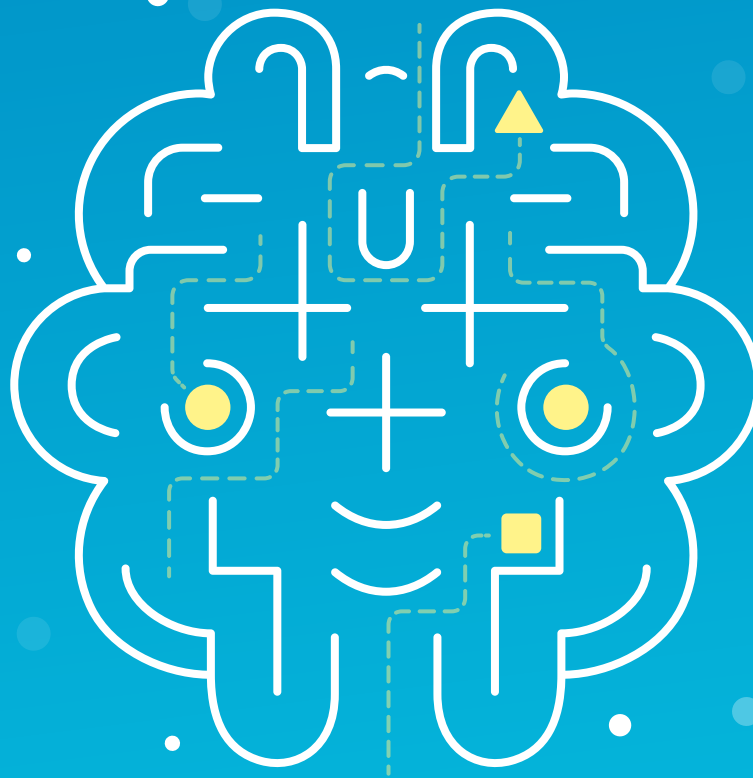# 5 Ways AI Can Streamline Your AP Processes

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Introduction

How much money is leaking out of your accounts payable (AP) department? You'd be surprised. Fortune 500 enterprises process more than 60,000 invoices per month, on average. Of these, nearly 4% could be considered "high risk" due to expired contracts, duplicate invoices, inflated prices, or terms that don't match contracts.

Despite all of the invoice automation and spend approval best practices companies have put in place over the past years, they can't audit every invoice and still maintain efficient operations. In fact, the average finance team only audits 5% to 10% of their invoices.

But approving invoices without examining them can be risky and expensive. For every 10,000 invoices, one contains a regulatory violation. According to the ACFE, the median cost of invoice and billing fraud is more than $100,000.

Invoice compliance is another big issue. Depending on a company's level of AP automation and centralization, invoices fail the first "match" in the validation process between 10% and 30% of the time, according to the IOFM.

Artificial intelligence (AI) can help you catch the errors, waste, and fraud as well as ensure compliance with your contract terms and relevant regulations—efficiently, consistently and at enterprise scale. With AI, you can review 100% of your invoices, rather than 5–10% of them.

THE AVERAGE ENTERPRISE PROCESSES

60K
invoices per month

4%
of these invoices are considered "high risk"

Automate invoice approvals with artificial intelligence (AI)

Here are five ways AI can streamline your invoice and contract audit processes.

① AI CAN AUTOMATICALLY REVIEW AND VALIDATE INVOICES BEFORE YOU PAY THEM

The industry-standard for reviewing invoices is the three-way match, which cross-references invoices, purchase orders (POs), and receiving documents across price and units before issuing payments. But as your business grows, you may need to validate many more data points, such as volume discounts, payment terms, delivery times, transport conditions, chain of custody, and service-level agreements (SLAs). It's not realistic to ask AP teams to do a manual match across so many data points.

AI can be used to extract and analyze key pieces of information on every invoice to catch duplicate charges, enforce payment terms, identify missing discounts, eliminate overcharges, catch suspicious activity, and flag compliance issues.

② AI CAN AUTOMATICALLY APPROVE LOW-RISK INVOICES AND POS, OPTIMIZING MANUAL APPROVALS

Why have your finance team spend hours dealing with invoices that already comply with all contract and payment terms, or reviewing every single PO, no matter the amount? AI can automatically process low-risk invoices, reducing the number of invoices teams have to manually review and allowing them to focus their time on the fraction of spend that's flagged as high risk. AI can also auto-approve and process all POs under a specific threshold, such as below $500, reducing the amount of time spent reviewing POs. And to maintain controls, notifications and summary reports can automatically be sent to managers on a regular basis so they know who is spending and on what.

AI ALERTS YOU TO CONTRACT EXPIRATION DATES

How often do you review your business contracts? Many procurement professionals are so swamped that once the contract is negotiated, they seldom look at it again. But if that contract includes an auto-renewal clause, the company may find itself unable to terminate services with that supplier. The problem is that almost every contract is on a different schedule, so unless they manually enter the contract renewal date into their system, there's no way to keep track of it. How can overworked finance teams track renewals so they don't miss an opportunity to cancel or renegotiate?

AI can streamline your contract auditing process by extracting the contract expiration date from the contract without needing to enter it manually. It alerts you when your contracts are about to expire or auto-renew, so you can renegotiate or even look for an alternative supplier. This also allows you to take advantage of favorable payment terms or prices before they change, so you're not caught off guard by surprise conditions or costs.

85%

of spend automatically approved with AI[1]

4 AI CAN HELP PREVENT INSURANCE VIOLATIONS

Even though many companies require their vendors to maintain current policies, insurance coverage is easy to overlook. The terms are probably buried deep in the contract, and no one thinks about it until something goes wrong. But asking busy AP teams to keep on top of those insurance policies to ensure that they're active and provide enough coverage is a big ask.

AI can extract and make sense of insurance requirements and expirations in your contracts. It can validate that policies are current and alert you to insufficient coverage limits or outdated certificates. This helps ensure that service providers and consultants are properly insured before they come onto your site, protecting your organization from any liability.

[2] The State of AI in Business Spend, August 2019, AppZen.

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AI CAN HELP ENFORCE PAYMENT TERMS, SO YOU CAN BETTER MANAGE CASH FLOW

Of course, every supplier would like to be paid immediately after you receive their goods or services, but that's not realistic. Longer payment terms such as net 90 or net 30 can help your organization maximize profits and improve cash flow management.

Our internal data has shown that roughly four out of five invoices don't align with the agreed-upon contract. Often what was incorrect was the net payment terms. For example, a contract might list the payment terms as net 60, but the invoices would be listed as net 15 or net 30.

Unfortunately, AP teams don't always have the time to review invoices, and they may lack easy access to individual contracts (and searching for those contracts eats up valuable time).

AI software can understand invoices, identify the payment terms, and look up the applicable contract to verify that the terms on the invoice match. This allows you to hold your suppliers accountable to agreed-upon terms while not increasing the burden on your AP team. It also streamlines and speeds up the payment process, ensuring that your vendors get paid on time.

4/5
invoices don't align with agreed-upon contract[3]

[3] The State of AI in Business Spend, August 2019, AppZen.

About AppZen

AppZen delivers the leading AI-driven platform for modern finance teams. The AppZen Platform is built on 7 years of learning from thousands of online sources, thousands of customers and billions of financial documents and transactions like invoices, contracts, expense and accounting data. Starting with business spend, we automate manual process, uncover problems and optimize decision making at scale for finance organizations around the globe, including one-third of the Fortune 500. The AppZen Platform combines patented computer vision, semantic analysis, and deep learning to understand financial transactions in business context and make decisions before those transactions happen. It is a must-have for CFOs and their teams to comply with policy and regulations, streamline process, and reduce spend.

Over 1,650 enterprises have standardized on AppZen, including four of the top five banks, four of the top ten media companies, four of the top ten pharmaceutical manufacturers, two of the top five aerospace companies, and six of the top ten software providers. Visit us at www.appzen.com and follow us on Twitter @AppZen

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