

# FINANCIAL EXECUTIVE'S NEWS

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## Covenant Care Uses Imaging to Raise Accounting Productivity

What are the effects in accounting when a company implements an imaging and workflow management system? The experience at Covenant Care Inc. ([www.covenantcare.com](http://www.covenantcare.com)), which owns and manages over 41 nursing facilities in the West and Midwest, shows that such systems lift the productivity of both GL analysts and AP clerks.

### Scope of the Challenge

Covenant Care has paper flow commensurate with its size—\$300 million in revenue and over 5,000 employees. When preparing 1099s, for example, its database administrator works with a database of 18,000 active vendors. Meanwhile, its five-person AP department processes 8,400 AP invoices and 4,200 checks each month.

Note that before implementing its document imaging system, Covenant Care upgraded its underlying software. *Details:* The company upgraded to a current release of *Epicor* software and then migrated the file server from SQL 6.5 to SQL 7.0. The company's database contains over six gigabytes of data.

### The Imaging System

Covenant Care went with the vendor Altec ([www.altec-inc.com](http://www.altec-inc.com)), which sells the *doc-link* imaging system. This three-component system addresses:

- *Input management:* Here, the system captures faxes, e-mails, XML/EDI transfers, scanned documents, remote office transfers, and *MS Office* documents and channels them to accounts payable, order entry, or other office processes. *Key point:* When capturing documents as images, the system automatically indexes them. As a

result, staff members can call up images on their monitors and do not have to manually locate, retrieve, and replace paper documents and files.

- *Process management:* This component moves invoices through business approval and vouchering and into the financial application. When integrated with AP, this updates the invoice index with check numbers. *Advantages:* This automatically matches invoices with purchase orders, receivers, and packing slips. Further, it allows staff to recall invoices instantly according to the account charged, within available date ranges.

- *Output management:* Basically, this component allows staff to route documents in the form that users request. Here, staff can e-mail or fax documents from the desktop and to specific recipients. They can automatically route output from the accounting according to vendor or customer and then distribute this electronically via e-mail, fax, or regular mail. Finally, it allows staff to collate invoices automatically with proof of delivery or other attachments, based on customer requests.

### The Cloud Lifts

Bill Cobb, the senior database administrator at Covenant Care, asserts there was active interaction between AP, accounting, and Altec's *doc-link* consultants during the design phase. "We weighed each new enhancement carefully," he says, "with two criteria in mind: Did it mirror the existing paper trail and did it support business process?" Here's his view on training:

"We decided to go live in January so we would

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have a full year of images. We brought our AP department into the classroom, introduced them to the system, and trained them. Next, we went to their desks and did live exercises. On the appointed day, we went live. On day four, we broke through the fog. It works!! Digital imaging with electronic copies of invoices and checks became the way of processing AP transactions for Covenant Care.”

### Benefits in Accounting

What did AP gain from the *doc-link* implementation? Says Cobb: “On voucher entry, AP gained nothing. They still did voucher entry the same way, except they keyed data from an image on the screen instead of a piece of paper on the desktop. But what they did gain was no more paper. No more filing invoices after voucher entry, no more pulling the invoices to match the checks, and no more filing the paid invoices along with the check.” *Upshot*: The total time saved on the voucher entry process: none. Total time saved on the entire accounts payable workload: about 20%.

Note that the first month of the implementation brought additional cost savings and benefits to A/P and general accounting. *Details*: During the three days between the preliminary and final GL close, GL ana-

lysts at Covenant Care forwarded their requests to the AP department to pull the source documents for accounts they are reconciling. During those three days, the AP clerks worked as nearly full-time support for the GL department. But with *doc-link*, the GL department pulls its source documents up on the screen itself. *Upshot*: This frees the AP staff to concentrate on accounts payable activities. Says Cobb: “We gained three extra days each month for four AP clerks plus the time saved by the GL analysts.”

### Extending the Functionality

Importantly, this imaging system raises efficiency at Covenant Care in other ways. Examples:

- The AP manager now monitors the entire AP process from her desktop, using the *doc-link* Collator and Work Flow management functionality. *Advantage*: These tools help her spot bottlenecks and overflows and then reassign tasks so that the processing load is balanced.
- Formerly, Covenant Care required full backup documentation and a second signature for checks over \$5,000. Now, the second signers view the check and all the invoices it pays from one screen in *doc-link*.

### Payback

Bill Cobb did the cost justification. “We were able to eliminate one full-time file clerk,” he says. “That, plus reductions in storage costs, priced the project below the one-year payback requirement based on tangible hard-dollar savings.” □