

Invoice Dispute Management in Accounts Payable



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Take Control to Save Time, Money, and Vendor Relationships

Doing business comes with the risk of occasional conflict, and one of the most common disagreements to arise are those concerning invoices. While much of the discussion and advice surrounding invoice dispute management is directed at accounts receivable (AR), those working in accounts payable (AP) can also benefit from a proactive approach to dealing with these disputes before they can cause more serious damage in the form of legal action or damaged supplier relationships.

You can take much of the pain and frustration out of invoice dispute management with help from process automation, electronic invoices, and other digital tools, along with a few basic best practices.

The Basics of Invoice Dispute Management

Like managing working capital, paying invoices completely, accurately, and on time is a cornerstone of effective accounts payable and credit management, whether you're part of a major corporation or running your own small business. And like suppliers, whose accounts receivable departments must work diligently to preserve customer relationships during invoice disputes, AP teams need to be sure they have complete and accurate information to handle disputed invoices properly and protect their organizations' cash flow, reputation, and supplier relationships.

To be collected properly, invoices must be valuable (i.e., have cash value), due, and certain (i.e., cannot be challenged by the purchaser). Disputes arise when discrepancies in the invoice cause the buyer to challenge the invoice, rendering it *uncertain*, and therefore subject to resolution and litigation.

When an invoice fails to match its original purchase order for any reason, the AP department must take note of the exception and:

- Identify and itemize all discrepancies in the disputed invoice, including:
 - Differences in pricing, quality, or quantity.
 - Failure to meet terms and conditions of delivery.
 - Invalid or missing purchase order numbers.
 - Billing errors (e.g., double billing)
 - Any short pay already made.
- Notify the buyer(s), the creator of the original purchase order, and the receiving department about any discrepancies.

On the supplier side, the AR team working with the AP team at the buyer will, depending on how the invoice dispute is concluded, prepare any relevant

discounts, credit memos, or write-offs. If the disputed invoice is found to be accurate and complete, they may also prepare any relevant late fees or penalties—or, in the case of bad debt collected once it's already been declared unrecoverable, document a cash recovery.

A quick and professionally dispute resolution process benefits both parties by ensuring payment or credit is applied where it needs to be, and relationships are not damaged beyond repair.

The most important factor for both parties is to have a system in place that provides clear, accurate, and complete information on every transaction, from the original PO through final payment. For invoice disputes where one party has comprehensive and transparent documentation and the other doesn't, the outcome of the dispute resolution process will likely favor the former.

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AP Automation Simplifies Invoice Dispute Management

The problem with manual accounts payable workflows—or, rather, one of the problems—is that they are not only slow, time-consuming, and tedious, but also innately opaque and highly susceptible to human error and the unnecessary risk that comes with issues such as maverick spend and invoice fraud.

Investing in a comprehensive procure-to-pay automation solution such as PLANERGY is one of the most effective ways you can eliminate the risk and

inefficiency inherent to manual workflows. When you automate the procure to pay (P2P) process from end to end, your accounts payable team will not only gain immediate benefit from tools such as automatic three-way match, but also:

- Automation of all workflows, including approvals.
- Fast and accurate invoice collection and processing, which also includes automatic flagging of exceptions and:
 - Lowers cycle times and processing costs.
 - Prevents buyer-side errors that can create exceptions and lead to unfounded invoice disputes.
 - More correctly and swiftly identify and resolve true exceptions caused by supplier-side issues.
- Support for vendor portals, connecting suppliers to your system in real time and providing another layer of data integrity.
- Support for electronic invoicing (eInvoicing), allowing supplier invoices to enter the system for verification without the need for data entry.
- Complete transparency into and control over all spend data, which:
 - Simplifies invoice processing and verification.
 - Blocks invoice fraud and eliminates maverick spend.
 - Insulates the company against duplicate, late, or incomplete payment by ensuring all vendor and transaction information is complete and up to date at all times.
- Support for electronic payments such as automated clearing house (ACH) and wire transfers, lowering materials costs for making payments while preserving the ability to pay by paper check if necessary.

Beyond automation, you can minimize negative outcomes in the dispute management process by:

- Dealing with exceptions as quickly as possible. Delays not only lead to ill will, but can affect your cash flow management by making capital set aside for disputed invoices unavailable until the matter is resolved. In

addition, nonpayment can potentially lead to legal and other fees.

- Taking a collaborative and communicative approach, keeping all stakeholders in the loop. Regularly follow up to provide updates via email, phone calls, etc.
- Developing clear and complete internal controls for processing exceptions. The more streamlined your processes, the more quickly you can identify exceptions and pay your suppliers what you actually owe them for the goods and services you actually purchased.
- Once exceptions are corrected and resolved, ensure all revised invoices are directly connected to the original in your accounting system to avoid future headaches during close, reporting, or audits.

In the event a dispute is made due to an internal error (rather than a genuine supplier issue), be sure to:

- Carefully document the source of the exception.
- Carefully review any additional penalties, interest, or fees that may be associated with late payment, based on the terms and conditions negotiated with the supplier in question.
- Develop or revise internal controls to help prevent such errors in the future.

Invoice Disputes Don't Have to Be Disastrous

Meeting your obligations while ensuring your creditors do the same is crucial to building and growing a successful business. So, too, is ensuring your internal controls and workflows are well-optimized to maximize efficiency and accuracy in paying bills, managing cash flow, and ensuring your supplier relationships, credit rating, and reputation are well protected.

Making sure you get a fair shake while your vendors get their fair share is easier than you might think. Investing in AP automation tools and following a few best practices can give your team the control over, and visibility into, spend data they need to confidently process, review, and dispute invoices as necessary.

What's your goal today?

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