

Trends in Electronic Procure to Pay Processes



Eric Newton, CPA

Vice President - Construction

- **Comdata is a leading service provider of innovative, value-added payment and information solutions.**
 - Established in 1969 to serve the unique needs of our customers.
 - 1,600 associates provide strategy, implementation and support services for our clients
 - Comdata payment solutions give you maximum control and flexibility to manage all your expenses — including fuel, repairs, purchasing, travel and more — with a single card



Comdata | Overview

Today, Comdata is helping more than 25,000 business clients successfully improve their agility, cut costs and reduce risks by integrating these corporate spending activities

Corporate purchases

Streamline business processes, reduce costs and improve organizational accountability for routine purchases.

Electronic payment solutions

Automate your accounts payable and payroll disbursements eliminating the cost and risk of manual check processing

Commercial and Government fleets

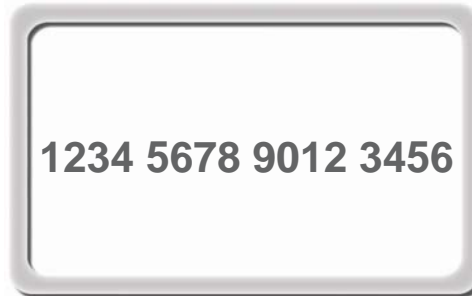
The Comdata[®] MasterCard is the most widely accepted fuel card in the transportation industry with innovative programs that help fleets operate more efficiently.

The Comdata Card



Plastic Card

- A physical **plastic card** assigned to a specific person & used for repetitive purchases



Ghost Card

- A permanent MasterCard® **number** assigned to a specific person or department & used for repetitive purchases

0987 6543 2109 8765

Virtual Card

- Unique 16 digit MasterCard® number electronically generated for **one-time** purchases that works like a manual check

Comdata | Why Payroll Cards?

- Ten Million U.S. Households do not have a Bank Account – Equivalent to **13%** of the Population*
- Americans Without Bank Accounts Spend **\$8 Billion** Annually Cashing Checks***
- Pay Cards are Less than One-fifth the Cost of Check-Cashing Services (**\$39/month**)*
- 4 Million Payroll Checks are Lost or Stolen Each Year
- Replacement/Manual Checks Cost Employers **\$8-10** per Check or \$48 Million Dollars Annually in Labor Costs Alone
- *Average Cost to Produce a Paper Payroll Check is **\$2.64*****

Source: *Federal Reserve (2006), **American Payroll Association (2006),
***American Bankers Association, Fannie Mae Foundation,
Directdeposit.org

Payroll Cards - Loading Funds to Cards

Employers “load” employee NET pay amounts to pay card accounts each payday (Mainly for Non-Banked Employees)

- ***ACH Fed File:*** Funds sent with direct deposit file via your bank (standard for a payroll process)
- ***Direct Load:*** proprietary batch data file direct to Comdata (funds available within 30 minutes)
- ***Real-Time:*** single loads / corrections via Web (funds available immediately)

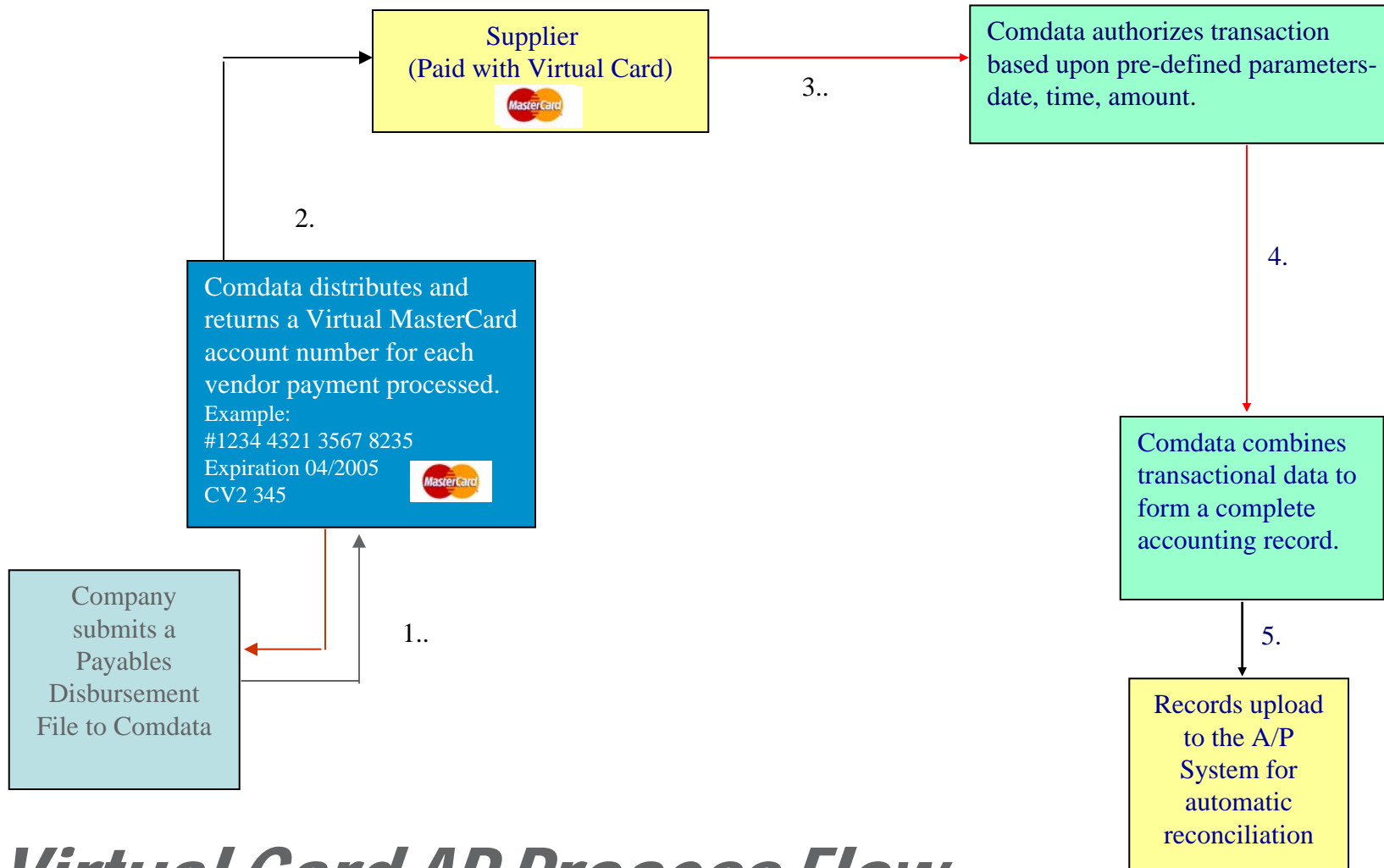
Comdata | *The Virtual MasterCard - Explained*

The Virtual MasterCard delivers optimum flexibility and control when processing traditional supplier payments.

- A Virtual Card is a unique MasterCard account number tied to a single Vendor Payment and issued for a specific dollar amount.
- The Virtual MasterCard is a 16 digit number issued electronically
- Is accepted by millions of suppliers world-wide.
- Your company receives revenue on every vendor payable
example: \$1M monthly @ 1% = \$12,000 or \$120,000 annually

Comdata | *The Virtual MasterCard - Benefits*

- Transforms your payables department into a revenue generator.
- Eliminates paper checks, reconciliation, bank fees and more
- Automates the delivery of the your payment advice along with the Virtual account number
- Seamlessly integrates with your AP System
- Improves cash flow



Virtual Card AP Process Flow

Comdata | *The Remittance Advice*

The following invoices have been authorized to be charged to the MasterCard number listed below on 05/27/2007:

VENDOR: 1234 TEST VENDOR

EMAIL: arperson@testvendor.com

CARD#: XXXXXX0004614223 EXP:06/07 Security Code:583

PAYMENT#: 15

Inv Date	Invoice Number	Invoice Amt	Discount Amt	Net Amt Paid
05/27/2005	13648	\$1.00	\$0.00	\$1.00
05/27/2005	464789	\$1.00	\$0.00	\$1.00
05/26/2005	879464	\$1.00	\$0.00	\$1.00

Total Net Paid: \$3.00

We recommend that you run the card through once for the full "Total Net Paid" amount.

Please contact the ABC Accounts Payable department at Accounts_Payable@ABC.com or 800-701-4918 if you have any questions regarding this payment.

Survey Questions

- **How many of you process AP invoices pretty much the same way you did 5 years ago?**
- **How many of you are seeing AP discounts go down or disappear?**
- **How many of you use an imaging system?**
- **How many of you receive electronic invoices?**
- **How many of you pay bills electronically?**

Current State of Accounts Payable

- **Only 40% of companies have automated some Accounts Payable processes.**
- **28% of companies state complete lack of automation within Accounts Payable.**
- **58% have automated check printing.**
- **46% are leveraging P-Cards.**
- **Only 35% can accept electronic invoices (EDI, XML, Spreadsheets, Web).**

Source: Aberdeen Group

Why is it important to automate the procure to payment process in construction?

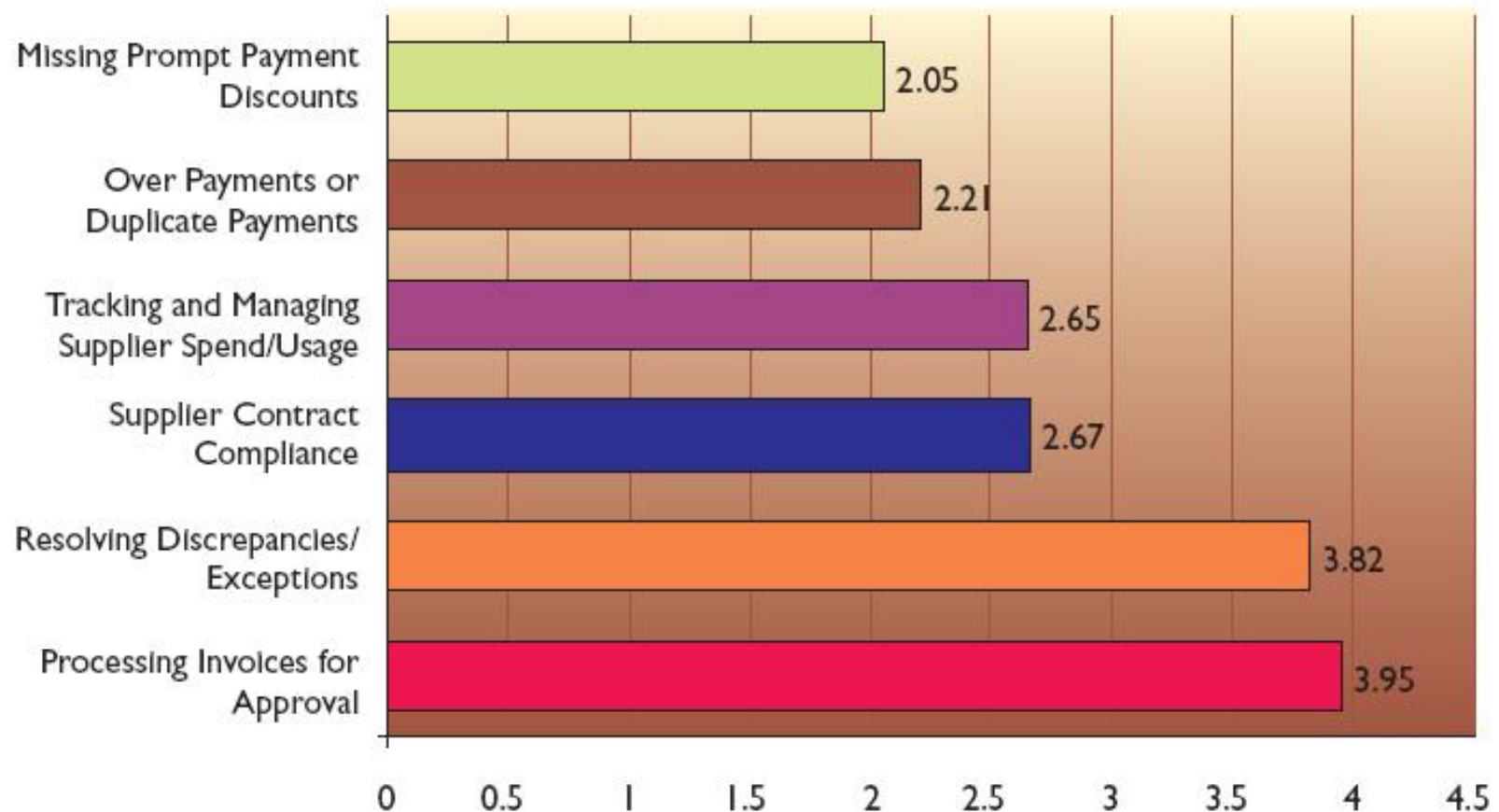
- **Improve Spending Controls**
- **Accelerate and Improve Job Costing for Materials**
- **Reduce Invoice Processing Times**
- **Enhance Discount Options**
- **Maximize Cash Management**

What If?

- Shipping Notifications, Receiving and Invoicing Routing Rules Were Built into the Initial PO
- Quantities Received on Jobs Could Be Entered Directly Against a PO From the Field
- Superintendents Could View Their Invoices Waiting for Approval From the Field
- Invoices Came Back From Suppliers the Way You Ordered Them
- All of This Data Was Electronic and Could Be Easily Combined for T&M Billing Support
- Your Accounting Department Spent More Time Analyzing Cost Rather Than Entering It In
- Your Company Always Got the Best Discount Option
- You Could Cut-off AP in 2 Days at the End of the Month

Pain Points in AP Organizations

On a scale of 1 to 5, where 1 is low and 5 is high, rate how much pain each of the following processes causes your AP department?



Source: PayStream Advisors Financial Automation Survey

The Procure to Pay Life Cycle



The Top Five AP Technologies

1. Imaging & Workflow (Front-end Imaging)

- Includes workflow functionality to route invoices for approval
- Deliver visibility, spend management and control benefits

2. Financial Process Outsourcing

- Technology outsourcing (Software as a Service) to reduce implementation complexity
- Process Outsourcing
 - Full (scan, keying, matching) or Partial (scan only or capture only)

3. Automatic Data Capture

- Optical Character Recognition to reduce manual data entry
- Improving recognition ability

4. Electronic Invoicing/Web Invoicing

- Collaborative Purchase to Pay: The end-goal beyond EDI
- Promising beginnings, rapid growth expected

5. Dynamic Discount & Supply Chain Finance

- Early Payment on Approved Invoices in exchange for a discount
- Fosters supply chain efficiency

What is the annual rate of return on a 2% 10 day early payment discount?

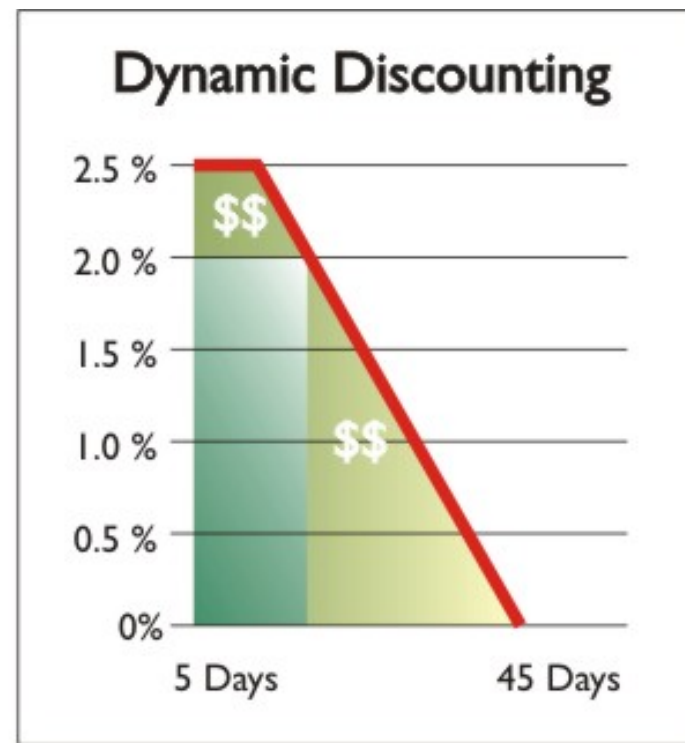
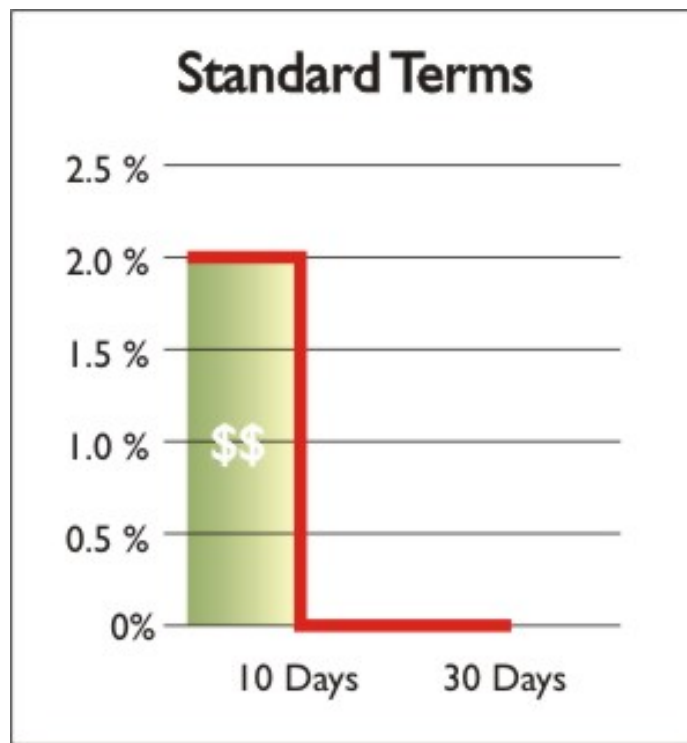
Answer: 36.5%

What is Dynamic Payables Discounting?

Dynamic Payables Discounting is a process which allows buyers and sellers of commercial goods and services to dynamically change the payment terms — such as net 30 — to accelerated payment based on a sliding discount scale.

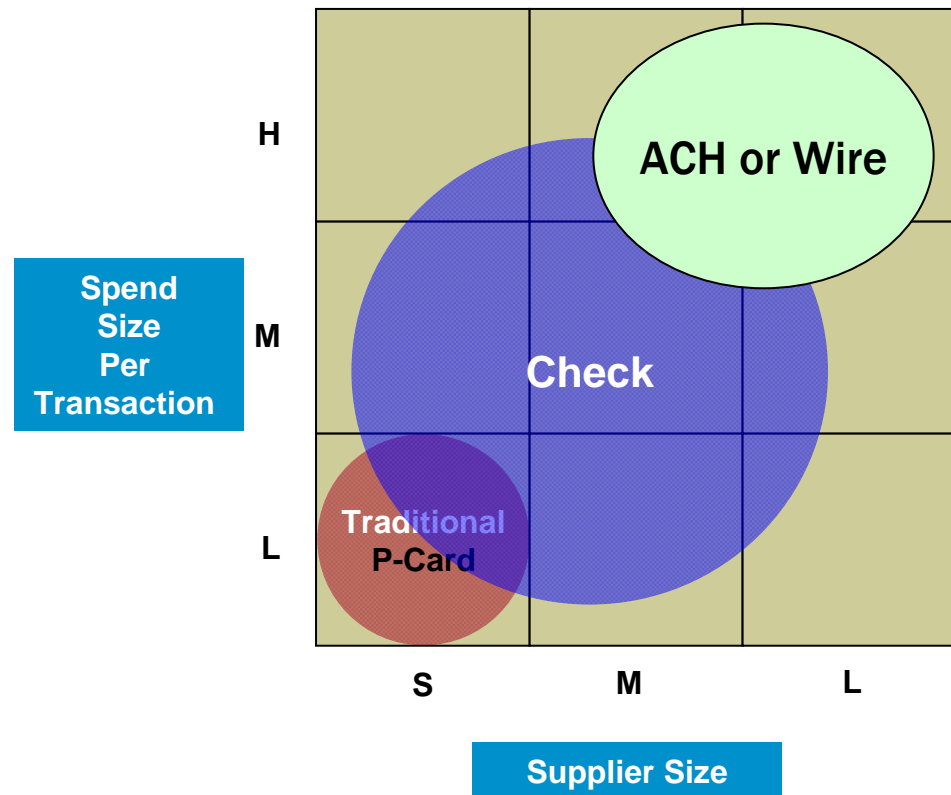
- **Dynamic Payables Discounting is “Dynamic” in one or more ways.**
 - Allows supplier to control payment timing.
 - Discount amount is calculated dynamically based on the number of days remaining until the due date.
 - Discounts do not need to be negotiated in advance, rather can be taken dynamically as working capital needs dictate.
 - Trading parties can tap into an alternative source of working capital with the use of third party creditors whom pay early on behalf of the buyer.

Dynamic payables discounting is an emerging solution, which is still in the early stages of adoption.



Check payments will decrease substantially over the next five years

Typical Payment Mechanisms



Big Banks and Credit Card Companies Are Investing in Procure to Pay Solutions

- American Express Acquired Harbour Payments
Dec 2006
- JPMorgan Chase acquired Xign Corporation
May of 2007
- Mastercard Developed E-P3 and Integrated with I-Payables
(recent announcement)

Future Trends In Procure to Pay Processes

1. Electronic PO's Will Become More Common and Be "Flipped" Into Electronic Invoices
2. Advanced OCR Will Improve Imaging Automation
3. Imaging & Workflow Solutions Will Cross Pollinate with Web Invoicing
4. EIPP (Electronic Invoice Presentment and Payment) Will Be Used with Major Suppliers
5. Organizations Will Seek Straight-Through Processing for Invoices
6. AP Invoice Automation and Payment Will Improve the Financial Supply Chain and Working Capital
7. Multiple Solutions Will Co-Exist

Challenges That Will Drive this Automation?

- New Era of Employees That Won't Push Paper All Day
- Invoices Being Double Paid or Lost
- Lack of Timely Cost Information on Jobs
- Too Much Time Spent Documenting T&M Jobs
- Inability to Forecast Cash Flow Accurately
- Work on Hand Decreasing
- Less Profitable Work

Questions?