Automate Your A/P and A/R by Integrating With Your Bank

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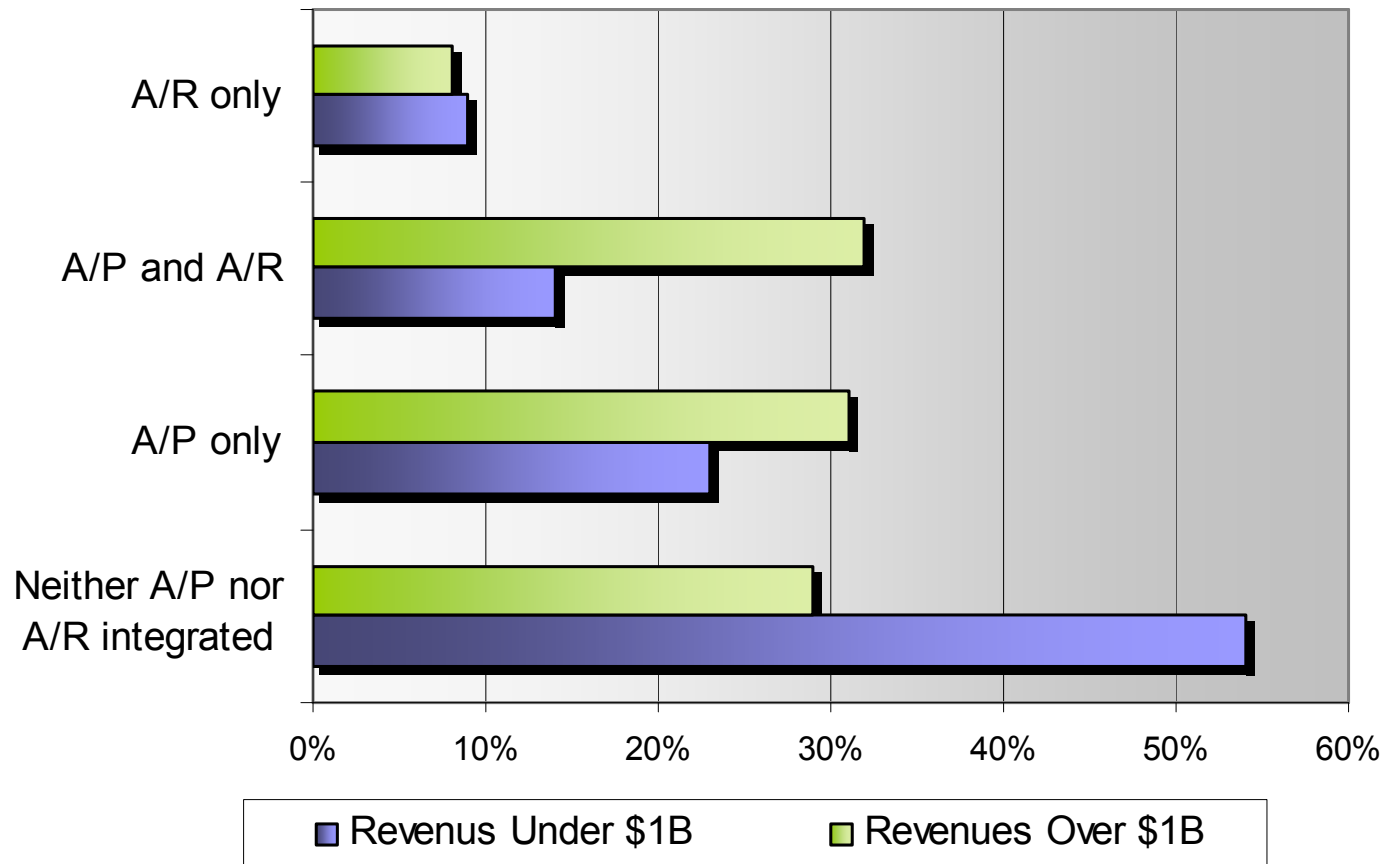Senior IT Manager, Financial Systems
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Objectives

- Review the common pain points of A/P and A/R
- Discuss banking products and services available to automate A/P and A/R
- Discuss the benefits of automation
- Understand the choices you'll need to make, and the options available to you
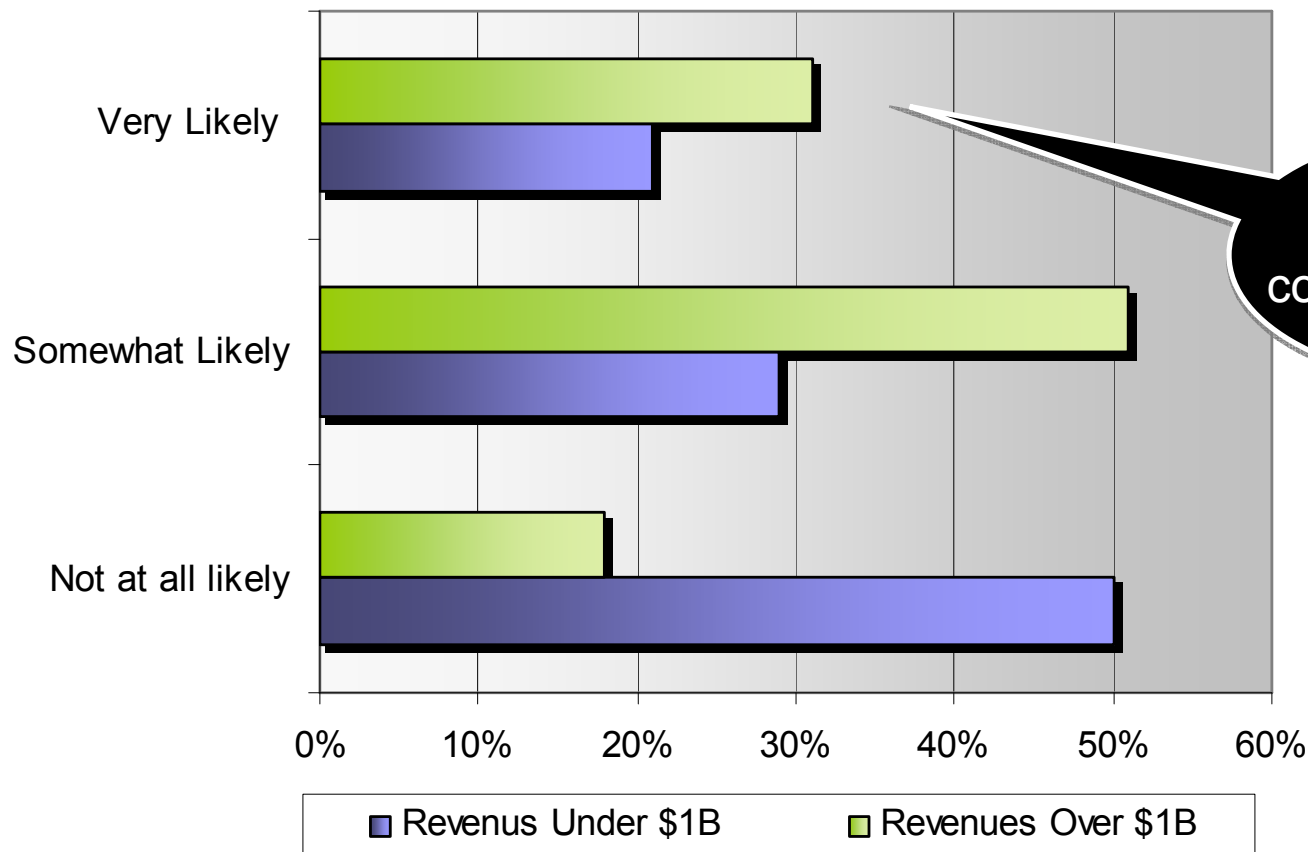
Informal Oracle User Poll

- How many of you currently have integration with your bank?
    - Accounts Payable?
    - Accounts Receivable?
- What services do you use?
- What other Oracle modules are integrated with your bank?
- How many plan to integrate if not already integrated?

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Integration of Electronic (ACH) Payments with ERP

Chart: Integration of Electronic (ACH) Payments with ERP

- **A/R only**: Revenues Over $1B ~8%, Revenus Under $1B ~9%
- **A/P and A/R**: Revenues Over $1B ~32%, Revenus Under $1B ~14%
- **A/P only**: Revenues Over $1B ~31%, Revenus Under $1B ~23%
- **Neither A/P nor A/R integrated**: Revenues Over $1B ~29%, Revenus Under $1B ~54%

Legend: ■ Revenus Under $1B ■ Revenues Over $1B

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Likelihood of Integrating Electronic Payments with A/P or A/R in Next Two Years

What are your competitors doing?

Legend: Revenus Under $1B   Revenues Over $1B

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What We've Seen....

- Our discussions with customers highlight that
  - A/P and A/R are under scrutiny for reliance on costly, labor-intensive and inefficient processes
  - Sarbanes-Oxley has put spotlight on accounting compliance risks due to manual processes
  - Automation is lacking; manual, paper-intensive processing is typical
  - Resources are too consumed by transaction-level activity, with limited visibility into more strategic trading partner information

Common A/P and A/R Pain Points

- Frustrated with inefficiency of paper process
- Want to reduce or eliminate tedious keying, re-keying of data
- Looking to increase productivity of A/P and A/R staff
- Lack of visibility and control over what's sitting on someone's desk
- Want better reporting, tracking, auditing
- Pressure to lower transaction costs

There is a Better Way!

- **Automate** – electronically integrate your Oracle payables and receivables with your bank

- **Simplify** – send one file with payment and remittance info to the bank for processing, or receive a consolidated remittance file

- **Enhance** – improve your vendor relationships by providing them with electronic payment choices while still receiving remittance information
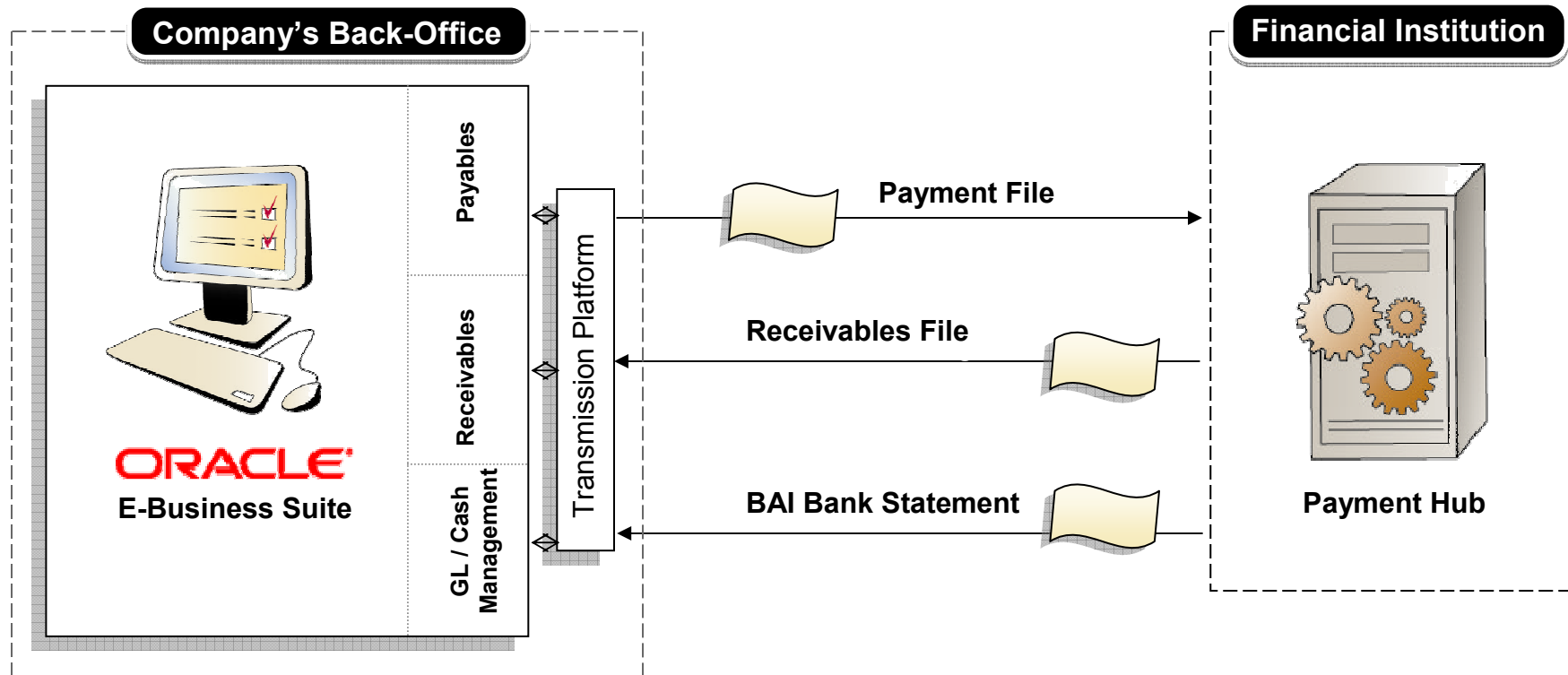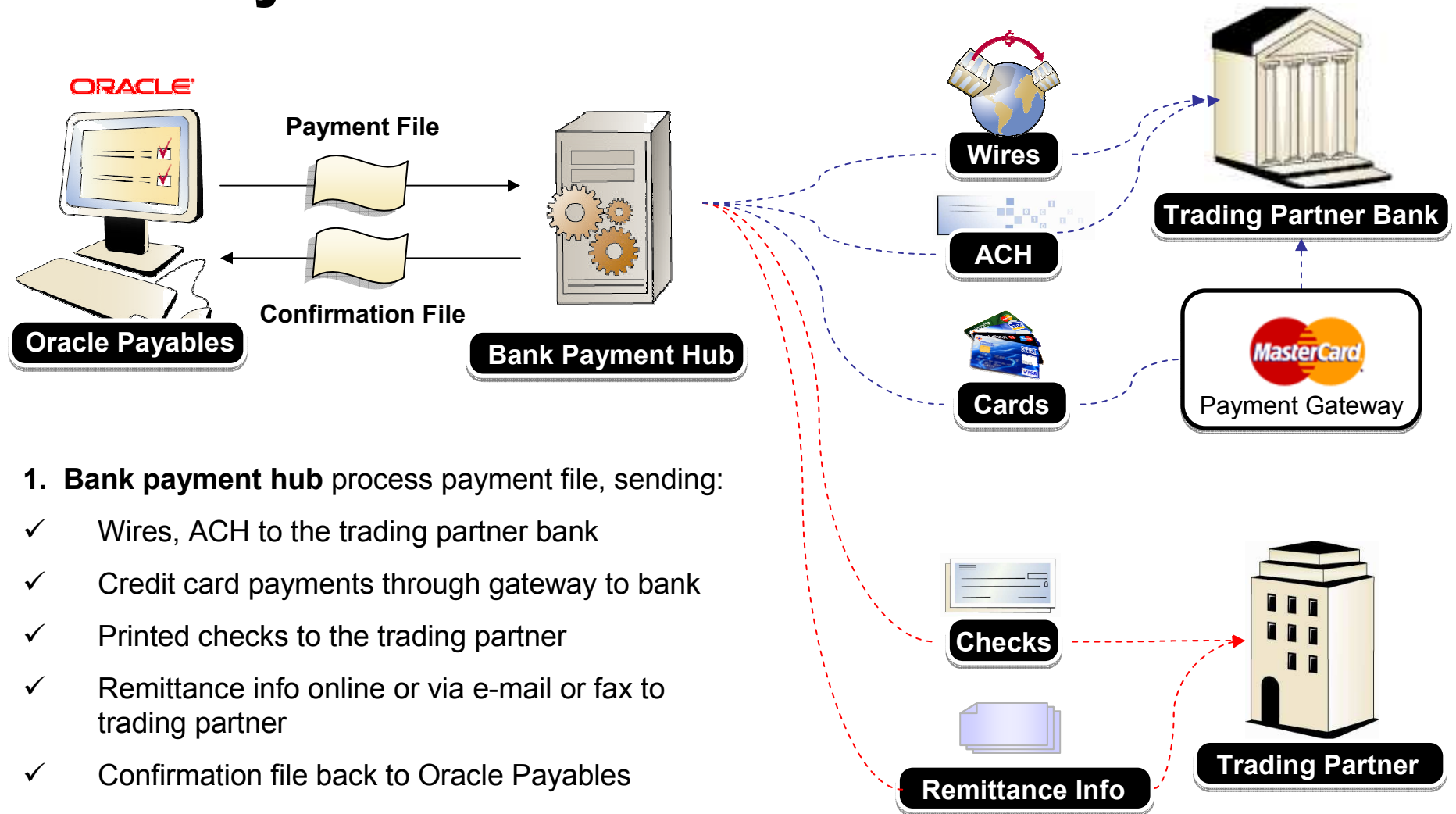
How Bank Automation Works

1. Customer uses Oracle E-Business Suite financial modules to initiate or post payments using their existing user interface.

2. Payment files created and transmitted to bank. Receivables and BAI files transmitted from bank to company and imported into Oracle.
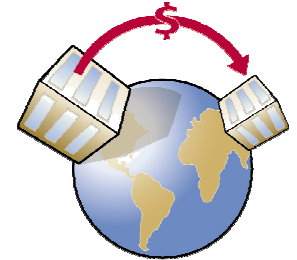
3. Bank receives file and processes payments.

Company's Back-Office

Payables

Receivables

GL / Cash Management

ORACLE
E-Business Suite

Transmission Platform

Payment File

Receivables File

BAI Bank Statement

Financial Institution

Payment Hub

Bank Payment Hub for A/P

Payment File

Confirmation File

Oracle Payables

Bank Payment Hub

Wires

ACH

Cards

Payment Gateway

Trading Partner Bank

Checks

Remittance Info

Trading Partner

1. **Bank payment hub** process payment file, sending:

   ✓ Wires, ACH to the trading partner bank

   ✓ Credit card payments through gateway to bank

   ✓ Printed checks to the trading partner

   ✓ Remittance info online or via e-mail or fax to trading partner

   ✓ Confirmation file back to Oracle Payables

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Bank Payment Hub for A/P

Payment automation features to look for:

- ✔ Support for multiple payment types
  - ACH & Wire – Domestic & Intl USD, foreign currency
  - Check – Domestic USD & Canadian, to any location
  - Commercial or purchasing cards
- ✔ Flexible file formats and transmission methods
- ✔ All files acknowledged upon receipt by bank
- ✔ Detailed ACH & Wire confirmations

Bank Payment Hub for A/P
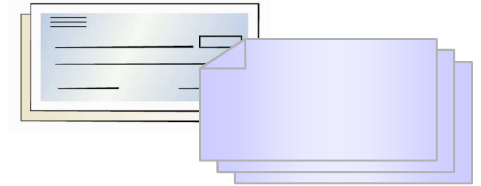
Remittance automation features to look for:

- ✔ Capability to send traditional remittance data with payments (e.g., ACH addenda)
- ✔ Capability to send human-readable format with unlimited amount of information
  - Delivery online, via e-mail, fax, print/mail
  - Overcomes common barrier to moving "paper-to-electronic"
- ✔ Easy online management of vendor data
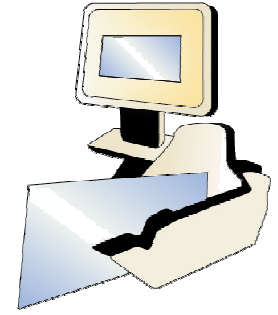
Bank Payment Hub for A/R
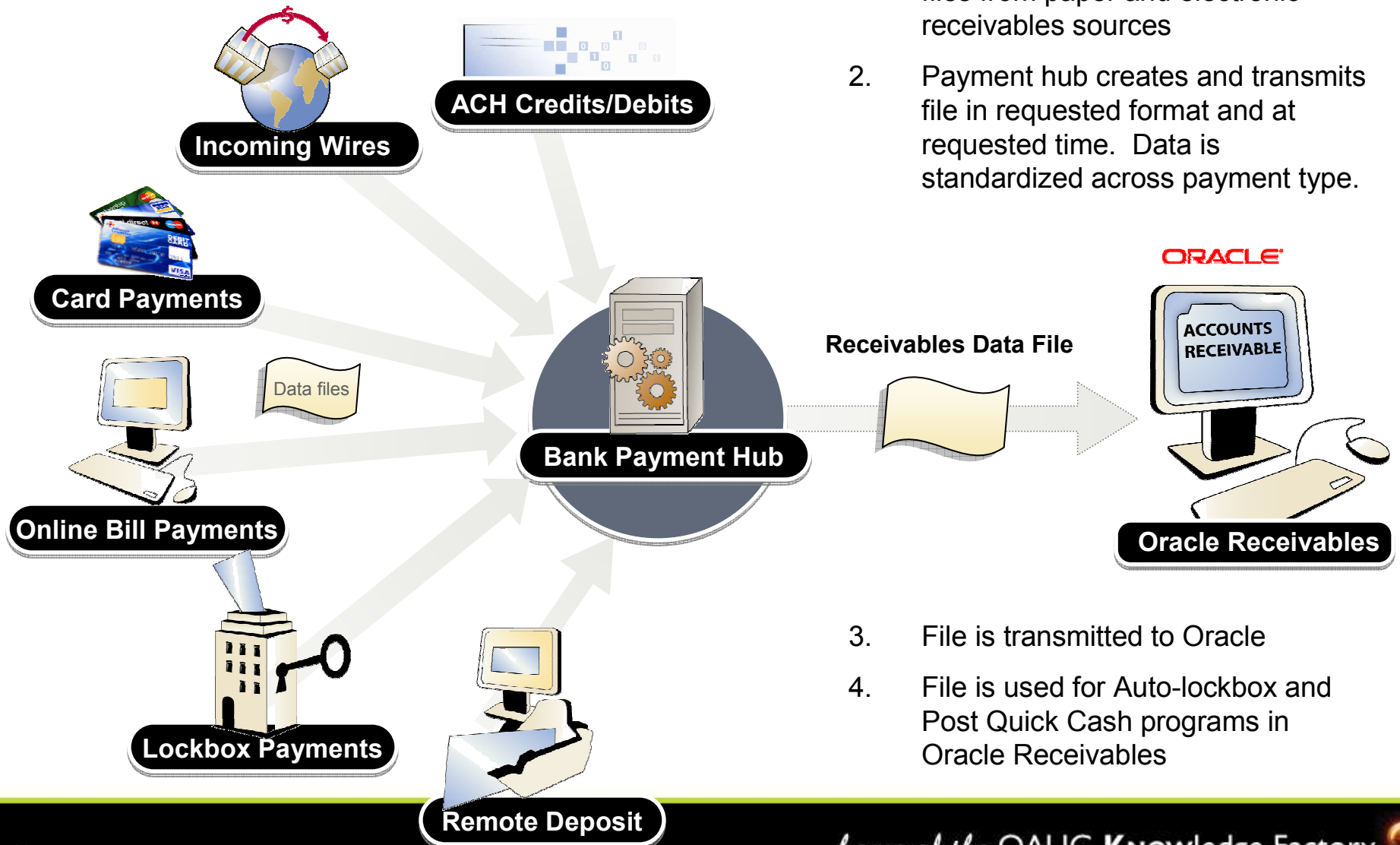
1. **Bank payment hub** receives data files from paper and electronic receivables sources

2. Payment hub creates and transmits file in requested format and at requested time. Data is standardized across payment type.

Incoming Wires

ACH Credits/Debits

Card Payments

Data files

Online Bill Payments

Bank Payment Hub

Receivables Data File

ORACLE

ACCOUNTS RECEIVABLE

Oracle Receivables

Lockbox Payments

Remote Deposit

3. File is transmitted to Oracle

4. File is used for Auto-lockbox and Post Quick Cash programs in Oracle Receivables

Bank Payment Hub for A/R

Receivables features to look for:

✔ Receivables data from multiple sources:

- ACH credits and debits

- Incoming wires

- Merchant services (credit card) payments

- Lockbox

- Remote deposit

- Online bill payments

✔ Ability to combine payment types in single file

✔ Flexible file formats and transmission methods

Benefits of Integration

Source: 2007 AFP Electronic Payments Survey

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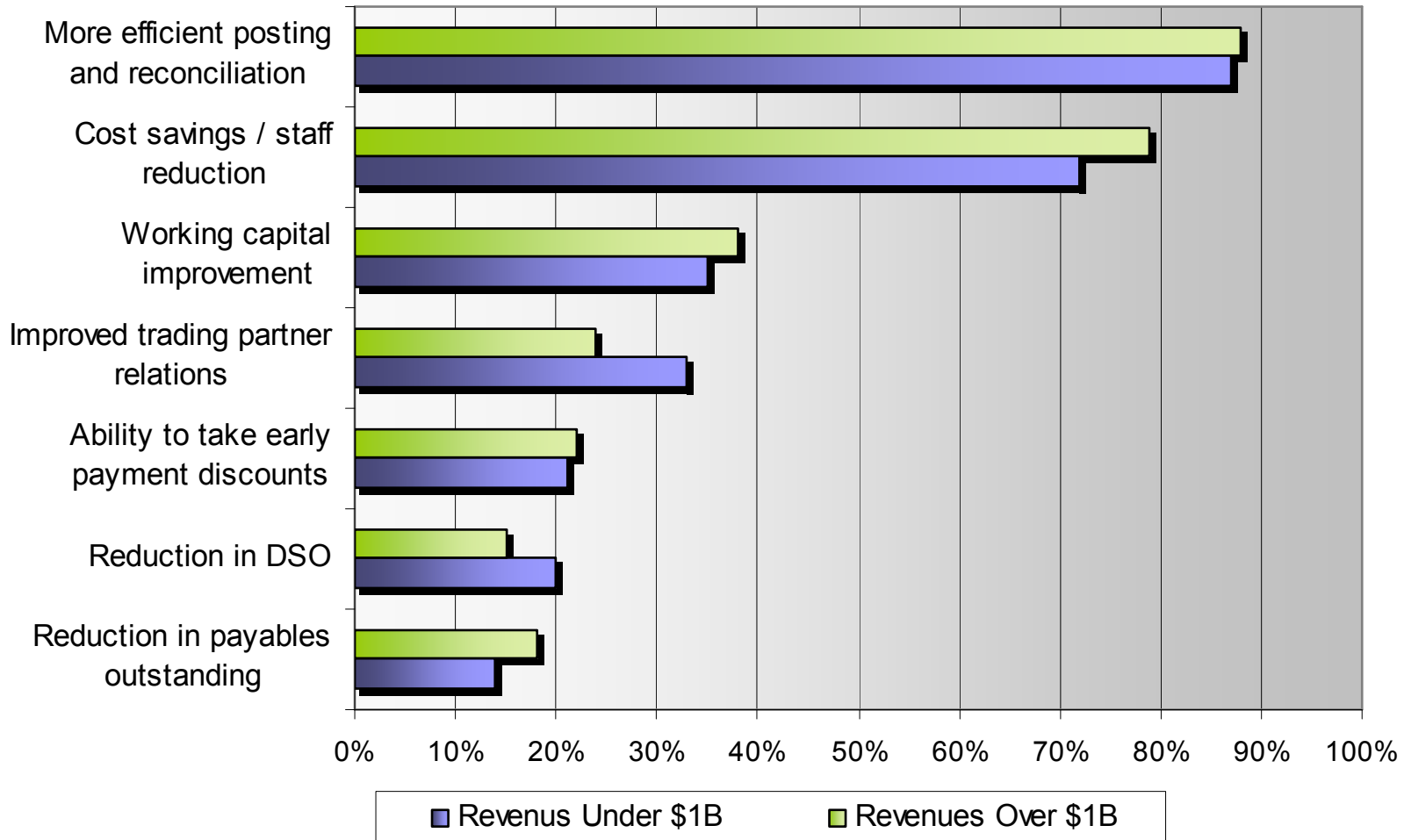
Other Considerations

- How to build out the integration?
  - IT resources will likely be needed
  - Will need Oracle to generate new file formats for value-add payment services
  - Implementation may take approx. 1-3 months depending on provider
  - How to incorporate receivables / BAI information
- How to send/receive files?
  - Multiple transmission options: FTP, HTTPS, NDM, etc.

Case Study: Equinix

equinix

- Leading global provider of data centers
- Customers are enterprises, content companies, and network service providers
- Publicly traded and founded in 1998
- Using Oracle EBS version 11.5.10
  - Use Payables, Receivables, Cash Management, and other modules
- Implemented Wells Fargo's *Payment Manager* service in 2007

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Equinix Accounts Payable

equinix

- Accounts Payable makes about 900 to 1000 payments per month
  - Primarily check payments, although some ACH and wire
- Leverages existing Oracle process
  1. User sets up suppliers with address and bank info
  2. User creates invoices
  3. User creates payment batch, formats, and confirms
  4. Custom program pulls all payments into a single file and sends to Wells Fargo
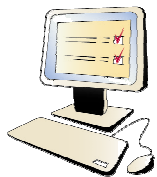
Implementation Considerations

- Implementation process took about 6-9 months
  - Most of that time was building integration and custom programming within Oracle
- Challenges
  - Mapping the Oracle fields to WFB file format
  - Verifying if payment files contain all required fields during testing process
- What worked well
  - Support from Wells Fargo team
  - After go-live, it has been very stable; no issues

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Benefits of Integration

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- Elimination of an error-prone manual process for payments, particularly ACH and wires

- No longer need to manage check stock and printing process in-house

- Cost savings for A/P staff in manually printing and sending checks

- Improved risk controls with automated process

- Better handling of remittance information with trading partners

Questions?

Please contact

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