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BUSINESS WHITE PAPER

Is Accounting Automation the Ultimate Solution?

Whether your company is debating integrating machine learning, robotics, chatbots, or generative artificial intelligence, your future will clearly include technology. In finance/accounting, automation has been touted as THE solution to efficiency, accuracy, and time management. Since the pandemic, companies without automated accounting procedures have reduced productivity, lowered efficiency, and are in potential danger of future disruptions.

Accounting departments are using AI to automate payroll, purchase management, cash forecasting, expense and finance management, as well as managing both accounts payable and receivable functions. Gartner says, "Market urgency to drive efficiency and speed up cash conversion continues to fuel CFO demand for a cloud-based integrated application for invoice-to-cash processes." "Integrated Invoice-to-Cash Applications." 8 May 2023. www.gartner.com.

The Nitty Gritty

AI has vastly expanded how AP systems process data independently. Automation now handles data entry, reconciliations, and invoicing. Advocates for automation cite five definitive positives:

- **Faster turnaround**. Automation frees up employee time with clerks now delivering reports at the click of a mouse.
- **Data accuracy.** Automation reduces human error.
- **Cost reduction.** Automation processes more records in less time at a lower cost requiring a smaller staff.
- **Security.** Automation eliminates inefficiencies due to the loss of backup.
- **Data retrieval.** Automation makes locating, retrieving, and archiving data easy and inexpensive.

The Grass Is Not Always Greener

AI is undoubtedly here to stay, but it is not [yet] foolproof. Still in its infancy, AI i.e. automation poses several evident issues that need to be carefully understood before moving forward. Accounting professionals must understand technology on a vastly deeper level than ever before. Troubleshooting, system upgrades, and back-end programming are just a few of the pitfalls. Others include:

- **Slow transition and training.** Education is crucial in any migration. This is a lengthy, costly, and time-consuming process that can make or break the operation.
- **Technical issues.** Every company's IT department is stressed for time. Integrating new platforms requires immense support in troubleshooting issues and ensuring compliance with existing policies and technology standards.
- **Data migration and regulatory compliance.** Ensuring the new system is reading your ERP data correctly is crucial. Errors lead to inaccurate financial reporting which in turn results in fines and sanctions, as well as legal violations.

As with any conversion, due diligence must be conducted before adopting an automated process. Assess your current ERP and processes and determine areas that can be improved. Then, thoroughly research software to best fit those options. Choose software that is customizable and can easily adjust to your current formats to avoid disruptions. Schedule your transition period and ensure everyone from staff to vendors is aware of the conversion. Most importantly, make sure to allow a reasonable time for training, onboarding, and adoption. Throughout and after, monitor, evaluate, and make changes as appropriate.

The Human Touch

Among the many tasks automation is being applied to, the most concerning are purchasing and accounts payable. In the traditional sense, transactions equate with purchase orders, receiving documents, lading bills, contracts, etc. Automated systems incorporate a reduction in the procure-to-pay cycle, eliminating paperwork and facilitating the purchasing process. Invoices are then routed to AP for payment. This has traditionally involved matching documentation to the final invoice and ensuring timely payments to maintain vendor relations. Automated systems extract data from invoices and process payments.

Despite the strong positive arguments for automation, no process can be fully independent of the human touch. Accounting clerks drive action based on observations, changes, and insights. Today, data-based decisions drive business. Professionals look to data (yes, AI-generated in some cases) to create forecasts and plan for growth. Machines cannot make these predictions; they can only assess the quality of the data based on what humans set as the parameters. Overreliance on AI can lead to complacency and a lack of critical thinking. Organizations must find a balance between system generation and human expertise to use automation to its potential.

The COVID pandemic accelerated the shift to (and our reliance on) technology in dramatic fashion. Data security is a daily topic on the news and in boardrooms everywhere. According to ISACA, cyber threats are expected to increase in 2023 due to unrest around the world and an increase in cybercrimes (Lim, Andy. “Executive View of Key Cybersecurity Trends and Challenges in 2023.” ISACA, 22 August 2023, www.www.isaca.org). The sole reliance on technology leaves accounting professionals vulnerable to such threats. Cloud-based systems are vulnerable to attacks. AI is increasingly used in cyberattacks to generate false information, ransomware attacks, and social engineering attacks. The same ISACA source confirms 2022, 76% of organizations were targeted by a ransomware attack, of which 64% were infected. Professionals regardless of the industry must remain vigilant and proactive in monitoring the integrity of their data and not simply relying on machines.

A bird’s eye view of automation would discredit the need for an AP audit of transactional data. Why audit something that AI has ensured is perfect? However, how can organizations ensure the programming works the way it was intended? By reviewing transactions, balances, and reports, auditors can verify the system records financial information correctly, reducing the risk of errors. In addition, audits ensure automated accounting systems comply with relevant financial regulations, accounting standards, and industry-specific requirements.

A comprehensive AP audit will also assess the integrity of data within the accounting system. This involves checking for inconsistencies, inaccuracies, and unauthorized changes to financial records. Were duplicate payments made between a purchasing

and unauthorized changes to financial records. Were duplicate payments made between a purchasing card and AP, were invoices paid within terms, and were all applicable discounts taken?

"AI might catch straight duplicate payment and maybe some fuzzy matches. AI will not catch prepayments not applied to invoices, purchase order overpayments, two invoices for the same purchase with different invoice numbers, summary invoice overpayments, duplicate payments between a vendor and a third-party vendor, deposits not applied to invoices, trade-ins not taken, discounts not taken, rebates earned not received, invoice price discrepancies, sales tax billing errors, use tax accrual errors, invoice extension errors, or freight billing errors," said Deborah Zissis, San Francisco Branch Manager at Broniec Associates.

Audits also provide valuable insights into areas for improvement. Organizations can use audit findings to implement changes, enhancements, and best practices, leading to continuous improvement in financial management ultimately supporting the organization's financial integrity and success.

To Automate or Not to Automate

That is the question. The future of automation is defined by the integration of advanced technologies, enhanced efficiency, improved insights, and a shift towards more strategic and analytical roles for accounting professionals. Embracing these trends can position organizations and professionals for success in a rapidly evolving financial landscape. However, caveat emptor. Organizations need to take cautious steps in moving in this direction, ensuring they are purchasing the system right for them, adequately training staff, and implementing continued data quality vigilance through thorough and regular AP audits. The verdict: AI can assist your organization, but cannot substitute for the human experience.

In the end, will AI replace humans? The data states otherwise. The World Economic Forum's 2023 Future of Jobs Report suggests the jobs least likely to be lost to AI are those that require "human skills such as judgment, creativity, physical dexterity, and emotional intelligence." "These are the Jobs AI Can't Replace." World Economic Forum, 17 May 2023, www.weforum.org. The U.S. Bureau of Labor Statistics' occupational outlook for accountants and auditors seems to concur expecting an increase of 4% in the next decade compared to a 3% average growth rate for all occupations. Occupational Outlook Handbook. www.bls.gov/ooh.

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Since 1972, Broniec Associates has delivered the utmost value and benefit through the most comprehensive accounts payable audit in the industry. Our 21 branches offices serve clients globally across nearly every industry.

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