Imagine "stapling" yourself to a sampling of paper invoices your agency receives from its suppliers each day. How many handoffs and holdups would you encounter — matching invoices to purchase orders, reconciling errors and exceptions, and getting various signoffs — before your agency finally issues payment?

If your agency is like most organizations that haven’t taken full advantage of digital processing, chances are it takes longer — and costs more — than state and local government officials might suspect.

On average, the cost to process a single invoice runs between $13 and $25, depending on the sophistication of an organization’s accounts payable process. That’s according to accounts payable professionals surveyed nationally in a study from the Association for Image and Information Management (AIIM). Add another $7.15 to complete a paper check transaction, according to research from the Aberdeen Group. Those costs, however, are only the tip of the iceberg.

Automated invoice processing and payment systems can pay for themselves in less than 12 months and also help CIOs lower state and local agency IT costs.

By StateScoop Staff
Paper-based invoicing and disbursement systems inevitably generate a host of hidden costs beneath the processing surface that drain valuable resources from state and local agency coffers. Among other factors, those hidden costs take the form of:

- **Processing errors and exceptions:** Between 20-and-30 percent of all invoices result in exceptions in one form or another, according to one study from Bileenits. Another study from Institute of Finance and Management (IOFM) found that 47 percent controllers say that minimizing errors is their organization’s biggest accounts payable challenge. Those exceptions and errors reduce productivity and drive up costs.

- **Poor cash flow visibility and spend management:** 75 percent of chief financial officers at best-in-class organizations identify liquidity management as their top job priority, according to research from Aberdeen Group. The lack of full visibility on outstanding payables, category spending, supplier performance, payment and discount capture metrics — and other insights that automated systems can provide — invariably translates into missed savings opportunities.

- **Risk of fraud:** Paper-based environments make it easier for employees to divert agency funds or overlook the theft of sensitive data. It also makes it easier to discover employee fraud occurred in government entities, costing state and local agencies an estimated $180,000 each time it occurred.

- **Regulatory compliance friction:** Agencies face added burdens meeting regulatory requirements in handling taxpayer dollars. Paper-based invoice processing adds to the cost of tracking the invoice history and approvals, assuring employees adhere to approval guidelines and the supporting audits.

The scale of those and other costs — and the potential savings by automating invoice processing and payment disbursements — is reflected in the massive amount of state and local governments spend annually on consumption items. That figure is expected to reach $2.49 trillion by 2026, up from $1.69 trillion in 2016, according to Bureau of Labor Statistics estimates.

### ADDING UP THE HIDDEN COSTS

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### WHY AUTOMATING BOOSTS TAXPAYER RETURNS

The good news is, the availability of mature, cloud-based accounts payable systems — and APIs that work with a variety of financial and enterprise resource planning (ERP) systems — now make it possible for state and local government agencies to set up automated systems that can literally pay for themselves in less than 12 months. That’s according to Sherri Schaller, an invoice system specialist with SAP Concur, whose invoice management and financial systems are used by more than 5,000 corporate and public sector customers.

Those types of returns are supported by AIIM’s research which found that 50 percent of businesses that have automated accounts payable processes report a payback of nine months or less.

Automating and integrating invoice management and payment processes into a single system delivers significant saving on several fronts, says Schuller. Here’s how:

- **Increased productivity:** Eliminating paper processes, capturing invoices electronically and automatically routing them for approvals has given accounts payable departments “60 percent or more of their time back,” says Schuller. These time savings can now be reallocated to supporting more strategic initiatives that have real value.

- **Improved cash flow:** Timing vendor payments and forecasting cash flow more precisely helps agencies earn maximum discounts and rebates and manage their spending more predictably.

- **Enhanced spending visibility:** Integrating invoices and disbursement systems with ERP and accounting systems provides a more complete view of spending and vendor performance, and greater transparency across agency silos. It also helps agency managers identify spending patterns more quickly and negotiate more intelligently.

- **Reduced audit and compliance costs:** Auditing is a “very paper intensive world. Now auditors have all that information at their fingertips, without having to spend so much time and resources traveling,” says Schuller. The technology also creates complete audit trails and eliminates the chance that documents will be lost, misfiled or stolen.

- **Reduced risk of wrongful and fraudulent payments:** Automated systems separate operator and approver capabilities and largely prevent unauthorized individuals from accessing sensitive data. It also makes it easier to discover and reconcile duplicative or errant payments faster. Combining automated solutions with electronic payments further reduces the chance for fraud compared to checks.

> “The availability of mature, cloud-based accounts payable systems allow state and local government agencies to set up automated systems that can pay for themselves in less than 12 months.”
> — Sherri Schuller, SAP Concur
Schuller recalls one state agency customer which discovered a contractor had billed the agency for $20,000 in fraudulent fees. “If you don’t have the checks and balances to ensure the bills are compliant, or pre-approved, this type of fraud can easily go unchecked,” she says.

“Utilizing a payment partner to process the payments also offers the most secure and the more efficient way to pay suppliers,” adds Karin Carbaugh, who manages the SAP Concur public sector business. “The added benefit of working with a payment partner is that the agency or municipality is often able to receive a steady flow of rebates that many times, can become a revenue stream for the agency.”

Another advantage Concur offers financial departments, Carbaugh says, are timely reports on key performance indicators, such as:

- Average days to approve payment
- Top vendor spend
- Preferred vendors for negotiated rates (to capture better supplier discounts)
- Purchase order matching data
- Payment types (check, ACH, virtual card, etc.)

**ADDED ECONOMIES BY AUTOMATING IN THE CLOUD**

State and local agency CFOs increasingly see the value of implementing a fully electronic and automated e-invoicing system. But many are also discovering that the new economies of cloud-based, software-as-a-service solutions are putting such systems within economic reach.

That’s especially true as CIOs face escalating technical debt — trying to support aging hardware and keep up with on-premises software development — all at a time when retaining skilled IT specialists grows ever more challenging for state and local governments.

Cloud-based systems not only relieve state and local agencies from much of this technical debt; it also provides a reliable path for continuous software enhancements, significantly greater security and more fluid access to artificial intelligence and other powerful data analytics tools to support better decision making.

And systems like SAP Concur Invoice, that offer a wide array of APIs that can integrate with virtually every major financial management system, also give agency CFOs and CIOs greater assurance that however they chose to expand in the future, they’ll have a system up and running with 12-14 weeks and delivering real returns typically in as little as six months.

Find out more how automated invoicing systems can improve your agency’s cashflow, improve transparency and even create new income streams, and how the experts at SAP Concur can help your agency get started.

This special report was produced by StateScoop and sponsored by SAP Concur.