

Why Businesses Love Payables Lockbox

(And Yours Should, Too!)



A whitepaper examining how businesses can streamline accounts payable processing, reduce payment processing time, and lower accounts payable processing costs by utilizing payables lockbox.



AP Processing Is Simple... Right?

Processing accounts payable is a fairly straightforward exercise, at least in theory. Your vendors and suppliers send you invoices, the invoices are approved, and payment is made and posted to the general ledger. Simple, right?

If only it were that easy. In the real world, vendors send you lots of invoices in a variety of different formats, both paper and electronic. Multiple approvals and signatures might be needed from approvers who have to be tracked down in different locations. And there are a number of options for paying vendors: paper check, ACH, wire transfer, purchasing card, etc.

What if there was a way for you to streamline cumbersome and unwieldy accounts payable (AP) processing systems and significantly lower AP processing costs at the same time?

It's possible with payables lockbox.

Focusing On Payables Management

“Businesses have historically focused on receivables processing, but now we’re seeing more companies focus on managing their payables,”

- Cadence Bank Treasury Management Sales Executive Katrina King. “

When compared to paper processes, payables lockbox delivers a valuable cash forecasting tool while lowering processing costs and creating a scalable environment to support growth.

Using payables lockbox provides businesses with similar benefits to those associated with receivables lockbox. King adds, “For example, cash flows are more controlled, labor costs are reduced, controls and security are enhanced, integration and imaging are added, and transparency is improved.”

Payables lockbox addresses every aspect of a company’s invoice-to-pay process — **from the receipt of invoices to invoice approval, payment and posting.** In addition, it can automate the move to a paperless back office while streamlining AP processing from end to end.



The Benefits Of Payables Lockbox

With payables lockbox, businesses can benefit from a number of AP innovations and solutions, including the following:

Scanning, processing and extraction of data

High-volume scanning of paper invoices helps leverage economies of scale with outsourced services, while automated processing of electronic invoices allows administering straight through to a centralized email address. QR code split technology can be utilized to split invoice documents, and streamlined data entry processes and optical character recognition (OCR) technology can be used to auto-fill or extract standard invoice data elements, which further maximize efficiencies. Additionally, payables lockbox allows certain invoice fields to be auto-populated, such as line item memos, invoice descriptions and due dates.

Online invoice review, approval, storage and archiving

Invoice images and data can be accessed anywhere, at any time, by multiple approvers — there's no more chasing the "paper trail." And they can be stored and archived online for at least seven years, which eliminates the hassle and cost of storing paper invoices. Exportable archives in a variety of file formats, including BAI, CSV, Quicken® (.QFX) and QuickBooks® (.QBO), permit invoice data to be easily transferred to or reviewed by auditors.

Invoice transparency, audit trail and conditional routing

Online dashboards provide visibility into all invoice and payment activity, including any approval delays, as well as invoice edits and approvals, which may be viewed by user and date/time. Invoice routing among approvers can be configured in a variety of different ways — for example, by vendor, vendor type, bank account, dollar amount or general ledger codes. Further, conditions can be structured to accommodate certain approval needs as required by state regulations in some verticals (e.g., dual approvals out of certain bank accounts).

Fast and easy searchability and online payment approval

Businesses can quickly and easily search for and access invoice documents using a variety of different search criteria, and can generate reports that contain both invoice data and images. Multiple approvers can view invoice images and account balances online prior to granting approval, and payments can be made using online bill pay (via check, ACH or credit card). In addition, digitized signatures can be added to checks, and multiple bank accounts can be set up for automatic payments on pre-scheduled dates.

Early pay discounts and dynamic discounting

Streamlining and automating AP processes makes it easier for businesses to take advantage of early pay, payment negotiations and dynamic discounts, which are common among large corporations and are being increasingly sought by small and mid-sized firms.

System and data integration, reporting capabilities and fraud prevention

Approved vendors and general ledger accounts can be imported while invoice and payment data can be integrated into accounting systems. This avoids the need for dual data entry. Also, businesses can combine reporting capabilities with search functionality, resulting in greater convenience and time-savings. To help prevent payment fraud, Positive Pay files are uploaded by the bank along with payment files.

Cost and Time Savings in Invoice Processing

The average small or mid-sized business will spend between \$18 and \$22 to process and pay a single invoice, according to recent research from Ardent Partners, and that process can take anywhere from 22 to 35 days (invoice receipt to payment scheduling).

Invoice processing costs include receipt, extraction, sorting, coding, reviewing, handling disputes, printing, sending payments and archiving.

Payables lockbox eliminates receipt, extraction and sorting of invoices by business unit, as well as most coding and the need to print and send payments. Also, businesses don't need to physically store large volumes of paper invoices, which saves storage costs.

For best-in-class organizations, Ardent Partners research found AP automation reduced invoice processing costs to between \$2.25 and \$4.70 per invoice, and dropped processing time to 3.3 days on average. Exception rates for automated AP processing were also significantly lower, averaging 7.7 percent compared to 15 to 21 percent for invoices processed manually, and thereby significantly reducing late fees.



How Payables Lockbox Works

The payables lockbox process is comprised of three main phases:



1. Bank invoice processing:

- All invoices — whether emailed, postal or client-created — are received at the bank lockbox, scanned and converted to PDFs.
- Data is extracted from the invoice header, including “sub” companies.
- Invoice images and data are sent to the business’ payables lockbox site in one business day.



2. Business invoice approvals:

- Invoices enter the business’ system workflow.
- The system routes invoices according to customized approval process logic.
- Daily email notifications are sent to remind users to approve invoices online.
- Users edit invoice and payment details, and also add notes and coding as necessary.
- Invoice transactions are available for download into the business’ accounting system.



3. Business payment disbursement:

- The business releases or schedules all other invoices for payment.
- Authorized checks are created and mailed the next day from payables lockbox.
- The Positive Pay file is uploaded to the bank.
- An ACH file is made available for download by the business to upload to the bank’s site.
- Payment transactions are available for download into the business’ accounting system.

With payables lockbox, there is total integration between the business and the bank. The bank is in continuous daily connection with the business’ accounting system, which results in increased efficiencies and positive payables lockbox ROI for the business.

Who Should Use Payables Lockbox?

Payables lockbox has been designed for businesses in any industry that process anywhere from 100 to 20,000 invoices per month. It can be especially beneficial to businesses facing these AP challenges:

- Duplicate payments are being issued for single invoices.
- Vendor invoices are not being paid on time.
- The business is suffering losses due to employee check fraud.
- Individuals who must approve payments are geographically dispersed.
- The receipt of invoices is highly decentralized.
- There is limited space on the premises for storing paper invoices.

Greater Efficiency Leads to Big Savings

Payables lockbox is a cost-effective solution for streamlining cumbersome and unwieldy AP processing systems in order to increase efficiency and save both money and time. By using payables lockbox, businesses can realize similar benefits to those associated with receivables lockbox — these include more controlled cash flow, reduced labor costs, enhanced controls and security, integration and greater transparency. Using payables lockbox can also help facilitate the move to a paperless back office.



Cadence Bank's Payables Lockbox solution is designed to help companies like yours reap the many benefits derived from a more streamlined accounts payable operation.

*To find out how Payables Lockbox could benefit your business, call Katrina King at **713-871-3916** or visit us at cadencebank.com/treasury.*

A Payables Lockbox Success Story

A perfect solution for the property management industry



“We believe in using the most advanced technology available so we can be as efficient as possible,”

- Helen Kelley, the owner of Creative Management

Creative Management in New Port Richey, Fla. is a property management company that works with approximately 20 different associations, including homeowners, condos and cooperatives. In 2014, Cadence Bank approached the company to talk about ways the bank could help them pay their property association clients’ bills in a more efficient way.

“Many associations require signatures from multiple board members before checks can be sent to pay vendors for goods and services,” says Helen Kelley, the owner of Creative Management. “But getting these signatures can be a logistical challenge. The checks have to be physically taken to board members for their signatures and oftentimes dropped off to be signed, which means they then have to be picked up or mailed back to us, extending the processing time even further.”

Cadence Bank Treasury Management Sales Executive Katrina King explains, “Payables lockbox was the perfect solution to help Creative Management eliminate these extra steps and thus streamline the payables process. Board members who need to approve vendor payments get an email when payments are ready for their approval.” Through payables lockbox, board members can then view an invoice with all of the payment information, including the vendor name, payment amount and any special notes.

“Payables lockbox was the perfect solution to help Creative Management eliminate these extra steps and thus streamline the payables process.”

- Katrina King, Cadence Bank Treasury Management Sales Executive

For example, if the landscaping firm does some extra work (like hedge trimming or planting flowers) in addition to their regular duties, this can be detailed in the notes section. “Board members love how easy payables lockbox is to use and the detailed information and visibility it provides to them about vendor invoices and payments,” says Kelley. “Also, the system won’t allow duplicate payments to be made for the same invoice.”

Creative Management’s Chief Operating Officer Chris Thomas explains how payables lockbox works for them: “The property associations email invoices to Cadence Bank or mail them to a special post office box, and then we get an email letting us know that an invoice is awaiting approval. If the invoice is accurate, we code it according to the association’s chart of accounts and approve the invoice. That approval causes the system to generate an email to the association board members who need to approve it, which they do electronically. The system then issues the payment either electronically or by check after we complete a final review and release it.”

“Payables lockbox has significantly streamlined the vendor payment process and saved our property association clients both time and money.”

- Helen Kelley, the owner of Creative Management

“Before, there were lots of different hands on the invoices and lots of back and forth in terms of getting checks signed and mailed,” adds Kelley. “Payables lockbox has significantly streamlined the vendor payment process and saved our property association clients both time and money.”

Kelley says that automation and integration are critical components of payables lockbox: “Everything has to integrate into our software, or else we’d still have to input invoice information manually,” she says. Each night, AP information from Cadence is automatically downloaded into Creative Management’s accounting system. “We believe in using the most advanced technology available so we can be as efficient as possible,” Kelley adds.

After several months, Creative Management conducted a study to see how much AP processing time payables lockbox was saving them. According to Kelley, the service is saving the company nearly 40 hours per week, or roughly the equivalent of one full-time employee. “We’ve been able to allocate the money we would have spent to hire a new employee to perform other more productive duties,” she says.



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