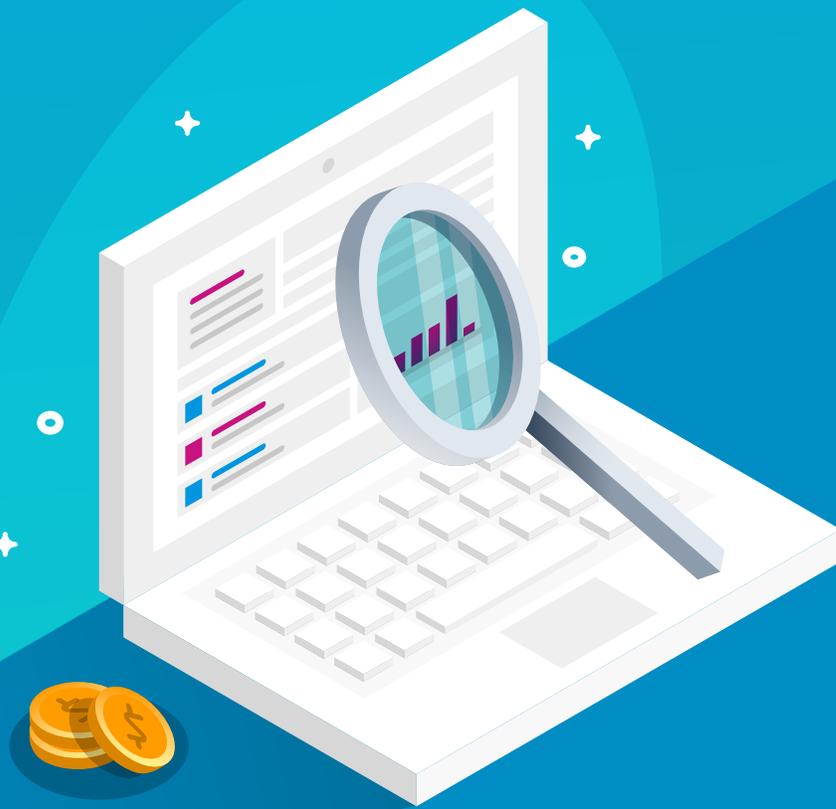# 8 ways your AP process leaks spend – and how AI can prevent it

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Introduction

Today's companies put huge efforts into negotiating the best terms with their suppliers. Procurement teams regularly spend weeks or months going back and forth on contract terms and volume discounts to get the most bang for their buck.

Too often, these savings aren't realized. Suppliers may ignore the negotiated terms when invoicing, and AP teams, faced with a deluge of invoices and limited time to get payments out the door, only sample select transactions and only do basic 2 or 3 way matching of volume and price. This inevitably means costly invoice problems fall through the cracks — from mismatched invoice and contract terms, to unapplied discounts, to completely bogus charges, and more.

Optimizing your AP process may seem like a big undertaking, but it's much easier than it might seem, and worth the effort. According to The International Association of Contracts and Commercial Management (IACCM), companies that work to improve controls over invoice payment will see a return of more than 4 percent of invoice value.

Even if you're ready to improve your AP process, one pesky question remains: How do you actually do it? Once upon a time, it would have been necessary to hire more people to check every transaction. But today, technology can provide a crucial and cost-effective assist for overstretched AP teams.

Artificial intelligence (AI) is becoming more and more common in business contexts. Nearly 90 percent of companies planned to increase AI spend in 2019, according to a Deloitte survey. However, the idea of actually using AI may feel a little unrealistic for some. While more and more corporations are automating AP processes, 30 percent of businesses still rely on manual invoice processing, according to The Institute of Finance and Management.

If you've already implemented other technologies in your workflow, AI can fit in seamlessly. AI-powered spend automation software integrates with existing expense management, invoice automation, contract management, and ERP systems to augment rather than disrupt your status quo.

8 common (and costly) invoice problems

Here are just a few of the problems AI-powered solutions can help your team avoid during the spend audit process:

1   FRAUDULENT INVOICES

When it comes to invoice fraud, if you can dream it, chances are fraudsters have tried it: From inflated invoices, to completely made-up charges, to shell companies, to vendor impersonation, and more.

Too often, the calls are coming from inside the house. The Association of Certified Fraud Examiners (ACFE) found that occupational fraud (fraud committed by employees against employers) resulted in more than $7 billion in total losses in 2018. AI systems with a compliance component can spot risk factors commonly associated with fraud so your team has a chance to review these invoices manually before they're paid out.

2   DUPLICATE INVOICES

Up to two percent of the average company's invoices are duplicates, according to AuditNet. This may seem like a relatively small number, but for businesses doling out millions or billions on business activities, the figure is far from trivial.

Some vendors might double up charges on purpose, but often duplicate invoices are mistakes (after all, your vendors' finance teams are overworked too). While some invoice automation systems try to catch these double charges, they usually only succeed if the invoices are labeled with the same number or have the exact same total — which isn't always the case, particularly if there's someone scheming behind the scenes.

3 **MISSING DISCOUNTS**

You fought hard for volume discounts, but how often are you checking invoices to make sure they're applied? AI-based systems can often compare contract and invoice terms automatically to make sure you're not missing out on early payment, loyalty, or quantity discounts. You'll be notified of any missing discounts so you can remedy the situation before you pay. In the case of early payment discounts, this software notifies you that the invoice should be prioritized to get payment out in ample time.

4 **MISMATCHED SERVICE LEVELS**

You signed up for the standard package, but you're being charged for the premium offering. This type of mismatch is all too easy to overlook amid your monthly deluge of invoices.

The correct AI solution can compare agreed-upon service levels in your contract with every invoice you receive to make sure that this type of costly problem doesn't fly under the radar. When it comes to physical items, it can ensure you receive all the items you're being billed for before you pay, by double-checking shipping documents against inventory systems.

5 **DOUBLE PAYMENTS**

Double payments can happen as a result of vendors submitting duplicate invoices, but the problem can also originate from your own team. Accounting systems hold up an invoice for all sorts of reasons, e.g., it requires further approval or it failed a match. In many cases, an employee might intervene to get the invoice paid manually (to meet a deadline or because they're being pestered by a supplier or don't want to damage a relationship). Meanwhile, the invoice is still in your system and when the hold is later cleared up, it's processed and paid... again.

This is another one of those sources of spend leakage that most companies never become aware of. AI-powered systems constantly cross-check invoices and payments and flag any duplicate payments before you send them out, so the money never leaves the front door.

6 **EXORBITANT PRICING**

It can be difficult and time-consuming to keep track of the market rate for all the various services and products your business requires. AI can regularly compare your current costs to thousands of other sources to determine whether your invoices reflect the market rate for the goods or services provided. It can also flag individual invoices where your price exceeds the market rate.

Knowledge is power, and this information helps your business negotiate more effectively with existing suppliers or look to new ones if there's an opportunity for cost savings without sacrificing quality.

7 **UNSATISFACTORY WORK ACTIVITY**

When it comes to hiring contractors, there are situations when it's particularly difficult to understand and assess whether they're fulfilling their agreed-upon duties, like professional and IT services. AI-based tools can ingest nearly unlimited data to build a profile of what comprises satisfactory work activity — e.g., regular activity in Slack or over email — and highlight changes in the typical patterns. This helps you verify that you're paying contractors fairly for the work product they're providing.

8 **OVERPAYING FOR SOFTWARE**

Are you licensed for seven software seats, but only using three? It's not uncommon for organizations to overpay for software licenses without ever realizing it. AI-based software keeps tabs on your organization's software usage and compare it to the charges on your monthly invoices to help alert you to savings opportunities.

How AI can help

Implementing a best-in-class AI solution can support a consistent process and add an additional layer of scrutiny. These solutions make it possible to audit 100% of invoice spend prior to payment, automatically and near-instantaneously checking every invoice in your system for risk factors before they're paid, and flagging the highest risk items for your team to review. This will help your team get ahead of problems and potential leakage, rather than try to recover it afterwards.

Below are the critical requirements for considering an AI solution for AP spend management:

1. **Audit 100%, prepayment.** Automatically audit 100% of invoices before reimbursement with AI.

2. **Understand documents.** Instantly scan every line of every invoice to understand charges and track the correct spend category.

3. **Enrich with intelligence.** Check online sources to identify better prices for similar goods and services.

4. **Assess and refine risk.** Flag suspicious addresses or billing changes to avoid fraud. Spot duplicate charges from other invoices, other invoice systems, or from expenses.

5. **Streamline process.** Integrate into your existing AP automation system to audit every invoice in real time to spot errors, waste, and fraud.

Conclusion

The best AI software can help your team regain control over your spend by checking every single transaction to identify high-risk invoices in your pipeline — saving time, streamlining processes, and ultimately reducing spend leakage.

If your AP team's efforts to find problematic spend feels neverending, you're not alone — but it doesn't have to be that way. AI has changed the paradigm for modern finance teams, giving them greater visibility into their AP process and the time they need to address the highest risk issues. Not only can AI transform the way finance teams operate, it also saves them business money by spotting problems consistently and before invoices are paid. By implementing a leading AI solution, your team can audit 100% of spend, make sure that every invoice complies with its contract terms, and ensure you're receiving every savings opportunity you're entitled to — all while paying your bills on time.

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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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