

Xpro Services DMS

Automating Invoice Processing through Document Management With XInvoice

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1. What does a XInvoice system do?

XInvoice provides a single source of access to purchase invoices lodged in the process system for authorisation and subsequent payment, giving appropriate users immediate access to the invoice. XInvoice consists of both software and hardware; the software allows you to manage the invoices, associated documents and electronic documents (such as Microsoft Word, Outlook, Excel and electronic invoices).

These documents are held in a central repository that allows authorised users to search and retrieve documents and carry out numerous other activities such as e-mailing and printing of the document.

The hardware usually consists of a scanner that will capture an electronic image of an invoice. Scanners can vary hugely in terms of their throughput and functionality from a basic Multi Function Device (MFD) to high volume scanners for production level volumes. Typical systems involve the scanning of original paper documents, and then the storage of the scanned image in the Document Management System. The image is then “indexed” against appropriate criteria in order to make finding the image easier. For instance, a user scanning a purchase invoice might want to index the document against the accounts system’s registration number, invoice number, date, value and supplier name to aid future retrieval.



Indexing can be carried out automatically by performing Optical Character Recognition (OCR) on the image, storing the text along with the image without the need for manual indexing. OCR along with ICR (Intelligent Character Recognition) and IMR (Intelligent Mark Recognition) allow a large amount of data to be captured automatically therefore saving a significant amount of time otherwise spent manually indexing and warrant separate investigation.

XInvoice includes the ability to restrict access to certain documents or groups of documents to ensure only authorised users can access them. Along with security controls, these technologies enable users to be granted different levels of access. Optional elements within XInvoice include ‘workflow’ where documents are moved through a business process to various individuals in order for them to make a business decision on that document. This is particularly useful for things like invoice authorisation processes where individuals need to approve or reject invoices for payment. By automating the approval process a significant amount of time and subsequently money can be saved.

2. What is automated Invoice Processing?

This document explains how to remove the costly manual labour from the processing of invoices by implementing an automated invoice processing system. Every business processes invoices and industry research shows that as much as 96% of all invoices are still received on paper. This means that everyone experiences the costs associated with processing invoices

and research shows that as much as 70% of all invoice processing costs are in document handling and data entry processes.

Even modest purchase invoice transaction volumes pose a serious processing burden. The need to manually sort invoices by department or company, photocopy and physically match them with purchase orders and GRNs or work out where to code them to, or whom to pass them to for checking are all onerous tasks. Furthermore, tracking 'missing' invoices after they are sent for authorisation and approval can quickly turn into a massive paper chase. It is one of the reasons that average transaction costs, i.e. processing cost per invoice, can be as high as £50 in some industries.

Handling invoices manually slows down the process as well, adding to the costs. Statistics show only 44% of companies are able to process invoices in the ideal time frame of one week, and almost 25% of companies need more than three weeks to process invoices. That means companies can face hefty charges from customers and/or trading partners for late payments on invoices. Additionally, original invoices must be retained for extended periods of time, for business and compliance reasons. This can require expensive off-site storage facilities.

The ability to automate the processing of invoices has steadily improved over the last decade and has now evolved from looking at isolated boxes on structured forms to capturing information as it moves from document to document, which makes it ideal for invoice processing.

Automating invoice processing will provide significant productivity gains and a quick return on the investment in the solution (industry stats show a payback of 6 to 18 months on average). With the evolution of data capture technology, up to 95% of invoice anomalies can be corrected without any human intervention. During the data extraction stage, the business rules programmed into the software practically guarantee character recognition quality. However, the data must be validated. Integrating the invoice processing solution with accounting systems or other enterprise applications can achieve this.

3. What happens to an invoice

In broad terms, XInvoice is the process that governs the automatic capture and processing of supplier invoices, from receiving a document in the post, through data entry, checking, matching, authorising and posting into the ledger. Furthermore, imaging and storage of supplier invoices ensures that an organisation no longer needs to retain the physical documents but can retrieve faithful images of the invoice on demand, using a variety of search criteria. Integrated with accounting or ERP systems, XInvoice promotes accounting best practice by ensuring that the records are updated as soon as practicable and that the company has recorded all liabilities for goods and services received.

The XInvoice approach is complementary to accounting systems because it leverages information held in supplier master files without duplicating data. Furthermore, XInvoice allows invoice images to be circulated around the organisation without the need to invest in accounting software licences for every individual who merely requires occasional access to invoices, for say, approval or query. As such, XInvoice can help to keep a lid on infrastructure costs as an organisation grows.

Essentially, XInvoice can be viewed as a subset of the wider 'Purchase to Pay' cycle since the captured invoices form the foundation of an invoice authorisation and review process followed by

payments to suppliers. This is particularly valuable, for mid-market accounting packages, which often have limited functionality around invoice routing, approval and authorisation.

4. Barcodes

The simplest form of XInvoice is to employ a barcoding system for data capture.

Invoices received are registered onto the accounting system and automatically assigned a transaction reference. This information is used to generate a self-adhesive barcode that is generated by a specialised printer. The barcode displays the supplier name and the transaction reference in human readable format alongside the barcode in machine-readable format.

The barcodes are peeled off the ribbon and fixed to each invoice, which is then scanned at rates of up to 50 pages per minute or more. The scanner and software are intelligent enough to cope with double sided invoices, blank pages and all manner of sizes and shapes. Once scanned, the exact images are stored in a database and cross referenced to the transaction number allocated to the invoice when it was first registered. This process creates an unalterable image and audit trail that satisfies Her Majesty's Revenue and Customs and allows the paper document to be destroyed.



For many mid-sized companies, that use a manual purchase order and signature process, the barcoding system provides an ideal solution. It ensures that invoices are captured, paper storage is eliminated and if required, the invoice images can be circulated for authorisation without delay

5. Optical Character Recognition (OCR)

A more automated and comprehensive approach in utilizing XInvoice is to take advantage of OCR. Over the years this technology has become extremely dependable and more affordable. Previously the preserve of large organisations, intelligent data capture software and the attendant hardware is now an operationally and economically viable proposition for organisations of all sizes with even modest monthly purchase invoice volumes.

Unlike the barcoding approach described above, inbound invoices are scanned straight away upon receipt. The system takes advantage of the fact that the vast majority of organisations use standard invoice layouts, for example, the position of their VAT code, company registration number, and postcode, appear in the same place on every invoice. The position of this static data is recorded and retained by XInvoice when a new supplier's invoice is received for the first time.

Thereafter, the system automatically recognises a supplier from a scanned invoice image and can associate any of the relevant accounting data with information held in the integrated ERP system. So information from any invoice can be automatically captured by the purchase invoice registration system prior to being authorised and subsequently posted to the purchase ledger. As before, the image is rendered digitally and automatically filed away in a database that is cross-referenced to the accounting records. In so doing, the process reduces manual data entry considerably.

The best OCR is capable of returning around 70% accuracy straight away, i.e. without human intervention, and with minor operator intervention this rises to virtually 100%. Image

enhancement helps to recover data from spoiled invoices and incomplete or inaccurate invoices can be rejected and sent electronically back to suppliers.

As well as providing a complete audit trail from ERP systems to invoice image, XInvoice enhances control over the completeness and accuracy of input – a key control in any finance setting – as it validates invoice calculations. Furthermore, the database of images is amenable to searching from within the accounting systems so that individuals can quickly retrieve the ‘original’ invoice for any expense in the general ledger or purchase ledger.

This is a major benefit to external auditors as well. In fact, it is likely that the overall control environment is stronger and more dependable with XInvoice than the equivalent manual process.

6. Routing

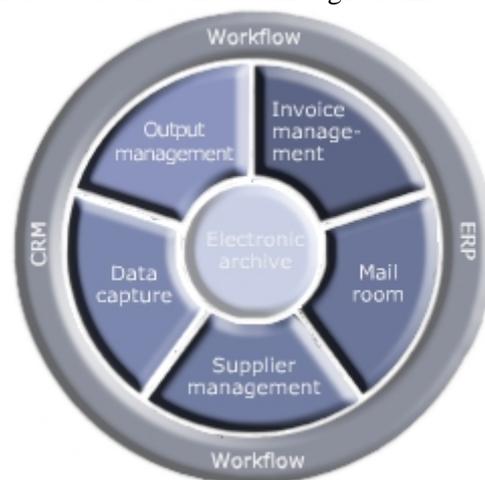
Regardless of the method of invoice capture; barcoding or OCR, the invoice images are then available to be circulated for authorisation. Typically, popular mid-market accounting systems only permit one method of routing for authorisation whereas, in practice, companies may need to vary the routing depending on, for example, the type and value of the invoice.

Using the XInvoice process allows for a virtually unlimited number of permissible routings. Routings can be changed ‘on the fly’ to cover for individuals unavailable through sickness or holiday leave. Business rules can be embedded governing the authorisation levels required. For example, purchase invoices greater than, say, £5,000 may require more than one signature and of course any of the potential signatories can access the underlying image of the original purchase invoice, if they need to see it.

This is particularly valuable for multi-site operations since it completely avoids the problems of physically distributing hard copy and the potential delays and problems of invoices lost in transit. Furthermore, purchase orders can be decremented in total for approved invoices received.

If invoices cannot be approved for any reason, XInvoice’s technique allows the reason for rejection to be recorded, with as much annotation and commentary as required. This can then be forwarded electronically for information and action to the supplier as a PDF document.

Those invoices approved are simply processed in the normal way using the information on the retained invoice image.



7. Ten Reasons why you should look at XInvoice

List below are ten reasons why any company of any size should consider implementing XInvoice:

1. Paper copies of invoices are hard to locate. In the simplest form they are approved and filed, but they can sit at the bottom of an in-tray, they can go missing in the internal or external mail, they can be thrown away by mistake.
2. Paper invoices are difficult to move around organisations, particularly those with multi site offices.
3. The content of the Invoice is hard to manipulate and/or repurpose. Fax copies may be difficult to read and photocopies may be difficult to obtain with ease.
4. Invoices can be difficult to annotate due to the nature of the paper or the content. Multiple annotations may not give a clear audit trail as to who and when added the annotation.
5. It is not possible to share Invoices without expensive photocopying and distribution. Discussions between offices or departments often result in the holder of the original either faxing a copy or photocopying and sending to the other party.
6. The invoice content is hard to publish consistently due to the multitude of formats in which invoices arrive.
7. Invoice authorisation can be long-winded, prone to mistakes and delays.
8. Invoice review by management is unstructured and dependent on staff providing the invoice and supporting documentation.
9. Paper-based distribution and storage is costly in terms of storage, copying and printing.
10. Paper Invoice filing is an expensive and time-consuming process. Paper-based archiving is expensive to maintain and inefficient for retrieval.

Source: Coopers & Lybrand

8. Invoice Management statistics

Companies can save at least half of the time and money now spent on non-automated DM. Implementing XInvoice can thus provide an ample Return on Investment (ROI), paying for itself in six to twelve years. How can this be cost justified? :-

- Workers now waste 20 percent to 30 percent of their working hours managing document-based information outside automated systems and this is expected to grow.

- Gartner research from 1997 forecast that the amount of time wasted would continue to rise. They wrote that workers were spending about eight hours a week on DM tasks, or 20 percent of their time. They forecast that this would rise to 30 percent.
- The average document is copied, either physically or electronically, 9 to 11 times at a cost of about £10.
- There are many hidden and not-so-hidden costs associated with unmanaged documents, including costs for on-site and off-site storage, electronic media, physical plant (e.g., filing cabinets and floor space), postal and other distribution costs. Today the average company stores about 90 percent of its corporate information on paper and it is costing them money and resources.
- Documents cost about £12 to file.
- To fill a four-drawer filing cabinet cost about £15,000 of company time and money is spent.
- An additional £1250 is required to maintain that filing cabinet for one year.
- One in 20 documents are lost.
- Three percent of the remaining 19 documents are misfiled.
- On average, companies spend £70 searching for every misfiled document.

Source: Coopers & Lybrand

9. Return on Investment

List below are the processes that the adoption of electronic invoice processing will affect. Each individual company will have their own percentages to feed into the calculation of overall savings. The savings shown are typical percentages of cost, based on past cases.

Filing	50%
Filing Administration	R/P
Filing Retrievals	90%
Document Reprints/Photocopies / Faxes	40%
On-Site Storage Space	R/P
Archive storage	R/P
Archive Retrievals	90%
Internal post	99%
Lost Document search	100%
Invoice Received / logged	30%
Invoice Distributed for approval / action	50-99%
Invoicing instructions issued	50-99%

R/P = Redundant process and can be regarded as a 100% saving.

10. Where can you get the best advice?

The best advice is to use a proven methodology - that is talk to other people who have already implemented an invoice processing solution. They can tell you what productivity gains they have achieved, what effect it has had on their processes, how it has helped with their customer service and, ultimately, what the savings have been.

Xpro's experience coupled with its impressive customer list is testament to the success we have had and the methodologies employed. If you want some sound advice based on real customer experience then we can put you in touch with one of our customers. Xpro can share experiences with you and help to provide the most efficient, cost effective solution for your requirements.

11. Summary

The implementation of XInvoice affords enormous benefits on an organisation and as the price of hardware has fallen, the total cost of a solution is now within reach of all but the very smallest businesses. The ability to store invoices electronically and integrate them with popular accounting and ERP systems is central to an organisation's success, especially when coupled with automatic routings for authorisation and approval.

12. Next Step

Contact with an Xpro salesman (see below) will result in an in-depth discussion of your requirements and a demonstration as to how XInvoice can fit into your organisation.

Following your decision to move forward to contract, Xpro will carry out a comprehensive study of how the system will work for you. This is fully documented for both parties to agree. Upon mutual agreement the system will be built at Xpro's Reading offices and tested. Arrangements will then be made to load onto your own server and undertake user testing and training.

A typical 50 user system will take five to six weeks from contract to live date.

Xpro would welcome the opportunity to discuss your requirements in more detail so please contact us on **01189 950 5626** or e-mail sales@xpro-services.co.uk