

# Invoice Approval Software: What Is It, Challenges, Benefits, and Best Practices



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Invoice processing and invoice approval are time-consuming processes for those using a manual accounting system.

As a result, staff time is often tied up with common AP workflow tasks such as receiving, distributing, processing, and approving invoices.

In addition, tasks such as three-way matching add an additional burden to an already overworked staff, which often contributes to human error.

Fortunately, there is a better way to process accounts payable in general, and invoice approvals.

Invoice processing software automates not only repetitious tasks such as invoice matching but also provides a way to expedite the entire invoice approval process.

Invoice approval workflow software is incorporated into a broader AP solution to deliver an automated invoice approval system that helps eliminate paper invoices entirely.

When coupled with AP automation software, many of the time-consuming tasks that have traditionally saddled the AP department simply disappear.

Invoice approval software also eliminates invoices lost in transit or the very common issue of vendor invoices sitting on someone's desk or buried under a stack of papers.

This complete automation solution also eliminates the very real issue of an invoice being sent to the wrong department or manager altogether.

Today, there are a variety of invoice approval software applications on the market to choose from, with different apps popping up all the time.

But while they may automate the invoice approval process, their usefulness is limited if they don't communicate with your core accounting application.

Instead, if you're in the market for an automated invoice approval software application, look for one that offers complete invoice management features such as procure-to-pay capability, AP automation, and the approval process in one complete package.

## **What Is the Purpose of Invoice Approval?**

The main purpose of the invoice approval process is to control unauthorized spending. The invoice approval process also ensures budget adherence as well as protects against inaccurate or unauthorized spending.

Invoice approval is completed to ensure that the invoice is legitimate and should be paid.

During the invoice approval process, the AP team reviews the invoice for accuracy, matches the invoice with the corresponding purchase order and shipping receipt, and ensures that key information matches such as invoice amount, quantity, and due date.

Once this is completed, the invoice is sent for additional review and approval, with some invoices requiring multiple approvers.

In theory, the invoice approval process should be a simple, straightforward process that is easily adhered to. In reality, when using manual processes, the invoice approval process frequently causes invoice processing delays.

These delays occur when invoices are routed to the wrong department or staff member, lost or misplaced, or simply sit on someone's desk for days or even weeks, costing companies valuable time and money.

Similarly, if all the relevant information is not easily available it is hard for the approver to give their sign off.

If there is no PO they may not remember exactly what they purchased by the time the invoice arrives.

Does the price match what was agreed? Did they receive all of the items on the invoice or only some of them?

Checking to answer these questions takes time and delays approval.

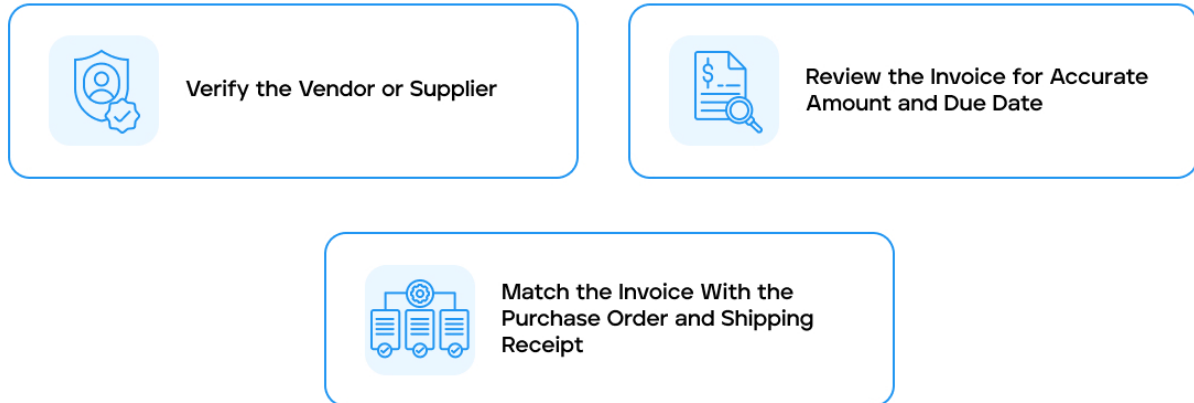
## **How Do I Approve an Invoice for Payment?**

Approving an invoice manually requires multiple steps. Before an invoice is approved for payment, AP staff should:

- Verify the vendor or supplier
- Review the invoice for accuracy which should include the invoice amount and due date

- Match the invoice with the purchase order and shipping receipt

## What AP Staff Should Do Before Sending An Invoice For Approval



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These steps are considered part of the invoice approval workflow process, which is a series of steps that should be followed for each invoice received, starting at invoice receipt and completed when the invoice is paid.

It's vital that businesses have an invoice approval workflow process in place for all staff to follow.

In many cases, companies using an automated AP and procurement application, like PLANERGY, can approve the initial purchase order, with the software then matching the subsequent invoice and shipping receipt to ensure all three match before an invoice is routed for approval.

In addition, an automated AP system will also flag any exceptions for further review.

## What Is the App for Approving Invoices?

Today, there are mobile apps for everything, including invoice approval.

These apps may just cover a workflow for approving without incorporating the relevant data to help ensure approval can be completed in a timely manner.

While these apps can certainly streamline the invoice approval process, be sure that any app you may be considering is able to integrate with your accounting software application, or you'll still be saddled with a lot of manual data entry after approval.

A dedicated procure-to-pay software, like PLANERGY, that incorporates invoice approval within the broader procure-to-pay optimization will provide you with an electronic mailbox where your vendors and suppliers can email digital invoices.

These invoices will then run through an auto-match feature that matches an invoice to a purchase order and shipping receipt and highlight any discrepancies so they can be managed as exceptions.

You can then also create an approval workflow that sends the invoice to the correct approvers based on predefined criteria.

## **Why Is Rejecting an Invoice Often Too Late?**

Rejecting an invoice for payment is a necessary process for any AP department. However, when you're processing invoices manually, your window of opportunity for rejecting an invoice may close before you can take advantage of it.

Let's say you receive an invoice for 100 gallons of paint on July 3. The purchase order specifies 100 gallons of paint and the shipping receipt states that 100 gallons of paint were received.

After the three-way matching process is complete, the AP clerk routes the invoice to the approver, who is on vacation for the next two weeks.

By the time they get back into the office, stacks of papers are sitting on top of the invoice waiting to be approved.

Four days later, the approver finally gets to the invoice, after a period of gathering information they notice that the price is incorrect. The invoice is sent back to the accounts payable team. unapproved, on July 21.

However, per their contract with their vendor, the vendor must be notified within ten days about any disputes with the order.

Because the invoice sat for more than two weeks before the approver was able to review it, they are unable to dispute the pricing included on the invoice.

## **What Are the Benefits of Approving Invoices?**

Without a clear invoice approval process in place, duplicate payments, late payments, payments made in error, or for the wrong amount can quickly spiral out of control.

This can result in money lost due to incorrect payments, early payment discounts lost, and invoice late fees incurred.

Having a set invoice approval process as part of your accounts payable policy also reduces or eliminates fraudulent activity, from both outside sources and employees.

Strong internal controls in the accounts payable department are important.

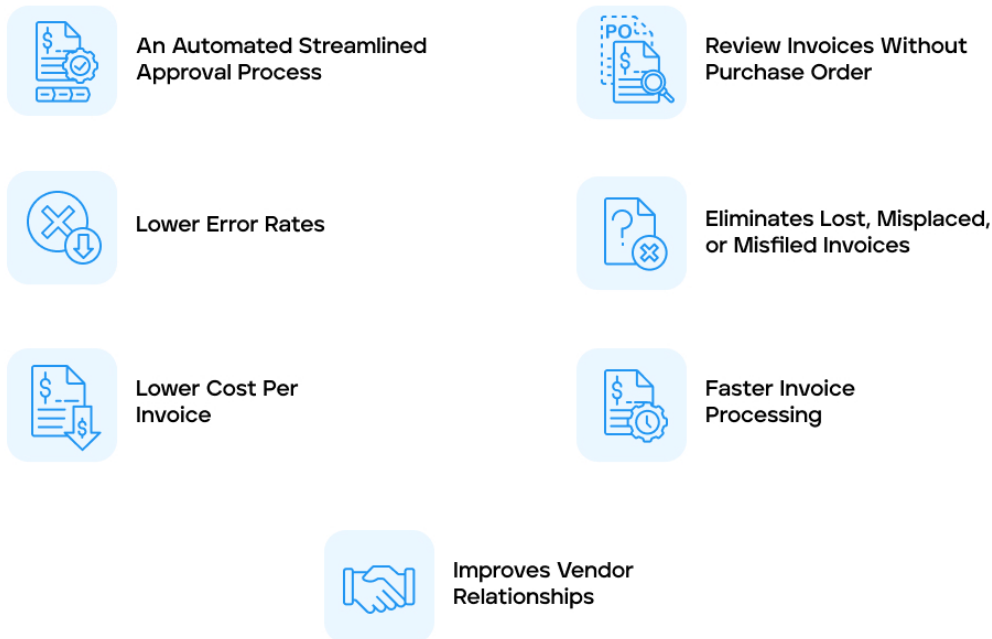
While it's certainly possible to create a smooth payables process using a manual system, it's likely to create more issues than it solves.

And as your business grows, so will the number of invoices that will need to be paid, making it even more important to switch to an automated AP system.

An automated accounts payable software provides the following benefits:

- A streamlined approval process that automatically routes invoices to the appropriate approvers without any human intervention.
- Invoices without a matching purchase order are automatically flagged for review before being routed for approval.
- Creates a paperless accounts payable environment that effectively eliminates lost, misplaced, or misfiled invoices, while reducing stacks of paperwork.
- Lower error rates, lower cost per invoice, and faster invoice processing time which improves vendor relationships and your bottom line.

## The Benefits of Automated AP software



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## What Are the Challenges When Approving Invoices Manually?

The biggest challenge when approving invoices manually is turnaround time.

According to Ardent's State of ePayable 2023, 49% of AP teams surveyed thought that the invoice/payment approval process takes too long. Other top bottlenecks mentioned in the report include:

- A high percentage of exceptions - 47%
- High invoice processing costs - 22%
- Lack of visibility into invoice data - 21%

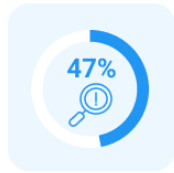
The truth is things get lost. Invoices get routed to the wrong department, where they can remain for days or even weeks before getting to the correct approver.

Paper invoices can get buried under a mountain of paperwork, misplaced on someone's desk, or inadvertently filed away.

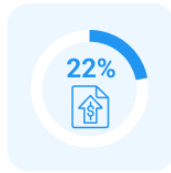
Invoice approval software does away with all of that, and more, providing

businesses with streamlined invoice processing and more.

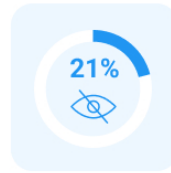
## ■ The Challenges When Approving Invoices Manually



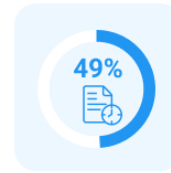
A High Percentage  
of Exceptions



High Invoice  
Processing Costs



Lack of Visibility  
Into Invoice Data



Invoice/Payment  
Approval Process  
Takes Too Long

\* Adent's State of ePayables 2023

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# What Is the Best Invoice Approval Software?

The best invoice approval software is not a stand-alone app, but one that incorporates not only AP automation but also procure-to-pay capability to fully automate the procure-to-pay cycle.

This allows businesses to implement the features they need immediately and add more comprehensive options as their business grows.

For example, a business that processes a limited number of invoices may only be looking for a more streamlined invoice approval process.

However, by adding a cloud-based solution that includes complete AP automation, even smaller businesses will benefit from additional features.

These include improved invoice processing times, the ability to take advantage of early-payment discounts, and a significant reduction in human errors.

## Do Popular Software Applications Offer

# Automated Invoice Approval?

Most popular accounting software applications today offer some form of automation such as bank reconciliation or OCR technology to scan in an invoice.

However, many of the popular applications rely on third-party applications to automate the invoice approval workflow process. Let's take a look at a few.

## • QuickBooks

QuickBooks Desktop Enterprise users can use the custom bill approval option, which allows you to assign an approver to a particular vendor.

Once an invoice has been entered into the application, the designated approver is sent a notification that the invoice is ready to approve or reject.

QuickBooks Online Advanced and Desktop Enterprise includes the ability to set up custom approvals for bills you're sending your customers, but not for invoices received from a supplier.

Both QuickBooks Desktop and QuickBooks Online offer integration with several apps designed to streamline the invoice approval workflow process.

PLANERGY has a direct API integration with QuickBooks Online and offers a middleware integration for QuickBooks Desktop.

## • Sage

Sage Intacct, is the only application that includes automated invoice approval in its core application, using a virtual assistant to eliminate data entry.

The application also offers paperless routing of AP invoices for approval and connects to vendors, suppliers, and financial institutions for easy invoice receipt and payment processing.

Sage Intacct also features dimensions, a powerful tool that allows

businesses to tag and track financial data using custom attributes like departments, projects, or locations. This flexible approach enhances reporting and decision-making by providing deeper insights into financial performance.

Other versions of Sage such as Sage 50, Sage 100, and Sage 300 use a variety of third-party apps that integrate with their core accounting software application to automate the invoice approval process workflow.

PLANERGY has a direct API integration with Sage Intacct. We also have an integration for Sage 200, and integration options for Sage 50 and other versions of Sage too.

## ▪ **SAP**

SAP Concur offers an add-on application; SAP Invoice, that automates three-way matching, reduces data entry, and allows users to create a custom workflow solution for invoice approvals.

However, this is an add-on application that is designed to integrate with the core SAP application or other ERP applications and would need to be purchased separately.

PLANERGY has custom integration options, including direct API integrations, for SAP and similar integration options for SAP Business One.

## ▪ **Xero**

Like its competitors, Xero relies on outside applications that integrate with its core system to automate the invoice approval process.

PLANERGY integrates seamlessly with Xero.

# **Why Automated Invoice Approval Software**

# Can Help Your Business

There are numerous reasons why you should consider adding invoice approval software to your business.

- **Creates a Smooth Procure-to-Pay Cycle**

A complete AP cycle should always include procure-to-pay capability. Using an application like PLANERGY provides a complete management system from initial purchase order to vendor or supplier payment, along with automated invoice approvals.

- **Faster Invoice Validation**

The time it takes to complete three-way matching is significantly reduced when automation is added to the AP process.

- **Automated Approval Routing**

The biggest delay in processing invoices occurs during the approval process. Adding an automated system eliminates common issues like invoice routing errors and lost invoices, which means rapid approvals and timely payments.

- **Reduces or Eliminates Paper**

When you make the switch to automation, you can reduce or even eliminate excessive paper from your office for good.

## ■ Why Automated Invoice Approval Software Can Help Your Business



Creates a Smooth Procure-To-Pay Cycle



Faster Invoice Validation



Automated Approval Routing



Reduces or Eliminates Paper

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By optimizing each step of the invoice approval process, along with the upstream processes that precede it, using the right software can greatly reduce your invoice cycle time.

The future of accounting is digital. Accounts payable digitalization can be achieved now.

Adding an automated solution that utilizes process automation, optical character recognition or OCR, artificial intelligence, and complete accounts payable automation from purchase to payment is a necessary step toward that future.

## What's your goal today?

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- Visit our Accounts Payable Automation Software page to see how PLANERGY can automate your AP process reducing you the hours of manual processing, stopping erroneous payments, and driving value across your organization.

- Learn about us, and our long history of helping companies just like yours.

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