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Automation is key for an efficient AP process

Despite all of the advancements in technology to help automate and improve the quality of the customer facing leasing office and resident experience, including smart home technology and automated rent payment to name a few, one area where there is a significant upside opportunity for process improvement, operating efficiencies, and ROI, technologically speaking, is the back office.

This is particularly true when it comes to the accounts payable (AP) department. Managing the AP process can be a strain on back office resources for many businesses. Even more so if you are still paying bills manually.

Opting for manual or hybrid processes increases the risk of human errors, such as late payments or accidentally paying invoices twice. Not only does this introduce the potential for mistakes, but it also creates the possibility of slowdowns at various stages due to potential bottlenecks. Moreover, manual processes that include paper such as cutting checks raises the likelihood of fraud. Embracing modern solutions can mitigate these issues and streamline your workflow.

- **50%** of accountants say that human errors that are introduced through manual processes
- **42%** of respondents are concerned about potential delays that will result from missing or incorrect information being provided
- **72%** of businesses are spending 10 hours per week completing manual tasks that could easily be automated

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But the most significant problem that results from a manual AP process is the time and money it costs to operate. Business can spend upwards of $15 on average to process and pay an invoice manually when you take into account labor costs, including keying invoices, approving invoices, cutting the check, stuffing the check, scanning invoices, creating purchase orders, approving purchase orders. And that doesn't even take into account the material costs of paper checks, stamps, and envelopes.[2]

Calculating the monthly cost of processing invoices manually

Labor Cost = Employee hourly rate x hours spent processing invoices each month[3]

Infrastructure costs = monthly cost of ERP and other accounting systems

Physical goods = cost of stamps and envelopes x number of invoices/month

Transaction costs = monthly payment processing fees

Add all these monthly costs and divide by average number of invoices per month to calculate the cost to process an invoice.[4]

Setting up your accounts payable team for success

Does this sound familiar to you? You get an invoice from a vendor. It gets filed away for payment. Your team has to determine what the vendor's preferred payment is and then submit an ACH payment request or worst of all, cut a physical check. This might not seem like that big of a deal, but as your business grows and you have to do this process thousands of times per year, the hours and costs start adding up.
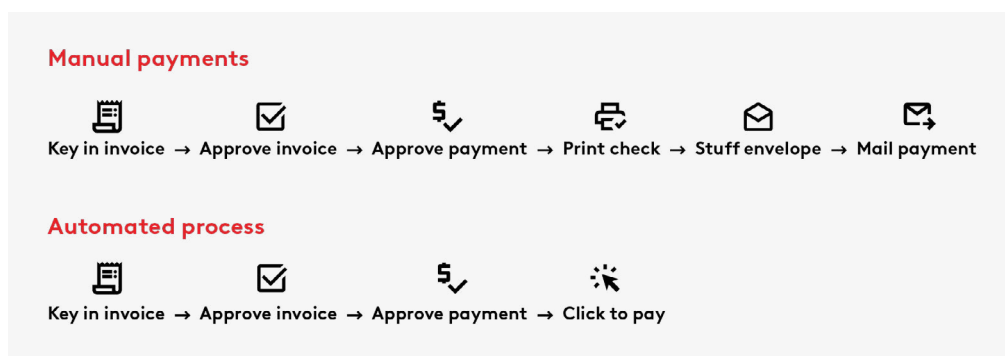
2 QuickBooks accounts payable automation
3 For every employee that is involved in processing and approving invoices
4 QuickBooks accounts payable automation

In an effort to find ways to make this process more efficient, you should evaluate each step to determine how long each step takes and if there are ways to improve those slower processes, either with automation or some other means.

At the same time, you'll want to evaluate the cost of each step and see if there are ways to reduce costs without impacting the quality or speed of the process or the experience for your vendors or customers. As accountants, we should be good stewards of the company's money and lead by example when it comes to fiscal responsibility.

Manual payments

Key in invoice → Approve invoice → Approve payment → Print check → Stuff envelope → Mail payment

Automated process

Key in invoice → Approve invoice → Approve payment → Click to pay

Consider this familiar scenario. One of the easiest costs to eliminate are transaction costs. When you use an ACH payment or cut a physical check there are costs ranging from .60 cents to $1.50 for every payment, but if you switch to a virtual card, those costs can be eliminated. For businesses that process 1,000 invoices a month that can be a savings of $18,000 annually.

That savings increases significantly when you start automating payment processing, which reduces much of the labor cost associated with accounts payable. When you're able to eliminate transaction fees and labor costs, you'll be paying just a fraction of the $15 per invoice described above. In fact, research has found that through automation and the elimination of fees, businesses can get their invoice processing costs down to as low as $2.90 per invoice.[5]

Streamlining accounts payable workflows gives you greater control of cash flow and payment standard operating procedures. In the world we live in with higher interest rates, systematically holding cash can pay real dividends to your business. Additionally, automation helps create workload scalability. For example, if an AP clerk utilizing manual processes can manage 10 properties

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5 QuickBooks accounts payable automation

but with automation can conservatively manage 15, and you manage 60 properties, you just saved yourself two full time AP positions all while improving operational efficiency.

Limiting fraud in the AP process

When it comes to preventing fraud in the AP process, there is good news. According to the 2023 AFP Payments Fraud and Control Survey Report, efforts being made to mitigate fraud are working. Since its peak in 2018 when 82% of organizations reported they were victims of either attempted payments fraud or actual attacks, that number has steadily declined. The most current data from 2022 shows that just 65% of organizations were victims of payment fraud attacks/attempts.[6]

That doesn't mean bad actors have given up. They've started targeting emerging payment methods. While checks and ACH debits and credits remain high on the list of targets, corporate credit cards, virtual cards, and mobile wallets each saw an increase in fraudulent activity from 2021 to 2022.[7]

One of the primary forms of attack is the Business Email Compromise (BEC), which is "a type of cybercrime where the scammer uses email to trick someone into sending money or divulging confidential company info[8]." More than seventy percent of all organizations experienced a BEC attack in 2022.[9] Accounts Payable (AP) departments are most susceptible to BEC fraud, 58 percent of respondents report that their AP department was targeted by email scams.[10]

These scams are often perpetrated by individuals outside of your organization using sophisticated phishing and spoofing techniques, so be sure to have the right tools and training in place so members of your team know what to look for when processing payments. Beyond that, businesses should have guard-rails in place to verify and vet vendors before issuing payments to them. One way to reduce and mitigate fraud is by incorporating automated processes that will act as a first line of defense against potential fraud.

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6 2023 AFP Payments Fraud and Control Survey Report
7 2023 AFP Payments Fraud and Control Survey Report
8 Business email compromise (BEC) defined
9 2023 AFP Payments Fraud and Control Survey Report
10 2023 AFP Payments Fraud and Control Survey Report

What can Entrata Bill Pay do for me?

Make payments fast and easy with Entrata Bill Pay. The solution includes seamless workflows, built directly into the Entrata operating system that enables you to process your vendor payments securely and efficiently. It also delivers multiple payment options to choose from, which means vendors get paid with their preferred payment method.

- **Setup in a Snap** - It only takes a few clicks to enable Bill Pay, authorize your bank accounts, and be ready to process payments.
- **Payment Types for Every Need** - Take advantage of a full suite of payment types including ACH and paper checks, with Virtual Card coming soon.
- **Upgraded Security** - Bill Pay leverages vendor banking information found in VendorAccess. Only vendors can update this information which reduces the chance for payments to be sent to unintended accounts.

- **Vendor Satisfaction Guaranteed** - Entrata's Vendor Enablement team ensures vendors are set up in VendorAccess to receive Bill Pay payments so you have one less thing to manage.
- **Reconcile Painlessly** - An ACH withdrawal occurs for each payment processed with Bill Pay which means it's easier than ever to check payment record and accuracy.
- **Save Time** - Regardless of how you choose to pay, your scheduled payments use Entrata's existing AP workflow for approvals and tracking.

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helping clients achieve and exceed their goals.

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