

Reducing operating costs and solidifying internal controls

CASE STUDY: REDPATH

BACKGROUND

A major mining contractor headquartered in Ontario, Canada acknowledged bottlenecks in their Procure-to-Pay process. Their process included multiple groups doing the buying with several purchasing steps. Each process used different tools built in VB, Excel, and some were strictly paper based. Too much time was spent on manual, error-prone paperwork. Different payment processes were used including various company credit cards. All payments were made by cheque or wire transfer. Invoices were lost, payments late, suppliers called and some required payment prior to shipment. The long Procure-to-Pay cycle times and high defect rates caused excess costs with poor internal controls. Some blamed purchasing, some blamed accounts payable, some blamed IT, but the process was to blame. Purchasing, Accounts Payable, and Approvers were stressed with the situation. No one was happy with the process, and it was negatively affecting productivity and supplier relationships.

ACTION

The SnapAP team used its disciplined baseline process to identify the issues and opportunities for improvement. Their challenges included:

- The Oracle ERP (JD Edwards) was installed, but never completely implemented– there were opportunities to make better use of their ERP
- Paper based requisition process was time-consuming and error-prone
- Multiple procurement processes supported by a mix of VB, Excel, JDE, and paper
- Purchase order cycle times were greater than 2 weeks creating many emergency orders
- Invoice defect rate was greater than 30% causing constant re-work
- Invoice cycle time was measured in days with many invoices going past their due date
- Expense report cycle time was 21 days requiring 12 people to process
- Payments were mostly made by cheque with manual signatures
- Credit card reconciliation was a full time job
- Customer invoicing was several months behind due to the ineffective process



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SOLUTIONS

Our team developed an implementation road map that consisted of installing the SnapAP software and interface. Following end to end testing of the interface, training and implementation was successfully completed. Digitizing with SnapAP software transformed their Procure-to-Pay process in these ways:

- Oracle ERP was fully implemented, with information captured only once
- Requisition and Purchase Order process became paperless
- One procurement process with 3-way match
- Purchase order cycle times reduced from weeks to hours
- Process defect rate reduced from more than 30% to less than 2%
- Invoice cycle time measured in minutes instead of days
- Expense report cycle time down from 21 days to 1 day
- Payment process is paperless and most made by EFT
- Suppliers paid on time with transparency in the payment process

"With SnapAP, we have transformed our P2P process into the most efficient, state of the art, defect free process."

MELANIE BROWN
Accounts Payable Supervisor
J.S. Redpath Limited

RESULTS

Redpath now operates with a completely paperless Procure-to-Pay process. Purchase requisitions, purchase orders, packing slips, invoices and payment information are all paperless and available online using our web-based system. All invoices are paid on time and real-time data is shared with suppliers. A majority of their invoices are entered defect-free by their suppliers. Payments are made using an automated EFT process. Digitizing their complete Procure-to-Pay process has enabled growth without having to add to the team. Not only have they reduced operating cost of the Procure-to-Pay process, but they have solidified internal controls and strengthened relationships with suppliers.

2%

Post-SnapAP defect rate,
down from over 30%

10K

Global Redpath suppliers
accessing real-time data

90%

Reduction in per-invoice
processing costs