

Is Your AP Function Actually Strategic—Or Just Efficient?

Presented by: Dan Bonnyman, APM

Director of Accounts Payable &
Disbursements - MassMutual

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Introduction

- 26-plus years of professional experience
 - 16 years of Accounts Payable experience
 - 7 years in Financial Reporting
 - 3 years in Public Accounting
- Led numerous projects related to process innovation and efficiency
- Huge believer in Team Empowerment, Continuous Education & Improvement and Accountability
- I am here today as an Accounts Payable leader, not representing MassMutual during my presentation or with my views

Accounts Payable and Our Role in Finance Operations

- Accounts Payable is the Customer Service Department of Finance
 - Often the only point of contact in Finance for many around your organization
 - A need to resolve internal inquiries timely and with utmost care
 - Ability to make payments on time and resolve vendor inquiries is directly tied to organizational reputation
 - The above lead to a “Best In Class” AP Department – but always look for ways to improve
 - A wise man once told me “In the Operations world, sometimes people don’t know who you are or what you do until you make a mistake”

An Efficient Department Is The Foundation Of A Strategic One

- Paper to electronic invoices
 - Efficiency used to be how quick you could make the pile disappear
 - Automated workflows and built in approval limits
 - Ability to build your disbursement policies into the system
- Conversion from check to electronic payments
 - Checks – Delays in processing, risk of theft, inconvenient
 - ACH - More Secure, more convenient, saves money
 - Credit Cards with Rebates – make money while you spend money
- Centralized and Organized Vendor Master Data
 - Ensure Vendor Master Data is current and clean

November 2026 | JW Marriott Austin | Austin, TX

An Efficient Department Is The Foundation Of A Strategic One

- Team members spend less time keying and more time reviewing
 - Team are gate keepers to accurate financial data and reporting
- SLAs – meeting or beating established turnaround times
 - What is the expectation in your organization for:
 - Invoice Processing
 - Inquiry Response
 - New Vendor Setups
 - Existing Vendor Updates
- Exception Processing – How “standard” is your process

Controls Environment – Active Monitoring Is Key To A Strategic Department

- Annual audits – Are we waiting for them or are we being proactive
- Timely Reconciliation & Review
 - Items Aged Past Current - what is the action plan to resolve
 - How do we proactively limit
- Vendor Master Data
 - Who has access to add or modify
 - How is information verified
 - Perform an audit of monthly or quarterly changes
 - Vendor Payment History – Last Payment Made

Controls Environment – Active Monitoring Is Key To A Strategic Department

- Vendor Payment Terms
 - Does your invoicing system negatively impact negotiated vendor terms
- Standard Procedures
 - Annual review or testing
 - If there is a process change are procedures updated and approved timely
- Duplicate Payment Search
 - Is there a standard review process
 - What is in place to prevent duplicates and negative impact to cash flow

Working With Procurement – The Keys To A Solid Partnership

- Communication is Key – Establish recurring Meetings
- Shared Goals And Shared Success – Shared KPIs
 - What metrics are important to both groups and where do they intersect
- Clean Vendor Master Data
 - Key to efficient onboarding, less delays
 - Risk reduction in having accurate payment details and tax information

Working With Procurement – The Keys To A Solid Partnership

- PO Adoption – How Can AP Play Traffic Cop
 - How often do “non-standard” requests come through
 - How much spend is non-PO vs PO Backed
 - Can work with the business to assist Procurement’s push for adoption
 - Enforce standards
 - Explain process
 - Expedite requests as needed

Working With Procurement – The Keys To A Solid Partnership

- Working Capital
 - Are your payment terms in your vendor master data matching your contracted terms
 - If you have vendors that are being paid sooner than what was agreed upon, your organization is leaving money on the table
 - Work with Procurement to identify gaps between contracted and vendor master data terms, determine best path forward to synchronize and inform vendors of changes

Payment Terms & Pricing

- Payment Term Negotiations – Who Owns & Who Influences?
 - Does your organization have standard terms
 - If a vendor wants more favorable terms, what is negotiated
- Early Payment Discounts
- Dynamic Discounting
- Supply Chain Finance
- Extended-Terms Ownership

Actionable Takeaways

1. Working Capital - Partner with Procurement to ensure contracted payment terms for existing vendors match vendor master data in your ERP
2. Controls – Monitor between annual audits and look for opportunities for improvement to add to or button up your current processes
3. Senior Leadership Discussions – How can AP be part of the narrative?

QUESTIONS?

Dan Bonnyman

Director of Accounts Payable & Disbursements

MassMutual

dbonnyman15@massmutual.com

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