BUSINESS GUIDE

Top 10 Finance Processes to Automate Now

How Automation Can Help You Reduce Costs and Scale Your Business

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When Institute of Management Accountants (IMA) President Jeff Thomson penned an article about the prominent trends that would affect accounting in 2021, "automation will no longer be debated"[1] topped the list. Results from the most recent IMA survey back up that prediction. While the majority of businesses are just beginning to reap the benefits of automating financial processes—less than one-quarter[2] of those surveyed said their processes were largely automated—they do realize its potential and are taking steps to prepare.

As more processes are automated, the work required in accounting and finance roles is shifting, the survey found, as professionals move from being reactive and transactional to proactive and analytical. More than half of those surveyed by IMA said their work had become more analytical in the last 18 months, and 92% said the transactional processing they're responsible for would significantly decrease over the next five years and they'd need to become more analytical.

Professionals in this space are optimistic about how automation across financial processes can help their organizations, and, true to form, they're very realistic about how to get there. Automation can't work without a solid, reliable data infrastructure, so it's no surprise that more than two-thirds of the businesses surveyed have implemented or are currently implementing cloud-based accounting software to build that foundation.

[1] https://www.forbes.com/sites/jeffthomson/2020/12/18/speeding-towards-transformation-2021-trends-in-finance-and-accounting/?sh=2b5d25a34ab8
[2] https://www.imanet.org/-/media/1556f3868820422ea39760b48abd4755.ashx

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CHAPTER 1

10 Financial Processes That Should Be Automated

There are key steps businesses can take to start automating processes and realizing the benefits of doing so. Many companies begin by leveraging technologies to automate different parts of the accounting and financial processes. Financial data is core to everything the business does, so it must be accurate and up to date. Once that's in place, what should companies focus on automating?

1. Data Entry

Data entry is often one of the first things businesses automate. A recent survey from Robert Half shows that a growing number of companies have automated data entry and collection in the last few years.

As companies implement an accounting system, it often introduces some automation. There are different levels of technology that can be used to automate data entry, from importing data and enabling rules-based workflows, to robotic process automation (RPA), to more advanced artificial intelligence (AI) technologies.

Automation on one level may include the ability to automatically import and reconcile bank statements, or integration with other business systems (such as a point-of-sale system) to pull in accounting and financial data. Fully automated data entry tools can pull data from structured and unstructured documents without any human intervention, using something like optical character recognition (OCR) technology to, for instance, automatically capture data from paper documents, emails or PDFs. Software with machine learning can be programmed to learn from the process over time and, for instance, "read" a bank statement and move the data to the right fields in the accounts receivable solution.

The benefits of fully automating all processes associated with data entry and capture are as beneficial as they are obvious—more accurate data, less time spent verifying and reconciling the data, and more time to look at and analyze information to drive process improvements and greater efficiency.

2. Accounts Payable (AP)

Automating the accounts payable process is important to make sure the business pays its bills on time and can take advantage of optimal payment terms to hold on to cash longer and receive discounts, when offered. AP automation technology matches invoices to supporting documents, such as purchase orders and receiving forms, to ease the tedious work of manually matching documents.

Software can also set rules that automatically assign the correct general ledger code to each invoice, eliminating the time spent manually coding them and the inconsistencies that introduces. Additionally, digital workflows can alert necessary approvers when actions need to be taken to make sure invoices are approved and paid in a timely manner.

3. Accounts Receivable (AR)

Invoicing is one of the most commonly automated processes, according to Robert Half. The ability to generate invoices, route them to different stakeholders for required approvals and then automatically email them to customers is standard in accounting systems, but more progressive accounting software provides additional automation. This can include tying in credit management to set credit limits for customers and manage accounts to recognize early signs of financial trouble and respond accordingly.

Automating all parts of the invoicing process can decrease days sales outstanding. Even firms that don't send out a large volume of invoices benefit here, reducing DSO by 15 days compared to those using manual AR processes. This can lead to more predictable cash flow and prevents companies from wasting resources trying to track down delinquent customers.

4. Expense Processing and Management

Manual expense management requires keeping, organizing, and managing a lot of paper and spreadsheets on both the payable and receivable ends. It wastes money and employees' patience as they painstakingly arrange receipts, mileage logs and more to send manual expense reports to accounting teams for reimbursement. This inevitably results in a lot of back and forth, perhaps because accounting can't decipher something or because the expense falls outside of the defined policy. Companies are looking to automate expense management to simplify the entire process of submitting, processing and reimbursing expenses.

But there are other benefits, including eliminating paper, gaining visibility into spending trends to curb areas of high spend (by adjusting your expense policy), preventing expense fraud and increasing compliance with the policy. Automating expense management can even ease the process of preparing and paying federal income taxes by tracking and calculating deductible expenses.

5. Payroll

Managing payroll can be one of the most tedious and time-consuming aspects of running a small business, given the necessary details and the need to stay up to date with changing wage and tax laws. However, payroll software can greatly increase efficiency and reduce errors and other headaches by eliminating manual inputs. This can give payroll managers and employees more time to focus on valuable tasks.

Even for organizations that outsource payroll processing, automation is crucial in accurately and easily providing all the required data to the provider.

For example, payroll software can:

- Accurately calculate paychecks, taking into account all the necessary factors, including wages, tax withholdings, location and benefits contributions. This eliminates manual calculations.
- Calculate overtime, holiday and after-hour pay as necessary. Whether it's just to follow company policy or to comply with federal or state regulations, payroll software makes tracking complex schedules much easier.
- Track time off requests for vacation or sick days. Payroll software can also handle benefits like the accrual of paid time off that may need to be paid out if an employee leaves the company.
- Stay up to date with tax and wage laws on federal, state and local levels. Save time and ensure compliance.
- Automatically pay employees via direct deposit or pay cards.
- Determine commission payments based on specific plans to ensure accurate payments to sales reps and other eligible employees.

8 Steps to DIY Payroll Processing		
1	**Verify eligibility**	Verify new employee identity and employment authorization with the I-9 form.
2	**Collect W-4 forms**	Get a W-4 from each new employee to determine tax withholding.
3	**Get an EIN**	You need an Employer Identification Number from the IRS in order to pay employees.
4	**Choose a payroll schedule**	Options vary by state—common frequencies include weekly, biweekly and semimonthly.
5	**Calculate and withhold taxes**	Calculate employee taxes and other deductions that you'll withhold from their paychecks.
6	**Run the numbers**	Calculate net pay for each employee by subtracting taxes and other deductions from gross pay.
7	**Pay employees**	Options include direct deposit, check or pay card.
8	**Pay taxes**	Pay the employee's and employer's share of federal, state and local taxes.
9	**File tax forms**	File quarterly and annual tax forms with federal, state and local authorities. Provide W-2s to employees.

6. Purchase Orders

The purchase order (PO) process bridges procurement and AP and touches stakeholders in a number of different departments, which can lead to a long string of back-and-forth communication that can be difficult to track. Missing key dates or waiting on approvals for POs can result in supply delays that greatly impact production and profits. Or, an organization might miss out on getting a product or service from their first choice because they don't act quickly enough. All of it impacts crucial relationships with vendors that play a central role in helping your business deliver its products or services.

That's why automation within and some level of integration between the finance and procurement systems is crucial to ensure visibility, accuracy and efficiency. Automated workflows alert approvers when a PO is ready for their review, and enable them to move it along in a timely manner. When procurement processes are integrated with AP systems, vendors receive timely payment because the software automatically matches invoices with purchase orders and receipts. Employees can spend their time looking for outliers, patterns and potential problems—like fraud—since processing POs is less of a concern.

7. Financial Reporting

Generating financial reports is another process that many companies automate. Interestingly, financial reporting was the most common response when IMA asked which financial processes would undergo a significant or complete change because of technology over the next five years.

> Accounting software that can automate account reconciliations makes closing the books simpler and faster, as a staffer needs to only review the flagged transactions instead of every transaction from that month.

Technology has enabled many companies to automate the steps required to produce financial statements.

Once that's done, the platform has everything it needs to generate monthly financial statements. This helps explain why the financial reporting process took an average of just 10 days for U.S. businesses in 2019, three days less than in 2018, per Robert Half. An impressive 39% of organizations under the $500 million revenue mark have automated the creation of financial reports.

Automated financial reporting ensures that reports are accurate, and the financial data is transparent and credible for any business event—from reports to the bank, to satisfying the needs and due diligence for investors, all the way through earnings reports—with ease. Not only does this leave more time for financial professionals to analyze the results, but it allows internal and external stakeholders to get this critical information sooner so they can take it into account when making decisions.

8. Consolidated Financial Processes

Building reports for management can take days for some organizations, between building a spreadsheet to collating everything and making sure everything lines up correctly. This process is even more complex when dealing with different currencies and exchange rates, local tax codes and accounting regulations. The ability to have a unified view of financials across the business in seconds by introducing automation into the financial consolidation process is a huge advantage.

Leading systems include functionality that allows users to tag intercompany purchase orders and sales orders as they are created, and automatically link them so that accounting doesn't have to search through all the entries to find the matching pairs during reconciliation. Software also removes revenue and expenses associated with intercompany transactions from consolidated financials during the close process.

9. Budgeting and Forecasting

As an organization grows and matures, budgeting and forecasting can become increasingly complex and challenging. A financial planning and budgeting system that's integrated with the accounting system provides a major assist by pulling all financial and operational information required for forecasting and budgeting from that core financial solution. There's no need to import and export data or enter it manually, and all stakeholders are working with the same source of accurate data, which updates in real time. Users can also switch out a few numbers to see the impact of those changes without creating multiple versions of the budget. While it may not be possible to fully automate the budgeting and forecasting process, eliminating parts of it reduces the time and energy accounting or FP&A teams spend on it.

With such a system in place, stakeholders can easily track and stick to budgets, and numbers are easily accessible for forecasting purposes. Prebuilt reports and dashboards make it easy to consume the data—to compare numbers, spot trends and use the data to make decisions. A planning and budgeting application enhances predictive capabilities by sort of supercharging spreadsheets, allowing users to pull and push data directly from the underlying database. They can then analyze the information in more ways and automatically create visualizations that include embedded and interactive financials to communicate the data.

10. Sales Tax

Sales tax is complex. Not every state requires vendors levy and remit sales tax, but the 2018 U.S. Supreme Court ruling in South Dakota v. Wayfair opened the door for states to require businesses without a physical presence in the state (and above certain sales thresholds) to collect and remit sales taxes. Many states have enacted legislation to tax ecommerce sales on the principle of sales tax nexus.

There are also hyper-local laws to worry about. Customers with the same five-digit ZIP code don't necessarily have the same sales tax rate, and a single ZIP code can include multiple tax jurisdictions or contain special zones where additional tax surcharges are levied. This reality now requires that vendors apply sales tax with greater precision by asking customers for their full, nine-digit zip code.

Keeping track of customers that are exempt from sales tax (like government agencies and nonprofits, as well as those buying certain types of products and products that will be resold) is also crucial for building strong customer relationships. Customers don't look too kindly upon being charged sales tax when they are actually exempt. The burden for calculating proper sales tax and accounting for it falls on the business, and this is typically done through collecting and tracking tax exemption certificates. Completed manually, this is obviously a time-consuming and error-prone process.

This highlights why eliminating manual tax calculations by using an accounting system with built-in tax logic is crucial. Such an engine determines taxability and the amount to collect for every sales transaction. A robust platform will update automatically to reflect changes to tax laws and provide the flexibility to accommodate sales tax holidays or products exempt from tax in states. It will also ensure laser accuracy of sales tax by using the zip + 4 to pinpoint tax by a specific address, as well as manage exemption certificates with validity dates for customers and vendors.

CHAPTER 2

How ERP Addresses These Challenges

ERP software automates business processes by collecting all information from across an organization in a central database and using that data repository to automate workflows. ERP systems not only provide the platform for process automation; they help the business establish and maintain rules that ensure compliance with legal and regulatory mandates. The accounting modules connected to ERP systems, for example, establish strong financial controls and ensure that the business adheres to all applicable regulatory and accounting standards.

Most businesses start by automating processes associated with core financials and gradually move on to other aspects of their organization. For instance, they might move to an accounting solution that can automate AP and AR by extracting information from invoices, organizing them by due date, and automatically sending out reminders for bills to customers. That automation should make closing the books much easier, meaning financial statements are ready within a week of quarter's end.

The organization might add an expense management system that allows employees to upload receipts and submit reports online, then set custom rules for approvals so each report is routed to the right manager. It's best to get all these applications from the same vendor to avoid costly and unreliable integrations. A unified ERP platform with modules that can support various business functions and needs is the best approach for most organizations.

ERP systems also offer value in tying together business processes end-to-end, allowing the technology to mirror, guide and improve the ways your business gets things done.

For example, an order-to-cash process for a products company, in its simplest iteration, touches the systems for inventory management, order management, accounts receivable and possibly credit management. An ERP platform hands off the process from one department to another to complete the transaction, while also tracking that data so it can be used for financial reporting, forecasting, budgeting, analysis and more.

ERP systems extend far beyond accounting and can scale to address the growing needs of a business.

Leading ERP platforms like NetSuite offer modules for inventory and order management, procurement, warehousing and fulfillment, production management, financial planning and analysis and more.

As more businesses implement ERP to serve as the foundation for end-to-end automation, most are looking to the cloud. Spending on cloud-based enterprise software continues to grow at a healthy clip, and that trend is sure to continue in coming years. The most robust cloud-based platforms like NetSuite include many of the technologies needed to automate financial processes, and most importantly, provide a single source of real-time, accurate information to ensure automation brings the intended business benefits.

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