [1]

The implications of a breach are significant. For the last nine years Ponemon, LLC has been studying the costs associated with data breaches. According to their 2014 study[2]:

- The cost of a data breach increased from $188 to $201 per record and from $5.4 million to $5.9 million per organization
- More customers terminated their relationship with the company that had a data breach (with an abnormally high churn rate of 15%)
- Malicious or criminal attacks rather than negligence or system glitches were the main causes of data breach

It's no wonder that cyber security and the risk of an undetected data breach is top of mind for C-level executives, especially when it comes to managing the critical data surrounding payments. Transitioning from paper checks to electronic payment methods makes sense for a variety of reasons, not the least of which is the opportunity to save money.

However, moving to epayments carries inherent risks related to storing and managing payment data and banking information. Companies that successfully manage their data security can reduce this risk and give their trading partners the confidence they need to adopt epayments.

Key Considerations for Managing Your ePayments Risk

1. *Collection and maintenance of bank account data.* Ensure tight controls with segregation of duties around the data gathering process to include authenticating both the individual and the organization, obtaining the right documentation for payment authorization, verifying bank and account ownership and complying with ongoing regulatory requirements such as OFAC.
2. *Long term data security management* – Securing data begins with the acquisition and storage and follows it while in transit. This includes the encryption of data while moving between entities, the authentication of individuals that have access to that data as well as validating what they can access and do with that data.
3. *Improved visibility and control* – All data should have the appropriate audit controls that allow auditors and regulators to validate and certify the payment data. System notifications and alerts can provide checks and balances when sensitive data has been altered (such as bank account). Finally, a single view into audited payments detail can provide authorized users across the organization with better visibility into the same information.
4. *Monitor internal security* – It's important to limit access to sensitive data elements through encryption and permissions while tracking individual usage and restricting actions by job function. Allowing access to only known, authenticated IP addresses for exchanging data files is critical.
5. *Layer physical security* – System security should include offsite disaster recovery and system redundancy, individually zoned and badged access as well as ongoing system and intrusion prevention/detection testing.

Leveraging a Payments Network to Mitigate Your Risk

A payments network facilitates the exchange of financial information between payers and vendors, carries out the settlement, and provides payment information related to those transactions. Because the network takes ownership of vendor on-boarding and maintenance, automates processing and reduces or removes manual intervention, it supports straight-through processing (STP). Shifting the risk, and the underlying effort to manage epayments data in-house, to a trusted payments network can help companies benefit from the increased security, cost savings and process efficiencies that accompany payment automation.

[1]Securityinfonews.com, Survey: Potential for undetected data breaches worries CFOs by Joel Griffin On Jul 23, 2014

[2]Ponemon Study 2014. 2014 Cost of Data Breach Study: United States Benchmark research sponsored by IBM, independently conducted by Ponemon Institute LLC May 2014

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Back to Basics: Five Easy Ways to Improve Your AP Operations

By Matt Montgomery, Industry Manager for Financial Process Automation at Lexmark International

As finance and accounting professionals, we undoubtedly read many of the same research papers, analyst briefings and publications. They extol the benefits of dynamic discounting, virtual payment engines, virtual payment cards and a host of strategies to improve financial processes.

As exciting as these new techniques are, most come with a price tag – some with very big price tags – as well as the need to make radical changes to processes in place.

Certainly these initiatives are well worth the investment of effort because they can yield equally big benefits.

But not every process improvement plan requires significant investments in technology to produce impressive results. Here are five things AP professionals can do without breaking the bank or their budget.

1. Be sure you've mastered the basics.

Take a look at the controls you already have in place. Is work going through the way it was designed? Watch for all the "wonderful" user workarounds that may save time and seem logical to the people doing them, but could jeopardize downstream reporting.

Review how and when transactions are getting into your ERP. Data doesn't get better with age. The faster information is captured and recorded, the more accurate reports will be, allowing you and the business units you serve to make better informed decisions. In some instances, more advanced capture technology is required. But you may find you can ramp up data input by moving around resources, particularly at month-, quarter- and year-end.

2. Don't major in the minors.

Review processes and ensure you're getting value for the amount of resources applied.

What made sense when processes were originally mapped may not serve your organization's current needs. Let's say, for example, your approval process requires manager sign-off on purchases, but nearly two-thirds of your transactions are under $1,000, which only adds add up to about 1% of your spend. More often, in larger companies, we find that these transactions make up 40 to 60% of the work, but very little spend.

If you raise the level for approvals to $5,000, you will drastically reduce the workload and speed up processing, yet still have visibility into a significant portion of your organization's purchases. For one customer, 85% of the transactions were $5000 or less, but this made up less than 5% of the spend.

You can also take a look at the sequence and number of steps involved: Are they all necessary? Can you speed up a process by minimizing steps that go back and forth between the business unit and accounting?

3. List all the problematic issues in your last audit, and figure out how to improve them.

Once an audit is over, it's tempting to breathe a sigh of relief and promptly go back to business as usual. But if you can look at audits as learning experiences, you may find they point out shortcomings that are holding back your department in other ways.

Where did the audit team feel uncomfortable or continue to challenge on certain controls? Is there a reasonable opportunity for additional oversight? More documentation? Greater detail or visibility to activity history?

Was it difficult to pull data? When the auditor made the request for specific transactions were you able to easily provide all of the supporting data which connected the transaction lifecycle, i.e., the purchase requisition, purchase order, confirmation, invoice and payment information?

Were you able to easily demonstrate the process workflow and all documentation around exception management? Were you able to pull a detailed history of management sign-offs? Does a single repository provide access to all of this information?

How much research was the auditor able to do "self-service" instead of requesting the information and tying up your resources to deliver?

4.Expand existing technology to other areas.

Make the most of technology you've already purchased. If you're using document management and workflow to process invoices, figure out how to apply that technology to accounts receivable, vendor set-up and purchase orders. Users really prefer not to use too many different systems and overall workflow processes get executed much faster if the approver only has one place to go to see all of his/her pending approvals. Try to help streamline the work you need from them in one central location.

Implementation will be straightforward because staff, administrator and IT are familiar with how your existing technology works. Business users are accustomed to the look and feel of your current system, making adoption easier and less challenging. It's just a smart way to make the best use of resources and get the most out of your technology investment.

5. Focus your actions where they will have the most impact.

Getting invoices into your ERP even one or two days faster will make your cash forecast more accurate and help optimize your organization's cash flow. At the end of the quarter, treasury holds onto cash to pay invoices that may come in. This is an issue for any organization, but it's particularly troublesome if your company isn't a heavy user of purchase orders, which can be used as a predictor for when invoices will be received.

Make sure business units can actually use the financial data and reports they get. In many companies, technology analysts find a disconnect between the information that's provided and what business users really need. Survey your internal customers and be sure the time and effort spent on collecting data are paying off.

The keys to maximizing ROI with accounting automation

By, Tim Nero, Director of Back Office Solutions for Hyland Software

When there are inefficiencies in accounting, you have been trained to think: automation. The concept isn't new. But for financial executives, the fact that a department is automated is not enough –it is the realized benefits and return on investment that truly count. So when you are considering automation, don't just implement–capitalize.

As they adopt accounting automation solutions, CFOs should consider four things to make sure they are maximizing their return on investment.

Capitalize on faster processes

Tech-savvy CFOs know that by digitizing invoice processing, they save time and money. However, only 29 percent of organizations take advantage of early payment discounts.

By speeding invoice cycle time with automation, you gain the ability to negotiate deals with your vendors. Offering to pay invoices early in exchange for a discount is an offer many suppliers will take you up on. Even 1 or 2 percent adds up if it's a third of your spend.

In AR, when automating payment processing, it is critical to think of the end-game. As information is captured from the payment documents, that information needs to be validated before getting posted to your ERP or accounting systems—remittance line-items need to be balanced, remittance totals need to be validated against check totals and all of that information needs to be matched to open invoices. Not only is it critical for data to be accurate in the ERP or accounting systems, it is also important to reconcile the payment without slowing deposit. Well, beyond capturing and validating the remittance and check information automatically, consider using the same solution to create image cash letters to facilitate fast, electronic deposit–ultimately speeding cash flow.

Capitalize on instant information

From visibility into cash flow to better customer service, instant access to up-to-date information is critical. Accounting automation takes information confined to physical and electronic documents and validates and shares it with your other systems, without human intervention. But this does not only speed the process and reduce human error, it brings accurate information to accounting staff the minute they need it. Run reports or create graphical dashboards on this information to gain insight into cash flow. Allow your staff to have access to related documentation, such as invoices, payment documents and contracts, directly from your ERP or other accounting systems so the moment a customer or vendor calls, staff have access to all they need without needing to jump between systems to improve service and customer satisfaction.

Capitalize on scalable processes to reduce labor costs

Accounting automation reduces manual work, allowing your staff to process more documents daily, speed exception handling and quickly and effectively manage vendor and customer requests or disputes. So as manual work is reduced, leverage those employees to work on more important tasks or move them to other roles in the department to bring higher value to the organization. As these solutions continue to automate your processes, even with increases in document volumes, this allows you to reduce hiring needs and keep those needs low over time.

Capitalize on scalable solutions to truly transform Accounting

The way to realize the greatest ROI when looking into automation in accounting is to find a solution that can transform not one but many processes across the department. From vendor invoice processing, to order processing, billing, and customer payment processing–even tackling the financial close–there are many processes across accounting that can benefit from automation and digitization. To find one solution that can transform all of these accounting processes not only takes the burden off of employees to learn different systems but it makes it much easier for IT to maintain these solutions. Less training for employees, less burden on IT but increased efficiency across accounting processes means greater return on your technology investment.

To learn more about OnBase by Hyland for accounting and finance, visit OnBase.com/AF.