ELECTRONIC INVOICE ROUTING AND APPROVAL PUTS AN END TO THE PAPER CHASE

By John Meibers

Unfortunately, every subcontractor or vendor invoice received in a contractor's office does not match the purchase order or subcontract agreement with which it is associated. These exceptions typically start a chaotic process referred to as the paper chase.

In a typical contractor's office these invoices, as well as some others from time to time, need someone other than the accounts payable (AP) clerk to give their approval before they can be processed for payment. The manual process would have the AP clerk walk or fax the invoice to another office, put it on a project manager's or purchasing agent's desk, and then go back and hope that sometime in the near future it will make its way back to their desk so they can enter it into the accounting system for payment.

This system creates a number of problems. The fact that the invoice is sitting on a desk and has not been entered into the accounting and job-costing system makes it very difficult to get accurate and timely job-cost and financial reports, which are key to successfully running a construction company.

Imagine a $20,000 invoice being excluded from the job-cost and financial reports because it was buried under a stack of paper on someone's desk. That job that looked to be profitable at the end of the month suddenly doesn't look so profitable the next month when the invoice finally makes its way back to accounting for entry into the accounting system. The time, cost, and effect that this process has on the contractor can be quite substantial.

Owners or upper-level managers will start to question the accuracy of their job-cost and financial reports if all of the invoices are not accounted for in them. Project managers will spend unproductive time trying to track down and approve these invoices instead of using that time to better manage their jobs. A project manager's time is much better spent managing jobs and increasing productivity and profitability than it is tracking and chasing down invoices to approve them.

SOLUTIONS THAT WORK

This process can change for the contractor by implementing an effective electronic invoice routing system. This can be done by scanning and automatically routing invoices to one or more parties based on rules, such as Project Manager, Purchase Order, and/or Specific Dollar Amounts, just to name a few.

For example, the ComputerEase Electronic Document Processing feature keeps all critical invoices in an expedited approval work flow and eliminates the processing delays that can hinder cash flow. When a document needs to be approved,

it is simply scanned into the system and then forwarded to the appropriate person for approval.

When a person who has documents waiting on approval logs in, he or she receives a message indicating that documents are waiting to be approved. That person reviews the document, makes electronic notes on it if necessary, and then approves or rejects it.

The party whose approval is required will then be notified that invoices are awaiting their approval, and instead of searching through stacks of paper they can simply review the invoices, purchase orders, and any other documents on screen with the click of a mouse and electronically approve the documents.

GOING PAPERLESS

A paperless system allows contractors to scan in and route invoices, checks, and billings, and keep them in one place. Another option would be to scan and route only those invoices that fall into the exception category. These would be invoices that don't match the purchase order or subcontract agreement, or any others about which the AP entry clerk has questions.

This process would start with the AP clerk entering all invoices as they enter the office. The immediate effect that this has is that all job-cost and financial reports are now current and reflect these invoices even though they have not been approved for payment. As the invoice is being entered into the system, scanned images of the invoice and any other associated documents are attached and electronically routed to the appropriate person for approval, eliminating the need to manually place these invoices on someone's desk.

The Electronic Document Processing feature in the ComputerEase system allows contractors to:

- eliminate handling a messy paper trail and tracking down lost documents;
- prepare billings more accurately and in less time;
- save project managers the time of running down paper documents needing approval;
- speed up the document approval process significantly;
- maintain a clear, centralized list of all documents needing attention and their current status; and
- find documents quickly and easily.

This electronic process will not only save contractors a considerable amount of time and make them more efficient, but the improved accuracy of their job and financial reports will improve job management and increase profits. ◆

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