



# 50 WAYS

**AP Can Cut Costs and  
Be More Efficient**

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In IOMA's last AP management survey, over 500 AP pros told them of the best ways they used to streamline their AP operations to save time—and money. They sifted through hundreds of responses to bring you time-tested cost-cutting ideas for every area of your AP operations.

## Invoice Processing

- 1** Increase review. “We have AP staff review invoices that used to be sent directly to managers for their approval. This ensures that the amounts are accurate and don't go directly to the data-entry clerk without someone from AP looking at it first.” (controller, professional services; 100 employees, 3 part-time in AP) “We review and audit invoices more closely, while re-enforcing the PO requirement for those costs that have slipped under the radar in the past.” (AP manager; entertainment; 1,000 employees; 3 full-time in AP)
- 2** Ask for summary invoices. “We requested summary billings from vendors with many small-dollar invoices and imported them right into our workflow system.” (director of operations accounting; wholesale/retail; 5,000 employees; 11 full-time in AP)
- 3** Reduce handling. “We've streamlined AP by lessening the number of times an invoice is handled. The invoice getting to the appropriate department in the beginning is crucial. Instead of sending it back and forth (which also adds to the possibility of losing invoices) for account codes and received and signed packing slips, everything comes straight to AP, and the invoices and packing slips are matched when received. This cuts down immensely on time, errors, and duplicate payments.” (AP bookkeeper; government; 40 employees; 2 full-time in AP)
- 4** Stop routing some invoices. “We stopped routing recurring monthly invoices.” (AP associate; telecommunications; 150 employees; 2 full-time in AP)
- 5** Use Excel. “We created a ‘direct pay’ process where Excel files are created instead of paper invoices. Over 500 invoices are on one Excel file for easier remittance.” (process improvement coordinator; restaurant chain; 600 employees; 50 in AP)

## Invoice Terms and Discounts

- 6** Capture more discounts. “The idea that yields the biggest savings is pursuing vendor discounts. Last year we were able to more than cover all AP department costs by processing the vendor discounts first and making sure we took every discount we could.” (AP manager; manufacturing; 600 employees; 5 full-time in AP) “Taking more discounts was a challenge for us, as our normal process was to only pay vendors twice per month and pay based on the posted dates of the invoices, versus the invoice dates plus terms. We manually monitor this with the assistance of e-mails from the suppliers.” (AP supervisor; software; 2,400 employees; 4 full-time in AP)

- 7 Increase discount amounts. “We have increased our terms discounts from our vendors—new and current—in return for electronic payments to our vendors. It becomes a win-win situation. (AP manager; wholesale/retail; 170 employees; 4 full-time in AP)
- 8 Extend terms. “With a new management team in place, we have now extended our terms for our merchandise vendors to 60 days from net 10 or net 30 days.” (AP supervisor; retail; 350 employees; 10 in AP)
- 9 Stretch paydates. “We stretch payment dates right out to the term limits—no more early payments.” (AP manager; health care; 30,000 employees; 33 full-time in AP)

## Payment Processing

- 10 Stop exception checks. “We no longer process off-cycle payments. Our check runs are done twice a week instead of daily. We can now perform other tasks during the other three days.” (AP team leader; printing, 12,000 employees; 16 full-time in AP)
- 11 Reduce rush checks. “We started using stricter guidelines—making requestors jump through more hoops. You now need vice president approval before a rush or express check is processed.” (accounting assistant; wholesale/retail; 2,000 employees; 19 in AP)
- 12 Nix cash advances. “Just saying ‘no’ or asking for more details and backup has dramatically reduced all requests for cash advances.” (AP manager; manufacturing; 1,500 employees; 4 full-time in AP)
- 13 Move to ACH. “We converted 6,000 of our vendors to ACH payment process. We eliminated the costs of at least 60,000 paper checks per year.” (AP manager; agribusiness; 4,500 employees; 35 full-time in AP)
- 14 Outsource. “We outsource freight payments. They have the expertise to audit the invoices—saves money by eliminating overcharges.” (assistant controller; wholesale/retail; 100 employees; 3 in AP)
- 15 Deploy printers. “We installed check printers in all branch offices. Now, the home office processes all rush checks and sends them to the local printers. In the past, the branches used manual checkbooks and the home office had to manually enter them into the system at month-end.” (AP manager; legal services; 6,000 employees; 35 full-time in AP)
- 16 Improve O/S check research. “We used to send out letters and ‘lost check’ statements for all outstanding checks. These took a lot of time, so we decided to send a ‘generic letter’ with a copy of the lost check statement, and a stamped self-addressed envelope. We created a list thru Excel, downloaded it into Word, and the addresses are printed immediately on a printer. This saved so much time, and we seem to get good responses.” (AP specialist; education; 450 employees; 2 full-time in AP)

## Duplicate Payments

- 17 Create a reporting system. “Our system does not prevent duplicate postings. When I started here, my boss had never heard of a duplicate, and I encountered a great deal of resistance from Internal Control to MIS. After much perseverance, the report was activated in the system. Since then, we have recovered over \$200,000 in duplicates.” (AP manager; consumer electronics; 600 employees; 4 full-time in AP)
- 18 Use a recovery firm. “We worked closely with an outside recovery firm to reduce duplicate payments.” (assistant controller; electric utility; 20,000 employees, 32 full-time in AP)

## Travel & Entertainment

- 19 Increase audits. “We still look at all receipts on expense reports and question expenses frequently. We’ve been able to refuse quite a few expenses for lack of proper documentation.” (AP manager; finance/banking; 800 employees; 4 full-time in AP) “We implemented a new T&E policy where we audit all associate reimbursements on the front end prior to processing.” (corporate AP manager; hospitality; 40,000 employees; 2 full-time in AP)
- 20 Deposit directly. “Direct deposit of T&E reimbursement through our payroll provider saves the cost of running and mailing paper checks. Also, AP doesn’t bear the cost of the direct deposit because the reimbursement is included with the payroll.” (AP manager; wholesale/retail; 1,000 employees; 3 full-time in AP)
- 21 Mandate travel card usage. “Our company has mandated all of our employees to use our corporate credit cards for travel. This reduced our cash advances by \$150,000 a month and reduced the amount of manual checks AP had to write.” (senior accounting manager; government contractor; 2,250 employees; 16 full-time in AP)
- 22 Automate it. “We implemented an automated T&E system that, along with staffing to support it, costs about \$60,000 a year. Doing it manually with the same controls would cost us in excess of \$150,000 a year.” (finance manager; manufacturing; 3,000 employees; 6 full-time in AP)

## Purchasing Cards

- 23 Charge it. “The use of purchasing cards to pay for small-dollar invoices has been such a time and money saver! Transactions are processed in the correct period, fewer staff members are needed to process transactions, and one check is issued for all transactions placed on the p-card each month. The main obstacle was getting cards issued and teaching employees how to use them.” (accounting process manager; restaurant chain; 9,000 employees; 8 full-time in AP)
- 24 Leverage the numbers. “We negotiate vendor discounts and credit card payments. Our largest material supplier allows 2 percent within 30 days of the invoice. We then pay with the card that earns us a 1 percent rebate. We have 30 days until the bank’s automatic withdrawal is made. In the meantime, the cash stays fully invested.” (controller; construction; 400 employees; 4 full-time in AP)
- 25 Move to a One Card. We combined our corporate cards, travel cards, and purchasing cards into a One Card program. This card will be used for all T&E and non-PO purchases such as supplies, utilities, legal expenses, and so on. The amount of time savings on the part of the AP person vouchering will decrease by four to five hours a week at the average rate of \$19 per hour. We will pay the card directly, so the need to reimburse employees for travel expenses will cease, therefore reducing the amount of ACH and check payments. Also, the expense data will be automated to import the line-item expenses from the One Card software into our SAP system.” (manager, accounting operations; manufacturing; 2,400 employees; 30 full-time in AP)

## Master Vendor File

- 26 Clean it. “We are currently in the process of cleaning up our master vendor file, which will eliminate duplicate payments and the rework of PO’s when the invoice remittance does not match the PO address.” (AP manager; business services; 2,000 employees, 8 full-time in AP)
- 27 Reduce it. “We centralized supplier management to one group to eliminate and reduce master vendor files for better purchasing power and payment processes.” (AP manager; energy utility; 10,000 employees)
- 28 Update it. “We did a mass project to update vendor information and W-9 data. This should pay off dividends at year-end and in case of audit.” (AP manager; manufacturing; 500 employees; 2 full-time in AP)

- 29 Use TIN matching. “We have begun to use the IRS’s TIN Matching Program, which will save us money on Form 1099-related penalties in the future.” (AP/accounting manager; auto distributor; 4,000 employees; 9 full-time in AP)

## Spend Analysis

- 30 Report on expenses. “We began giving each department head an Excel sheet of weekly expenses. This helps to curtail overall spending when the supervisors know that somebody is watching them. We also e-mail cash requirement sheets to managers on a weekly basis, along with their respective open receivables. This helps to collect money—and have enough money—to pay invoices.” (AP manager; cleaning services; 15,000 employees; 3 full-time in AP)
- 31 Ask questions. “Keep on all departments to watch their expenditures more closely or I start asking questions.” (fiscal assistant; nonprofit; 80 employees; 1 full-time in AP)

## Technology & Automation

- 32 Put forms online. “Instead of preprinted AP-related forms, they are now available on our intranet on an as-needed basis. There are no printing costs, and changes can be made immediately.” (AP rep; hospital; 300 employees; 1 in AP)
- 33 Leverage existing system. “We made better use of our Lawson AP system’s functionality by using codes to cut down on the amount of data entry. There are a couple of fields that we can input a code into and based on the code it then knows what account to post. This allows us to process similar items (such as utility bills and claim payments) in a more efficient and timely manner. This along with a few other things allowed us to eliminate one full-time employee.” (AP supervisor; bank; 4,000 employees; 13 full-time in AP)
- 34 Use EDI. “We added Electronic Data Interchange (EDI) invoicing for some of our key vendors. This added to our automated voucher totals, which allowed us additional volume with out adding headcount. Essentially this improved our efficiency as well as our key performance indicators.” (AP supervisor; manufacturing; 20 full-time in AP)
- 35 Tap into vendor Web sites. “We receive a high volume of vendor invoices via the vendors’ Web sites. This cuts back on keying time and errors because we download the invoices and format them to upload into our AP system.” (AP manager; financial services; 5,000 employees; 11 full-time in AP)
- 36 Flip the POs. “We implemented a purchasing system to leverage our spend and streamline AP. All POs are now sent electronically to vendors. When the goods are shipped, the vendor flips the PO back to us as an invoice, and the system automatically matches the PO and goods receipt record. The file is then sent electronically to AP for payment—which is done by ACH.” (AP manager, systems and controls; manufacturing; 15,000 employees; 40 full-time in AP)
- 37 Scan invoices. “All of our invoices are scanned into the system by our document scanning clerk. This eliminated the clutter on AP desks, got rid of excuses from approvers as to why the invoice is not in our office, and made invoices more accessible to everyone. Reports are generated weekly to see where the invoices are and how long they have been with any one person. It also has helped eliminate the amount of invoice that is sent back out to the field for PO correction. We scan in on average 6,500 invoices a month, and they are all processed within two days. Before, our AP clerks were working 60 hours a week. Now, they work 50 hours a week.” (AP manager; manufacturing; 500 employees; 5 full-time in AP)
- “It takes us about three minutes to scan and send invoices. No more running around getting signatures, saving us time to devote to more important tasks.” (AP manager; entertainment; 200 employees; 3 full-time in AP)
- 38 Automate workflow. “We have implemented an AP workflow system that helps us track invoices during the approval process. This has been a VERY effective tool.” (AP manager; health care; 30,000 employees; 33 full-time in AP)  
“Capturing approvals electronically is a great risk-management tool. Our previous processes relied heavily on two AP staff members to remember who is who, who can approve what, for what amount, and so on.” (senior AP processor; banking; 750 employees; 2 full-time in AP)

- 39** Increase user training. “We sent more employees to attend our financial software training classes.” (AP manager; government; 149 employees; 5 in AP)

## Customer Service

- 40** Archive digitally. “With the implementation of digital archiving for checks and invoices, we were able to eliminate one full-time position, saving labor and benefits. This improved customer service because departments are able to access their paid documents. It saves us time and money because we don’t have to pull the paper.” (payment services manager; education; 2,200 employees; 11 full-time in AP)
- 41** Use e-mail with vendors. “Being able to connect with our vendors by e-mail allows us to communicate better and have less invoice problems, which saves a great deal of time.” (staff accountant; health care; 375 employees; 1 full-time in AP)

## Staff Management

- 42** Get back to basics. Just performing the classic job of a manager can work wonders. “We improved processes, cut out nonvalue add work, and distributed the work more evenly. We also managed out nonperformers and improved the staff’s skills through training and coaching.” (AP manager; manufacturing; 5,000 employees; 5 full-time in AP)
- 43** Develop efficiency reports. “We developed reports to monitor processing efficiency and exception procedures. This reduced repetitive errors.” (AP supervisor; gas utility; 600 employees; 5 in AP)
- 44** Control OT. “We reduced overtime by making sure all overtime is pre-approved. We are operating more efficiently and don’t allow overtime unless there is a valid reason, such as a special project.” (AP manager; manufacturing; 8,000 employees; 19 full-time in AP)
- 45** Change work hours. “Previously the AP staff would be in at 7:00 am and stay until 5:00 pm, and the work was not getting done. I developed some system tracking methods and realized only a handful of invoices were processed before 9:00. I changed the hours to coincide with my arrival at 8:30, and cut the overtime, while insisting all invoices must be processed within one day. The staff’s productivity increased immediately, and the work is completed with minimal overtime. This simple change has saved thousands over the year.” (AP manager; consumer electronics; 600 employees; 4 full-time in AP)
- 46** Cross-train. “We cross-trained staff to provide coverage for vacations and absences. This reduced the need for overtime.” (financial services; 700 employees; 4 full-time in AP)
- 47** Subdivide. “We divided the AP department into three separate departments: AP, travel, and payments. Each department has its own supervisor over their areas and thus saves me time with personnel issues.” (AP supervisor; manufacturing; 18,000 employees; 22 full-time in AP)
- 48** Downsize. Unfortunately, there may be no alternative but to reduce staff. “We downsized staff and put greater expectations on those who remained. We saved salaries and fringes and now do more with less.” (AP manager; manufacturing; 2,275 employees; 14 full-time in AP)
- 49** Redeploy. When faced with downsizing, try to redeploy instead of reducing staff. “We moved one person to another department.” (AP director; telecommunications; 3,400 employees; 15 full-time in AP)
- 50** Tune in. “We maximize training efforts by taking advantage of AP-related audio conferences.” (AP manager; manufacturing; 250 employees; 5 full-time in AP)