

# Accounts Payable Automation Strategies





## Accounts Payable Automation Strategies Beyond Invoice Scanning

For customers completing a digital transformation, a consistent goal is to process more with fewer resources. One key area of the business where executives consistently look to reduce costs and increase efficiency is processing Accounts Payable invoices. Challenges processing Accounts Payable can create cash management problems, reduce goodwill with vendors, and even impact sales when invoices to vendors are not paid according to terms.

Oracle has marketed the increased efficiency of utilizing their Intelligent Document Recognition (IDR) process for scanning invoices. While the scanning technology has improved dramatically over the last decade, a more holistic approach is required to drive transformation throughout the process.

In this white paper, we will review the following strategies for how they impact the internal effort, the effort for suppliers, and the overall impact on the Accounts Payable process.

Oracle Cloud Accounts Payable Strategies beyond document scanning:

- Distribution Sets
- Default Coding
- Intelligent Account Combinations
- Defaulting for Invoices
- Alias
- Purchase Order Coding
- Pay on Receipt
- Recurring Invoices
- Multiperiod Accounting
- Lease Management
- Supplier Portal Invoices
- EDI
- Auto Approvals

### Distribution Sets

Internal Effort	Supplier Effort	Process Impact
○	○	●

Distribution Sets are one of the most powerful and simple approaches to streamlining the invoice process. Distribution sets allow for administrators to define single or multiple-line distributions that can be quickly leveraged in data entry.

A great use case for a distribution set is to define a standard distribution for utilities or a corporate expense that you want to spread across multiple cost centers. The distributions do not have to be even, but they cannot be driver-based. If the distribution needs to be driver-based, you should book to a single account and then leverage allocations to distribute.

Distribution Sets are defined by administrators with the Distribution Percentages, Line Description, and Distribution Combination.

**Edit Distribution Set: Telephone Expense (Full)**

Business Unit: US1 Business Unit  
 Name: Telephone Expense (Full) \* Distribution Percentage: 100  
 Description: Full distribution set, creates distributions with set percentage amounts  
 Inactive Date: m/d/yyyy  
 Context Value: [dropdown]

**Distribution Set Details**

* Line	* Distribution (%)	Description	* Distribution Combination
1	4	Telephone Expense	101.10.64510.110.000.000
2	4	Telephone Expense	101.10.64510.120.000.000
3	4	Telephone Expense	101.10.64510.121.000.000
4	4	Telephone Expense	101.10.64510.220.000.000
5	4	Telephone Expense	101.10.64510.231.000.000
6	4	Telephone Expense	101.10.64510.250.000.000
7	4	Telephone Expense	101.10.64510.440.000.000
8	4	Telephone Expense	101.10.64510.450.000.000

Users then can select the Distribution Set at the line level.

**Invoice Header**

Identifying PO: [input]  
 Business Unit: US1 Business Unit \* Number: MC060122.2  
 Supplier: Lee Supplies \* Amount: USD -> 1,066.00  
 Supplier Number: 1032 \* Type: Standard  
 Supplier Site: Lee US1  
 Legal Entity: US1 Legal Entity  
 Invoice Group: [input]

**Lines**

* Number	* Type	* Amount	Distribution Set	Distribution Combination	Accounting Date	Prorate Across All Item Lines	Description
1	Item	1,000.00	Telephone Expense (Full)		6/1/22	<input type="checkbox"/>	

Once the invoice is posted the distribution is posted based on the distribution set.

**Accounting Lines: Standard Invoice MC060122.2**

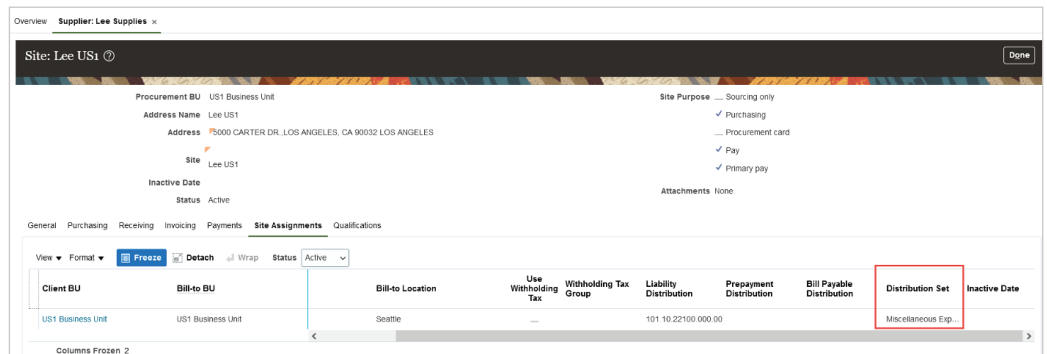
Ledger: US Primary Ledger Date: 6/1/22 Status: Draft

Line	Event	Account	Class	Accounted (USD)	
				Debit	Credit
1	Invoice Validated	101.10.64510.110.000.000	Item expense	40.00	
2	Invoice Validated	101.10.64510.850.000.000	Item expense	40.00	
3	Invoice Validated	101.10.64510.121.000.000	Item expense	40.00	
4	Invoice Validated	101.10.64510.220.000.000	Item expense	40.00	
5	Invoice Validated	101.10.64510.231.000.000	Item expense	40.00	
6	Invoice Validated	101.10.64510.250.000.000	Item expense	40.00	
7	Invoice Validated	101.10.64510.440.000.000	Item expense	40.00	
8	Invoice Validated	101.10.64510.450.000.000	Item expense	40.00	
9	Invoice Validated	101.10.64510.461.000.000	Item expense	40.00	

## Default Coding

Internal Effort	Supplier Effort	Process Impact
○	○	○

Default coding is where companies can provide a default Distribution Set at Supplier Site level. This is useful for a vendor that always has the same coding (i.e., the corporate auditor or an IT vendor). The default distribution set is applied at the Invoice Line to speed the entry and coding of an Accounts Payable invoice.



## Intelligent Account Combination Defaulting for Invoices

Internal Effort	Supplier Effort	Process Impact
○	○	○

This feature uses AI and machine learning algorithms to predict and default segment values of the account code combination on Accounts Payable invoice lines. AI and machine learning use the historic data patterns and the specific influencing factors for each segment to predict their value.

Oracle will leverage the AI apps for ERP to take the historical coding for invoices and default them. This helps to reduce the effort and increase the accuracy of invoices.

## Alias

Internal Effort	Supplier Effort	Process Impact
○	○	○

Alias is used in a manner similar to Distribution Sets but for only one line. Alias can be configured for a full account string or just key portions of the account string. Especially for non-finance users, the ability to leverage words to do the account coding, Alias can simplify the data entry accuracy and speed.

Manage Shorthand Aliases									
Search									
* Chart of Accounts US Chart of Accounts									
Search Results									
Account Template									
Name	Company	Line of Business	Account	Cost Center	Product	Intercompany	Description	Enabled	Start Date
SF CH Cash	339	30	11200	000	000	000	Supremo CH Cash	Yes	8/27/15
SF CH Freight	339	30	62510	000	000	000	Supremo CH Freight	Yes	8/27/15
Cars	101	10	60230	000	000	000	GSI Fusion GL - Journal Processing	Yes	3/16/11
Freight	101	10	62510	000	000	000	Freight	Yes	3/16/11
Travel Expenses	101	10	60501	121	000	000	Travel Expenses	Yes	3/11/11
SF CH Asset Clearing	339	30	15910	000	000	000	Supremo CH Inventory to Asset	Yes	8/27/15
Utilities-Electricity/Water	101	10	63530	000	000	000	Utilities- Electricity/Water Expenses	Yes	3/11/11
SF Office Supplies	120	10	63580	121	000	000	Supremo Office Supplies	Yes	2/18/15
SF CH Cars	339	30	60230	000	000	000	Supremo CH Cars	Yes	8/27/15

## Purchase Order Coding

Internal Effort	Supplier Effort	Process Impact
○	○	○

Like the approach of default coding, Procurement-based organizations that require purchase orders for all non-expense report purchases can streamline the Accounts Payable process. Catalogs can be defined with default coding for categories of purchases.

Quantity	UOM	Pricing UOM	Currency	Ordered	PO Charge Account	PO Accrual Account	PO Variance Account
10	USD	USD	USD	10,000.00	101.10.63550.430.000.000	101.10.24220.000.000.000	101.10.63550.430.000.000

## Pay on Receipt

Internal Effort	Supplier Effort	Process Impact
○	○	●

For a trusted vendor who does a high volume of invoices, another strategy involves utilizing the Pay on Receipt functionality. Essentially on the purchase order it is defined that when a receipt is created against the purchase order, Oracle will automatically create an invoice for processing when the concurrent process is run.

By automatically creating an invoice, no invoice needs to be processed by the Accounts Payable team, and it is based on receipts created elsewhere in the business. The invoices can still be paid with the appropriate payment terms, but it does provide earlier cash requirements visibility.

Pay on Receipt is enabled at the Supplier Site level and then can be selected at Purchase Order Creation.

This screenshot shows the Oracle Supplier Site configuration page. The 'General' tab is selected, and the 'Purchasing' sub-tab is active. In the 'Freight' section, the 'Pay on receipt' checkbox is checked and highlighted with a red box. Other visible fields include 'Address Name' (Lee US1), 'Address' (5000 CARTER DR, LOS ANGELES, CA 90032 LOS ANGELES), 'Site' (Lee US1), 'Inactive Date' (m/yy), 'Status' (Active), 'Communication Method', 'Language' (American English), 'Hold all new purchasing documents' (unchecked), 'Required Acknowledgment', 'Acknowledge Within Days', 'Shipping Method', 'Freight Terms', 'FOB', 'Country of Origin', and 'Buyer Managed Transportation'.

Pay on Receipt is an option on the terms section of the purchase order.

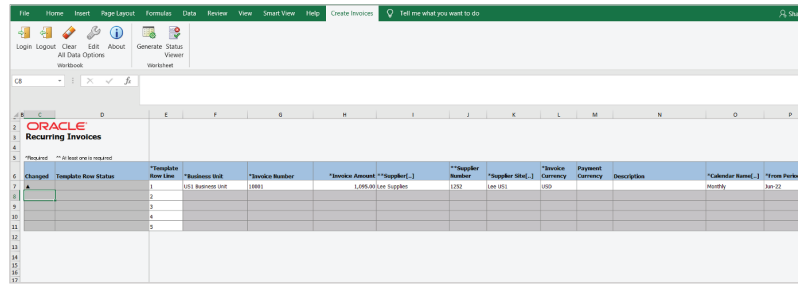
This screenshot shows the Oracle Purchase Order creation page. The 'Terms' section is expanded, and the 'Pay on receipt' checkbox is checked and highlighted with a red box. Other visible fields include 'Requesting BU' (US1 Mustang Unit), 'Supplier Site' (Lee US1), 'Supplier Contact' (Lee, Ryan), 'Ordered' (0.00 USD), 'Total Tax' (0.00 USD), 'Total' (0.00 USD), 'Procurement Card' (Description), 'Requisition' (Description), 'Agreement' (Description), 'Master Contract' (Description), 'Required Acknowledgment' (No), 'Shipping Method' (LPS), 'Requires signature' (unchecked), 'Acknowledge Within Days', 'Freight Terms' (Buyer pays freight), 'Buyer managed transportation' (unchecked), 'Payment Terms' (Net 30), 'FOB' (Origin), 'Confirming order' (unchecked), 'Contract Type', 'Contract Number', and 'Eligible for Rebate?'.

## Recurring Invoices

Internal Effort	Supplier Effort	Process Impact
○	○	●

Different corporate invoices such as rent, insurance, and interest payments have known schedules. Utilizing the recurring invoice functionality the first time the invoice is created can reduce the monthly effort for processing recurring invoices.

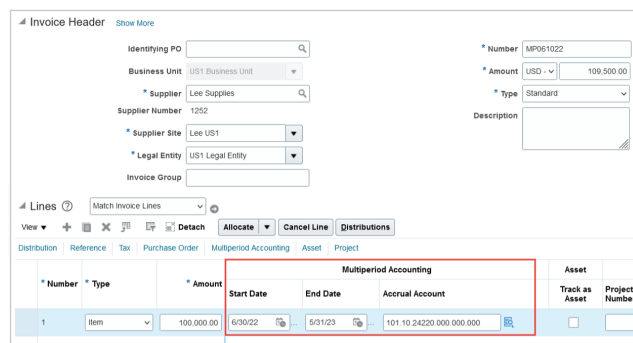
The setup of recurring invoices is done via a WebADF Excel format and then loaded into Accounts Payable.



## Multiperiod Accounting

Internal Effort	Supplier Effort	Process Impact
○	○	●

Multiperiod Accounting doesn't directly impact the invoice entry process but significantly reduces the complexity and effort of recognizing expenses over multiple periods. A typical use case for multiperiod accounting might be to recognize the monthly expense for a single insurance payment designed to cover a complete year. Once the multiperiod accounting is defined at the line level, a concurrent process is run at month-end to recognize the correct portion of the invoice in the correct period. The unrecognized amount is booked to an accrual account.



T-Accounts : US Primary Ledger

Net Activity		0.00	109,500.00USD	109,500.00
		101.10.24220.000.000.000 (Accrued Expenses)		
Line	Entered	USD	Entered	USD
2	6/30/22	0.00 USD	0.00	8,333.33 USD
2	6/10/22	100,000.00 USD	100,000.00	0.00 USD
3	6/10/22	3,000.00 USD	3,000.00	0.00 USD
4	6/30/22	0.00 USD	0.00	250.00 USD
5	6/10/22	6,500.00 USD	6,500.00	0.00 USD
6	6/30/22	0.00 USD	0.00	541.67 USD
7	6/10/22	0.00 USD	0.00	0.00 USD
Net Activity		109,500.00USD	109,500.00	9,125.00USD
		101.10.60840.121.000.000 (Miscellaneous)		
Line	Entered	USD	Entered	USD
1	6/30/22	8,333.33 USD	8,333.33	0.00 USD
3	6/30/22	250.00 USD	250.00	0.00 USD
5	6/30/22	541.67 USD	541.67	0.00 USD

Done

## Supplier Portal Invoices

Internal Effort	Supplier Effort	Process Impact
○	●	○

The Supplier Portal is a phenomenal tool for empowering your suppliers to complete distributed data entry. The Supplier Portal allows for vendors to manage a variety of their data activities including their company profile, supplier qualifications, negotiations, shipments, and the ability to create invoices directly.

We have seen companies require smaller vendors to only submit invoices via the self-service function in the supplier portal. Larger vendors may push back on the ability to distribute their invoices via their normal process.

Even if the direct entry of invoices on the Supplier Portal isn't leveraged, the ability for your vendors to view the status of their invoices and payments can reduce the number of inquiries to the Accounts Payable department, so they can focus on value-add activities like invoice audits.

View Invoices

# Search Advanced

Invoice Number  
 Supplier: Lee Supplies  
 Supplier Site  
 Purchase Order

Consumption Advice  
 Invoice Status  
 Paid Status  
 Payment Number

Search Results

Invoice Number	Invoice Date	Type	Purchase Order	Supplier	Supplier Site	Unpaid Amount	Invoice Amount	Invoice Status
PD0033_0822	5/29/22	Standard		Lee Supplies	Lee US1	1,095.00 USD	1,095.00 USD	Approved
PD0033_1_06	5/29/22	Standard		Lee Supplies	Lee US1	536.55 USD	536.55 USD	Approved
PD0033_0722	7/29/22	Standard		Lee Supplies	Lee US1	1,204.50 USD	1,204.50 USD	Approved
PD0033_1_07	7/29/22	Standard		Lee Supplies	Lee US1	547.50 USD	547.50 USD	Approved
PD0033_0622	6/29/22	Standard		Lee Supplies	Lee US1	1,040.25 USD	1,040.25 USD	Approved
PD0033_1_06	6/29/22	Standard		Lee Supplies	Lee US1	536.55 USD	536.55 USD	Approved
MC060122.2	6/1/22	Standard		Lee Supplies	Lee US1	1,095.00 USD	1,095.00 USD	In process



## EDI

Internal Effort	Supplier Effort	Process Impact
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One of the single greatest options for streamlining Accounts Payable invoice processing is to leverage EDI with key trading partners. EDI allows for standard integrations between trading partners for a variety of transactions to reduce manual intervention and increase the process velocity.

Key EDI documents include:

- 810-Invoice
- 846-Inventory Inquiry/Advice
- 850-Purchase Order
- 855-Purchase Order Acknowledgement
- 856-Advance Ship Notice (ASN)/Manifest
- 997-Functional Acknowledgement

Many customers will leverage an EDI Consolidator like SPS Commerce or TrueCommerce to speed the integration of trading partners. While there is setup effort for both the company and trading partner, the long-term ability to complete touchless processing with accurate data makes the return on investment a no brainer.

Customers should start by focusing on the top 10 to 20 trading partners based on spend or volume of invoices. One other challenge is not all trading partners have the capability to support EDI, but it makes sense to have these discussions with your trading partners.

## Auto Approvals

Internal Effort	Supplier Effort	Process Impact
○	○	○

For certain vendors who cannot support EDI, it might make sense to set up automatic approvals. For one of our customers, their freight carrier accounted for 80%+ of the invoice volume each month with 95% of the invoices less than \$1,000 total. Before switching to automatic approvals for the freight carrier, the leader of the warehouse was spending multiple hours a day just clicking approve in Oracle Cloud ERP. We defined a process that automatically approved all invoices below \$1,000, and invoices greater in value followed the normal approval process. We created an audit report that the team runs weekly to sample the accuracy of the automatically approved invoices.

## Summary

In addition to the Intelligent Document Recognition (IDR) capabilities provided by Oracle, a variety of strategies can be leveraged to support greater Accounts Payable process efficiency. These strategies can be added to the business in parts or all together, depending on the capabilities of your organization to adopt the changes.

Strategy	Internal Effort	Supplier Effort	Process Impact
Distribution Sets	○	○	●
Default Coding	○	○	○
Intelligent Account Combinations	○	○	○
Alias	○	○	○
Purchase Order Coding	○	○	○
Pay on Receipt	○	○	●
Recurring Invoices	○	○	●
Multiperiod Accounting	○	○	●
Supplier Portal Invoices	○	●	●
EDI	●	●	●
Auto Approvals	○	○	○

## About Peloton Consulting Group

Peloton Consulting Group has the vision and connected global capabilities to help organizations envision, implement, and realize the benefits of digital transformation. Our team has the best practices, knowledge, industry expertise, and know-how. We make digital transformation a reality by leveraging Enterprise Performance Management (EPM), Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Human Capital Management (HCM), Customer Experience (CX), Analytics, and Data Management for the cloud. Through connected capabilities, we bring people, processes, and technology together. We help organizations go further, faster. That is the Peloton way!