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Core Vendor Invoicing and The Art of Making Sense of it All

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If you are a banker and you are reading this newsletter then you receive various invoices from your core vendor each month. One of the first things we hear from new clients is that they would like a consolidated invoice from their core vendor. Unfortunately, this is not likely to happen but it really would make things a lot easier when it comes to reviewing and tracking what you spend with your core provider each month. Furthermore, it would be really nice if the pricing in the contract looked remotely like the invoices you receive. Instead, bankers are at the mercy of their core vendors and most simply trust that the billing is accurate each month.

In this month's edition of Tech Revelations I am going to share with you three concepts that can help you get your arms around your core vendor invoice. After discussing these concepts I will briefly walk through an Excel Workbook you can [download](#) to help you apply these concepts to your invoice auditing process. To wrap it all up, I have assigned each vendor a "grade" as it relates to complexity, accuracy and issue resolution. So let's get started.



Concept #1: Compartmentalize Your Technology

I am all for keeping things simple. Understanding how to compartmentalize your technology is not as hard as you think. At Genesys, we have found that every line item on every invoice can fit into one of seven categories:

1. Core Processing
2. Item Processing
3. Card Services
4. Platform
5. eDelivery (Electronic Delivery)
6. Reporting/Analytics/Data Warehouse
7. Network/IT Infrastructure

The workbook that is available for [download](#) further defines these categories on the "Invoicing Dashboard" tab and I believe that you will find them to be self explanatory. When you start looking at your technology through the lens of these seven buckets it becomes much easier to wrap your mind around how everything fits together. Let me pause for a second and say that I understand that categorizing every line item can be open to interpretation. For example, mobile capture (using your mobile device to capture check images) could be categorized under both item processing and eDelivery. A general rule of thumb is to default to how your vendor bills for the service. If it comes in on your item processing invoice...put it in the IP bucket. If they bill for it on your Online Banking invoice then put it in eDelivery. It is that simple. Another example is Document Imaging. Document Imaging could be put under Item Processing or Reporting/Analytics/Data Warehouse (RAD). This is a judgement call and I encourage you to pick one and just stick with it. The workbook I provide puts document imaging under Reporting/Analytics/Data Warehouse (RAD).

Tricks of the Trade: Using a software like Adobe Acrobat DC Pro will allow you to take the PDF on your invoice and convert it to Excel format in a matter of seconds. Once you have your invoice in Excel you can add a column to the sheet titled "Category" and assign each line item on your invoice one of the seven categories I outlined above. Sort your invoice by Category and it makes data entry into your Invoice Analysis Workbook much easier.

Bottom line, creating a system that allows you to easily visualize how your technology fits together will make auditing your invoices so much easier.

Concept 2: Simplify Your Invoice

I started auditing our clients invoices back in 2007. I have to admit that it can be quite challenging to make sense of all the line items. To make matters worse, bankers receive a multitude of invoices from the same vendor each month. It seems like the more services you have the more invoices you receive. In the spirit of “keeping things simple”, I break the fees up into four categories:

1. One Time Billing Instances: These line items may be one time fees associated with new products, the opening of a new branch, special project work or any other “one off” fee that you may or may not have control over. Typically they can be audited back to a contract or statement of work (SOW) but in some instances they can be unbudgeted and unexpected.
2. Monthly Recurring Fees: Typically these fees are associated with a hosted/ASP service and can be audited back to a contract. Monthly fees can be tricky to audit especially when you have systems where *monthly minimums* have not been met. So I take monthly fees a step further and break them down into the following:
 - a. Flat Monthly Fees: These fees remain static month-to-month and are a lot like annual maintenance...you pay this fee just to use the service.
 - b. Monthly Minimums: Until your volumes reach a certain level this monthly fee will be billed - once you reach the minimum these line items will grow with volume.
 - c. Transactional (Volume) Based Fees
 - d. Discounts

Monthly fees are where the largest percentage of billing errors occur and it is rarely in the favor of the bank. Understanding these charges and where your bill is growing the most can help you with budgeting and negotiations later down the road.

3. Annual Maintenance: Annual maintenance is generally a percentage of your original licensing fees and you see these invoices one time a year. However, to make things more complicated, some vendors have started amortizing the maintenance over the year and include on monthly invoices.
4. Credits and Incentives: If you are just finishing up your renewal negotiations or converting to a new solution, your vendor has likely provided some credits for new products or incentives that can be used over the term of your agreement. Each vendor has different policies in terms of the use of credits and incentives. It is wise to make sure you understand these policies and any limits on the credits or incentives provided.

Seems simple enough...right? Well, depending upon how you negotiated your pricing there can be some bumps in the road. Here are a couple.

1. Discounts: We all love discounts. There are a number of ways that vendors will set up discounting and understanding these discounts will make your life easier. We recommend that you stay away from discounting structures that drop off or disappear over the term of the contract. It makes auditing your invoices a nightmare and it's very painful financially when those discounts disappear.
2. Annual Price Increases: Every contract has them and your vendor is going to exercise this right every year. When the rate increase hits your desk, make sure you document the changes in your workbook and adjust your contract pricing.
3. New Products: You are going to buy new products and services over the term of your agreement. Keep copies of the new agreements with your main contract and set up an audit trail in your Invoice Audit Workbook. It is wise to track the initial deposit and the remaining balances due on any one time fee associated with new products. Double billing or over-billing occurs quite frequently so note the invoice number associated with all one time fees in your workbook.
4. Monthly Minimums: Some vendors will escalate minimums over the term of the contract. So, the first year you may pay \$750 per month and beginning the second year a new tier kicks in at \$1,000 per month - even though you have not met the previous minimum. STAY AWAY from this pricing structure at all costs. If you are approaching renewal negotiations, having a comprehensive understanding of which minimums you are not meeting will help you negotiate a more balanced contract.

Your invoices are the perfect GPS to your contract. You will learn more about your contract by consistently and thoroughly auditing your invoice each month than you ever will by sitting down and trying to read your contract. So that brings us to my next point...

Concept #3: Back Into Your Contract

You might think this is backwards, but trust me...load your first set of invoices into your workbook and then whip out your contract to audit everything back. Backing into your contract is going to take some time. The good news is that you will only have to do it once. When new line items appear on your invoice, add them to the workbook and track them back to the contract. Additionally, once a year you will have to audit the accuracy of the price increases that are assessed by your vendor. Setting up your contract to have price increases effective January 1 of each year will save you time and you will have a cleaner audit trail.

Tricks of the Trade: *Your final executed agreement will be a scan. This creates a nightmare when trying to use a keyword search to find a line item. Go back in your files and get a copy of the last PDF form of your agreement. I am talking about the one you printed to execute. Use this document to search for line items. Pro move...I just saved you a crazy amount of time.*

I will say that every core vendor contract is complicated so do not feel like your vendor is the only one who seems to want to make this difficult. They all do it differently and they are all complicated. Having said that, find peace in the fact that you are not alone and that each core processing vendor's contract is built differently. Most vendors bury their pricing into each schedule or exhibit to the contract. This makes auditing your pricing a nightmare - especially if you have negotiated a pricing structure that escalates over time. Other vendors provide an addendum at the end of the contract with all of your pricing. This is my preferred method as it provides a concise reference point and makes it so much easier to track and reference over time.

Building The Right Tool

Applying the three concepts above will help you build a streamlined and easy to manage spreadsheet or workbook. I have provided a template that you can use or at the very least will help you visualize the concepts I introduced earlier. [Download Here](#)

The architecture of the workbook is relatively simple and you will have to have a basic understanding of Excel to get things rolling. The workbook is designed with five tabs and I will explain my thought process behind each tab and provide some tips as we move through the workbook.

Tabs located at the bottom of the workbook

Invoicing Dashboard | One Time Fees | Annual Maintenance | Monthly Fees | Issues Resolution

Invoicing Dashboard: This tab is a roll up of all the other tabs. You will not need to do anything to this sheet. I have set it up to automatically SUM the various columns in the other tabs if a specific criteria is met. Navigating this Dashboard is easy. There are "+" icons located in the very left margin that allow you to collapse the various categorical groups of data. Also, in the very top left hand of the spreadsheet you will see two buttons with a "1" and "2" on them. Click the #1 button and it will collapse all the categorical data. Click the #2 button and it will expand all the categorical data.

One Time Fees: This tab allows you to track all of your contractual credits and incentives and all one time fees that appear on any invoice you receive. I have provided a column for the vendor name and invoice number as you will have some third parties that you deal with relating to your core vendors services. For example, your loan documents may be provided by a third party and there will be one time fees and annual maintenance associated with this third party vendor. Be sure to select your Category and subcategory and copy the description EXACTLY as it is on the invoice. Next, input the amount of the one time fee or credit. Finally, (I cannot stress enough how UNFUN this next part is...) crack out that contract and find the corresponding charge and log that information.

Tricks of the Trade: *Convert the PDF of your invoice over to Excel. You can do this using [Adobe Acrobat DC Pro](#) (\$14.99 per month). Once you convert your invoice to Excel, your first step is going to be identifying any one time fees. Highlight those in yellow and create another tab and move those highlighted rows over to your new tab labeled "One Times". Finally, input those one time fees and the details over to your Workbook. Be sure to categorize each one accordingly with a subcategory. Dropdowns are provided where you need them.*

Annual Maintenance: Track your annual maintenance here. Again, I have provided the Vendor Name and Invoice # columns to keep track of everything and it all rolls up nicely to the dashboard. Annual maintenance is typically on an invoice of its own and you can usually knock out manual entry very quickly. Don't forget those third party vendors!

Monthly Fees: This tab tracks all of your monthly fees. Again, start with your invoice and once you have loaded the line items you will want to assign a Category to each (drop down provided). The drop down categories provided are an exact match of those located in your Invoice Dashboard and the invoice dashboard scans this sheet for matches. The theory here is that you only have to enter the line item once as they should repeat each month. I have built out the sheet to allow you to cut and paste each month's volumes and prices with ease. If you paste in a month's pricing data and the lines don't line up with previous month you will need to track down the new line item and add accordingly. ***Important Note: Many contracts do not outline the detail around Pass Thru Fees. For example, your ATM/Debit Card invoice will have VISA or MasterCard quarterly assessments on them. Add and track Pass Thru Fees as you incur them. I have provided a sub-category in the workbook under Item Processing and Card Services for various Pass Thru fees.***

Tricks of the Trade: When you convert your PDF invoice to Excel you will first paste in the line items and then the volume and pricing information. You want to make sure the "VOLUME | PRICE | TOTAL" columns are in the right order to paste into your Workbook in a timely manner. Formatting the columns in the right order will save you a ton of time and headaches.

Issues Resolution: When you find an error...and you will find errors, log them in this section. Record the person you spoke with or emailed and track it until the correction is made on your invoice and the corresponding credit washes through. You may also find errors that are not in your favor. I recommend that you get these corrected as well. Vendors audit their billing and they can come back later and catch up billing that is in error. Better to get it corrected now and not receive that huge bill later.

Tricks of the Trade: When you get out your contract to track down the line item billing information you will want to note any "minimums" and I have created a column for that. Your contract will have expected volumes so enter those values as well. Furthermore, if you have a tiered billing structure for transaction volumes you may want to add a "Comment" to the corresponding cell with the tiers. This is going to take time but once you set it up, your life becomes so much easier.

Putting it All Together

Effectively auditing and tracking your key technology invoicing is a practice that can provide a ton of valuable information to help you better manage your costs and budget more accurately in the future. Let's face it, your core technology and its surrounding systems are one of your largest expenses each month - it deserves your attention.

You might be saying to yourself, "This is NOT worth it!" or "It will take too much time" or "Who has time to do all of this?". Here are the reasons you should do this.

1. You WILL find errors and there is no point in throwing money out the window
2. You can use the workbook to create quarterly and annual trending reports
3. Spotting anomalies or spikes in your transaction volumes are easy to track and understand
4. Budgeting becomes a breeze
5. Errors quickly present themselves
6. You will have a deep understanding of your technology and your relationship with your core provider
7. You will know which technology is costing you the most and you can focus on negotiating those rates more aggressively when your contract is up for renewal

Tricks of the Trade: This may seem very overwhelming when you sit down to do this. You may want to schedule some time with your Account Rep to sit down with your spreadsheet and review. [Join.me](#) offers very reasonable screen sharing services where your account rep can see exactly what is on your screen and the two of you can work through any questions that you have.

Before we move on to grading the key core vendors on their billing practices I want to reinforce two principles in this process that have served us well at Genesys.

Review Your Invoices As Soon As You Get Them: DON'T PROCRASTINATE! Do not let your invoices pile up and turn this into a chore. Review them every month as soon as they hit your inbox. Build out a file folder on your network that organizes your invoice by year and then month. Keep all of your billing neatly organized and rename the files so they are easy to identify and look back to.

Relationship is Everything: I absolutely love community banking because it is all about relationships. I am so blessed to work with bankers on a daily basis. They are such good people. Just as every other aspect of my life, I have to work at every relationship to keep it in a healthy standing. Your relationship with your core provider is no different.

I'm sure you have all heard the saying, "You get more bees with honey." Honestly, I do not know why anyone would want to attract bees but the bottom line is BE SWEET! Your relationship with your billing specialist and your account representative can make life harder or easier. Keep in mind that they did not make the mistake and they want to make you happy. Also, remember that you are not their only customer and they are doing the best they can. Large amounts of grace, patience and forgiveness will serve you well in the long run. Get this relationship right and your life as a banker becomes so much easier. Make this relationship a priority and honor it at all times.

Vendor Billing Scorecard: The Rubber Meets The Road

We are constantly asked who has the best invoicing in the industry. In fact, we have had a number of clients ask for "mock invoices" from the vendors right out of the gate - I mean before we even send out the RFP! Honestly, you can hear the crickets chirping in the background every time. Probably the single best way to strike fear in the heart of a core salesperson is to ask for a "mock invoice". Anyway...instead of giving our opinion of the best, we thought we would assign each vendor a grade on their invoicing. We encourage you to log on to [Tech Revelations](#) and go to [The Beacon](#) and post any thoughts or insights as it relates to core vendor billing.

The following table is not designed to embarrass or "out" any vendor for lousy billing. In fact, the opposite, I think many bankers are surprised when they find out just how complicated all of the vendors make their billing. There are a couple of vendors toying with the concept of "simplified billing" and we have just started seeing a few proposals that reflect just that. Quite honestly, the first to market with this concept is going to win some business...maybe a lot of business!! At the end of the day, core vendor invoicing is extremely complicated and there is a lot of money exchanging hands each month.

At Genesys, we have spent the better part of the last ten years auditing the invoices that are a product of our services. The vendors are going to make errors and if you take the time to set up a system of checks and balances you will be in a position to correct them. Furthermore, an accurate auditing system can yield a wealth of knowledge as to the growth of your organization and where to negotiate the next time your contract comes up for renewal. So, we leave you this month with our **Vendor Billing Scorecard** and with the timeless words of Peter Drucker. *"What gets measured, gets managed."*

VENDOR BILLING SCORECARD:

Disclaimer: The opinions expressed in this SCORECARD are those of Genesys Technology Group, LLC and our experience dealing with core vendor billing. They are intended to assist our readers with a better understanding of their monthly invoices and set expectations as to the challenges associated with billing issues and their core technology partner.

Vendor	Complexity	Accuracy	Error Resolution	Overall
CSI	F	B	B	C
D+H	B	A	A	A-
FIS	B	B	A	B
Fiserv	C	A	D	B-
Jack Henry	D	A	D	C

Genesys Support Services:

In closing, I would like to say that Genesys offers Invoice Auditing as one of our [Support Services](#). If you are interested in having us audit and track your invoicing please [contact us](#). Our invoice audit services include:

- Audit billing accuracy back to your contract.
- Verify accuracy of price increases.
- Assistance and recommendations on providing the proper notifications and use of any credits or incentives.
- Escalate billing issues directly to your core provider.
- Track billing errors to resolution.
- Quarter and Annual Trending Reports.

It is easy to get started, simply execute our Services Agreement and scan your invoices over to us as you receive them. We take care of the rest.