

INTERNATIONAL PARTS DISTRIBUTOR FOR JOHN DEERE, ISUZU & VOLVO RELIES ON AUTOMATION TO IMPROVE AP PROCESS



Challenge:

- Paper-based routing of invoices received from dispersed locations
- No approval controls if purchase order and invoice don't match
- Slow approval process prohibited early pay discounts
- Lack of built-in controls to ensure approval limits
- Images stored offline making retrieval cumbersome

Solution:

- API's Accounts Payable Service
- Invoices available for online viewing within 24 hours
- Automated online routing of invoices
- Invoice line items matched to purchase order
- Standard and ad-hoc reporting
- Vendor portal to view invoices and payment status
- Built-in financial controls
- Online audit trail

Results:

- Reduced costs and headcount
- Early pay discounts obtained
- Improved financial controls
- Ease in routing and approval by multiple locations

API's Accounts Payable Solution Innovates AP Process & Strengthens Controls

The Challenge

As a factory authorized dealer/distributor for many of the largest and most recognized engine, transmission and equipment manufacturers in the world, distributing parts is second nature to this 55 year old company. John Deere, Isuzu, and Volvo are among its manufacturers, and trading partners are located in the U.S., Mexico, Latin America and Asia. Even though the parts delivery business was booming, the nature of the distribution process posed a tough accounts payable challenge.

Some of the problems included:

Ineffective Routing Methods

- Paper invoices were routed manually for approval first, and scanned afterwards for offline storage.
- Invoices were received by multiple branches and routed throughout the organization for approval.

Lack of Controls for Purchase Order Approval

- Each branch or department handled their own purchase orders. Purchase order approval was on an honor system - with no centralized control process in place.
- Invoices were approved without match to delivery receipt or packing slip - contrary to company policy.

Inefficient Process for Non-Purchase Orders

- For non-purchase order invoices, a three-level hierarchy of approvers was established, but no dollar limit controls were in place.
- Inefficient multiple review processes took up to seven days for accounting department to make final review. This delay prohibited the company from taking advantage of vendor discounts.

Case Study - (cont'd)

Solution

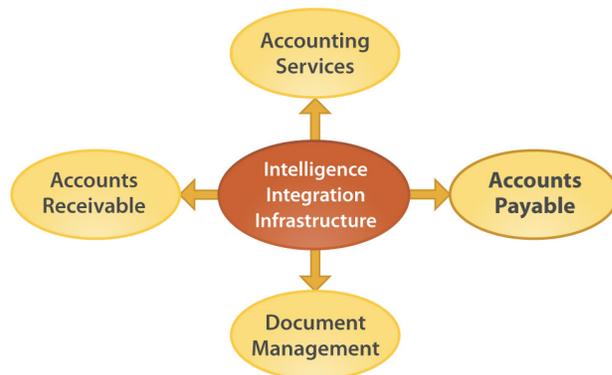
The distributor knew there had to be a better way to address these issues. Once they saw the demonstration of API's Accounts Payable Service, they were sold. The operations manager stated that "he would kill for this system." API assured him, taking that action wasn't necessary.

API's Accounts Payable Service provided more capabilities than originally anticipated by the distributor. All invoices are electronically imaged and archived for routing, approval and online storage. The payable process includes a two-way match of purchase order to invoice. The service also includes built-in controls for approval limits for non-purchase order invoices. In addition, a customer-branded vendor portal is included for the distributors' vendors to view invoices and check their payment status. The system includes robust reporting so that the distributor can evaluate purchasing trends and vendor issues.

About API Outsourcing

API Outsourcing, Inc. is a leading onshore Finance and Accounting Outsourcing (FAO) provider of innovative state-of-the-art document management, accounts payable, accounts receivable and accounting services headquartered in St. Paul, MN. By transforming manual paper-dependent payables and billing processes through our imaging, bill delivery and workflow systems, customers minimize the labor intensive work associated with back-office processing and can focus on their core business. Outsourcing benefits include improved cash flow through improved DSO and controlled DPO. This combined with reduced processing costs, increased business intelligence and improved customer/vendor relationships provides the ultimate value proposition. API currently processes over one hundred million transactions annually, delivers world-class quality, provides exceptional customer satisfaction, utilizes Six Sigma practices and performs a SAS 70 Type II Audit annually.

API Solution Framework



Results

The accounts payable process has been tremendously improved. Now, invoices are received directly at API's facility and available online within 24 hours. This has allowed the company to take advantage of early pay discounts, which wasn't possible in the past. The technology efficiencies have also reduced costs and headcount. One of the most important advances for the company has been improved financial controls. The company now has an easily accessible audit trail which let's them know who approved the payments. They are assured that their purchase orders match their invoices. Now with AP automation, the distributor's accounts payable process is as easy to manage as their delivery process.