

A CLEARER

SHADE

Gray currently has 55 stations in 50 markets, including those listed here.

OF

GRAY

Gray TV's accounting department learned a lot as it moved from a manually intensive system to a streamlined environment. By JOHN QUEEN

SEVERAL YEARS back, the accounting department at Gray Television was a decentralized tangle. A variety of systems, redundancies, delays, waste, errors and omissions were all part of the daily process.

When Gray acquired two TV stations and other businesses from Phipps Broadcasting in 1996, Gray had a total of five TV stations, along with publishing, paging and a mobile satellite production/uplink operations. Vance Luke, who transferred from Phipps to Gray and is now the company's vice president and controller, found five or six different ERP [enterprise resource planning] systems for general ledger. Payroll was on another system, and fixed assets records were maintained on spreadsheets.

Consolidating financial information involved rekeying printed reports from the various systems into spreadsheets.

It was clear that the first step needed to improve the accounting department's efficiencies was to select and implement a solid integrated ERP system. Gray's operations were moved to a single general ledger system, with a common chart of accounts. Luke then rewrote all the financial statements.

Later his team added other integrated modules of the ERP system for accounts payable, human resources, payroll and fixed assets.

Over the years Gray fine-tuned its focus to be a "pure play broadcast" operation by divesting all other lines of business. This single focus on TV also simplified streamlining backend systems and set the stage for centralizing many back-end accounting processes.

The shared services game plan kicked into a higher gear with the arrival of Trisha Allen, who became director of broadcast accounting in 2006. Soon afterward, Gray consolidated accounts receivable, cash receipt processing and billing.

The tedious task of printing and mailing out paper invoices was outsourced, and remote deposit capture was implemented for receipt processing.

At the time of Allen's arrival, there were 32 Gray stations, each with its own lock box and associated bank account. Information was manually posted from the lock boxes to accounts receivable, creating a host of problems.

As their payments were made, customers

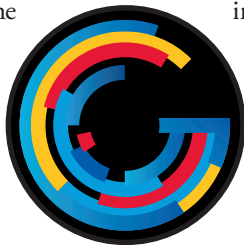
addressed the stations in a variety of ways, such as Channel 9 or CBS 9, which sometimes caused accounting errors. Because some stations had similar call letters (such as KWTX and KBTX), payments were sometimes deposited in the wrong lock boxes.

One of the lock-box conditions imposed by the banks was that they "accept all payments." Occasionally, a payment would emerge that was intended for a lock box's previous owner. And Gray's staff wasted time and energy identifying and then returning those payments to the proper payee.

When the lock boxes were finally eliminated, it resulted in a huge cost savings: about \$250,000 in annual bank fees. All customer payments are now directed to the shared services center's "virtual lock box." Advertising clients have a choice of paying by check, automated clearing house (ACH) or credit card, dramatically simplifying the process for them.

BILL STUFFING BE GONE

Consolidating AR made it possible to outsource billing, therefore streamlining the process. "You can imagine what it did to morale for us to print 15,000 invoices at the end of every month, shut down AR and have everyone sit around folding and stuffing invoices



for a couple of days,” says Luke. Needless to say, the bill stuffing in house dragged down the process of posting payments and other operational tasks.

Many of Gray’s clients have moved to e-mail and electronic billing, but the outsourcing of printed invoices has been cost efficient. The expense of outsourcing billing is neutralized by lower postage costs, because the outsourcer can presort invoices by zip code and print postal barcodes on the invoices prior to mailing.

With the bill processing sorted out,



sometimes even during the wee hours of the morning and on weekends.

“I think that by speeding up our access to cash and streamlining our processes for receiving payments electronically, as opposed to by check, we’re probably saving money by accepting credit card payments,” Luke says.

AUTOMATING AP

The next hurdle involved consolidating accounts payable. One or two people at each station were responsible for the process,

things were complicated by turnover of the contractor’s project management personnel.

Finally, the vendor announced that they were planning to change their back-end data base system and were no longer going to support the system Gray had been using. This was the final straw, and Gray ended the relationship.

A new business process automation partner with an adaptive core software platform was engaged. The software captures, indexes and archives imaged documents and transforms business processes into an efficient,

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– TRISHA ALLEN, GRAY TV

Gray’s next step was to implement a credit card portal to make it easier for clients to make payments. The credit card fees are, to some degree, offset by the savings in bank fees from eliminating the lock boxes and multiple bank accounts. But the portal also has increased access to money, because people are paying early, and the mail float is eliminated.

Clients often make credit card payments when they’re not running their businesses,

and that sometimes caused a “bottleneck” Luke says. “Invariably someone would be out because of sickness, vacation or various other reasons, which caused lags in invoice processing.”

Checks requiring two signatures sometimes went out with only one, and invoices were sometimes misplaced or simply held up.

The first attempt to automate AP failed. The initial vendor selected for the task was unable to get the system fully working, and

collaborative digital workflow.

Implementation was smooth and timely, and numerous benefits are realized. All invoices now come directly from the vendor to the shared services center and are digitally captured immediately upon receipt. Then they are electronically routed to individual department managers and general managers at each station for general ledger coding and approval.

Gray now has end-to-end visibility of invoice processing, and workflow approvals are documented electronically. Every touch point is captured in an electronic audit file along with the approver’s identity including a time-and-date stamp.

Related documents, such as vendor quotes, can be uploaded as invoice supporting documents. Users can enter remarks related to an invoice for future reference anywhere in the workflow process.

STAFFING REVAMP

Along with the new forms of automated workflow came staffing changes. Formerly each of Gray’s stations had an accounting manager and, in some instances, one or two other people handling accounting functions. Not only did that cause accounts payable bottlenecks, but also inconsistencies across the stations. Making matters more cumbersome, it was difficult to standardize and roll out policies and procedures in a remote distributive environment.

Now the television station accounting staff is consolidated in the company’s shared services center. Thirty-six people are spread

CHOOSING THE VERY BEST PARTNER

What attributes should you look for when selecting a vendor to handle automated functions? Here are a few to bear in mind:

- 1. Industry Knowledge** – Choose a partner with a track record of successful automation experience in the media industry.
- 2. Team Mentality** – Ideally, your partner will be an extension of your team and enhance its overall performance. Be sure to secure that commitment.
- 3. Accessibility** – You need direct access to key partner personnel who can immediately respond to your needs, not junior associates doing on-the-job training on a rotating, voice-maze support line.
- 4. Seamless Integration** – Feeds to and from your existing enterprise systems should be automated; you shouldn’t have to introduce additional manual processes.
- 5. Adaptable, Extensive Solutions** – Partner solutions should allow for the automation of other document-based business processes.
- 6. Future Proofing** – Choose a forward-thinking partner that will refine solutions over the long haul to enable emerging cloud, mobile and leverage Internet technologies for economic advantage.
- 7. Rules-Based Workflow Engine** – You should be able to restrict access, filter general ledger account numbers and establish routings by vendor, amount and business entity. The system should allow you to check for duplicate invoices and payments with pre-defined business rules.

across financial accounting, accounts receivable, credit and collections and accounts payable. Only three people are needed to process 72,000 accounts payable invoices annually for Gray's 47 stations.

"We were able to tell station managers that even though they don't have someone in the office next to them, they will always have somebody to do payables. They will always have someone to post accounts receivable and handle the financial accounting for their location," says Allen.

"We always have backup, so it doesn't matter who's on vacation or who's sick; that's something Gray never had before," she adds.

BENEFITS GALORE

The dollar savings and the improved audit efficiencies have been striking. The time and cost of audits has been reduced by at least one-third. The time saved in preparing for audits and supporting auditors has resulted in compounded savings. Auditors can now log in remotely with view-only authority and access all records and associated details needed to complete an audit.

The single most significant advantage is Gray's improved ability to assimilate station acquisitions. New station personnel are trained in the AP process via a two-hour webinar, and they go live the next day.

It doesn't matter if they are unfamiliar with Gray's chart of account structure, because the system design allows users to input account name or account type instead of a general ledger number. All the department heads and general managers need do is click to approve an invoice or route it for exception processing.

Currently, Gray is in the process of implementing a new bank-neutral virtual credit card payment system. The company will receive monthly cash-back reward incentives for vendor payments made through this virtual card payment option. When fully implemented, these cash-back incentives are projected to offset all the cost of Gray's AP department and turn it into a profit center.

Gray's AP partner handles the vendor enrollment process and even has a concierge service for vendors that require payments to be made by phone. A management dashboard provides a real-time summary and detailed views of virtual payments processed and incentives earned.

Intelligent web capture, with optical character recognition (OCR) to reduce data entry,

is also planned for the near future. This functionality will allow data to be automatically extracted from documents in the cloud and will further reduce the cost of processing and storage of digital content at Gray. This will allow the AP department to fully migrate to the cloud for enhanced collaborative content sharing and mobile capabilities.

The improvements won't stop there. The routing and approval process for several other reports will be streamlined; resulting in on-demand summarization of expenditures and open obligations for quarterly reporting.

Every process is under scrutiny. The automation and efficiencies of Gray's paperless processes have eliminated paper clutter and storage demands. "And if you don't believe that, you can come to Tallahassee and see the building we rent for storing old paper documents. It's larger than our offices," says Luke.

John Queen is the founder and CEO of Digital Designs, a provider of document-driven business processes and payment automation solutions. He can be reached at (704) 790-7111 or jcqueen@ddilink.com.