Invoice Process Automation



IN THIS ARTICLE

- What Are the Steps Involved in Invoice Processing?
- What Are Some of the Drawbacks of Using a Manual Invoice Processing System?
- What Is an Automated Invoice System?
- What Is the Difference Between RPA and AI?
- How Do You Automate Invoice Processing?
- Why Should I Automate the Invoice Approval Workflow?
- What Are the Benefits of Automated Invoice Processing?

As more businesses begin to understand the importance of accounts payable, the focus has turned to ways to streamline the time-consuming manual processes that have historically bogged down AP systems.

While paper-based business processes have been in place for decades, many businesses have begun to make the switch to a more automated, paperless AP management system that can provide value to both the business and its suppliers.

Generally, the manual AP process includes a minimum of eleven steps, with some businesses finding even more steps needed. The good news is that those eleven steps are cut to less than half when using an automated invoice process,

completing the workflow process up to 81% faster.

What Are the Steps Involved in Invoice Processing?

Though the result is the same, with payment issued to your supplier, the process itself is very different when using manual invoice management versus accounts payable automation.

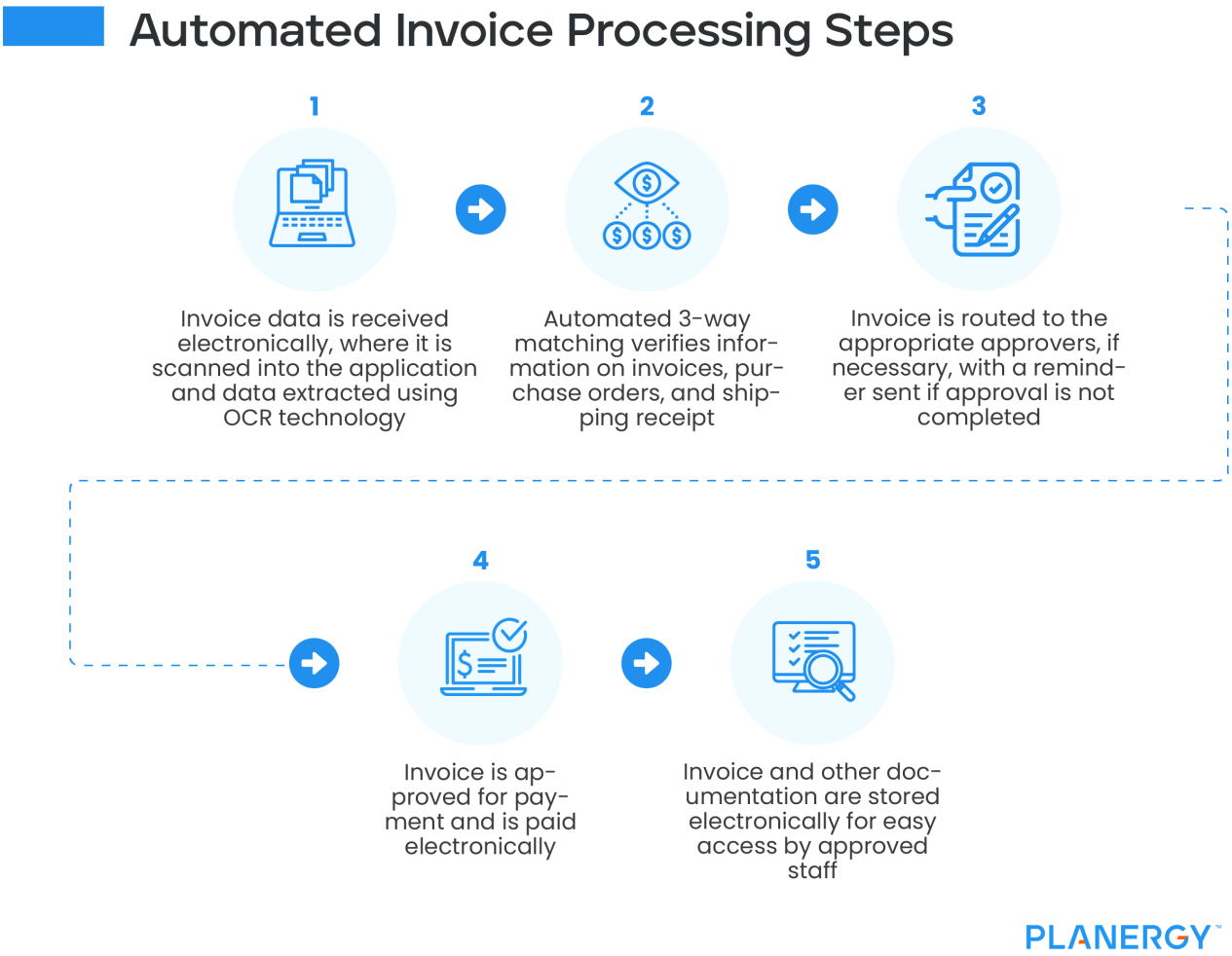
Manual Processing	Automated Processing
1. Invoice is received in the mail	1. Invoice data is received electronically, where it is scanned into the application and data extracted using OCR technology
2. Invoice is routed to AP staff	2. Automated 3-way matching verifies information on invoices, purchase orders, and shipping receipt
3. Invoice is reviewed and matched to the correct purchase order and shipping/receiving documents, if available	3. Invoice is routed to the appropriate approvers, if necessary, with a reminder sent if approval is not completed
4. If discrepancies are found, AP staff contacts the supplier for verification	4. Invoice is approved for payment and is paid electronically
5. If a purchase order was used, invoice data can be entered into an accounting software application	5. Invoice and other documentation are stored electronically for easy access by approved staff
6. If a purchase order was not used, the invoice needs to be routed for approval	
7. Approved invoices get entered into an accounting software application	

8. AP manager chooses which invoices to pay	
9. Payment is processed via paper check or electronically	
10. Checks are signed, put into envelopes, and mailed	
11. Check stubs or payment proof are attached to invoices and filed	

Manual Invoice Processing Steps



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In Ardent's State of ePayables 2022, the time difference between the manual payable process and AP automation is a full week, with manual invoice processing taking a time-consuming 11 days (10.9) versus AP automation taking a little less than 4 days (3.71).

11 days is an optimistic estimate since manual processing delays are common including additional time needed to investigate discrepancies, approval delays, and lost or misplaced invoices.

What Are Some of the Drawbacks of Using a Manual Invoice Processing System?

In addition to delayed processing times, there are other drawbacks to using a manual invoice processing system, including the following:

Dealing with Multiple Invoice Formats

If you're not using an automated invoice system, you'll likely continue to receive invoices in a variety of formats including paper invoices via the mail, invoice copies emailed to you, or a PDF invoice received with product delivery.

The biggest issue with this is time, since each time an invoice is mailed or emailed, a paper copy of the invoice needs to be available for three-way matching, invoice approvals, data entry, and payment.

Unfortunately, the odds of a paper invoice getting to where it's supposed to go are fairly low. Another problem with manual invoices is the number of labor hours required just to get the invoice processing moving in the right direction.

Delays, Delays, Delays

There is nothing efficient about manual invoice processing. Invoices sent via email may never arrive, or arrive only days before the due date. Paper invoices may also be directed to the wrong department.

And those delays don't lessen once the invoice has been received by the appropriate parties. Three-way matching needs to be completed for all invoices, and this process can cause delays, depending on the number of invoices you need to process.

And when the documents don't match when reconciling invoices, the delays just increase since it's necessary to investigate the discrepancies.

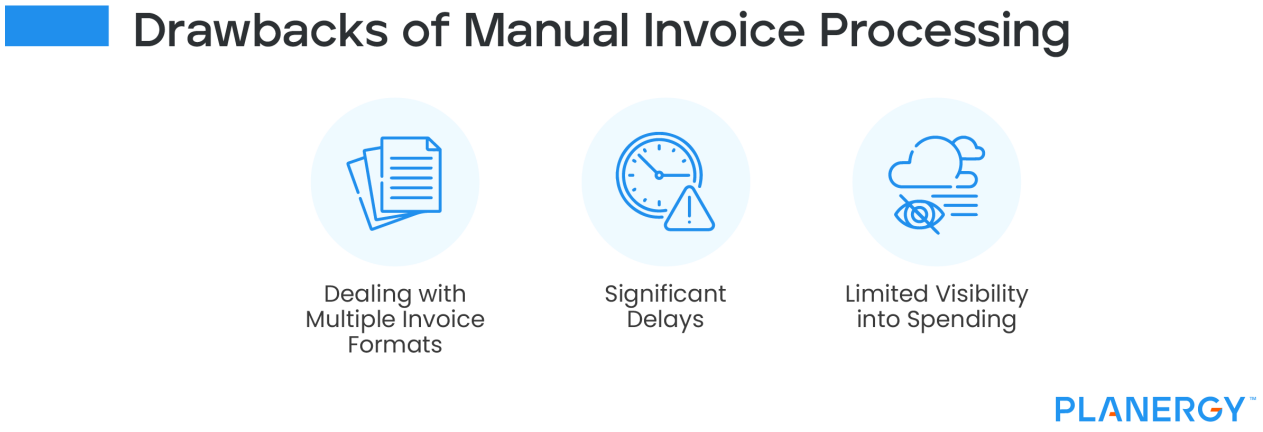
Another common delay is the invoice approval process itself, which can quickly turn to weeks when one more than one person needs to approve an invoice.

Finally, paper invoices often require payment using paper checks, which can get lost in the mail, resulting in late fees and unhappy suppliers.

Limited Visibility into Spending

An invoice sitting on someone's desk waiting to be approved is still a liability that impacts both your revenue and your cash flow, but it's not reflected on any financial reports until it's put into the system, which may be days or even weeks away.

Better spend visibility allows for better cash flow decision when processing payments.



What Is an Automated Invoice System?

An automated invoice system uses the latest technology, including robotic process automation (RPA) and artificial intelligence (AI) to automatically scan and decipher a supplier invoice, perform three-way matching, and route it to the correct individual for approval.

Automated invoicing eliminates data entry and reduces long approval times. An automated invoice system also improves your bottom line, since you'll be saving on paper, envelopes, postage, and copying and filing times.

Automated invoice processing uses two very important components; optical character recognition and smart data extraction.

Optical character recognition or OCR is used to convert printed images to text, essentially 'reading' the data from the form.

While OCR is a great first step, to truly automate your invoice system, you'll also

need to use smart data extraction, which can translate the data into a usable format.

What Is the Difference Between RPA and AI?

RPA and AI are both part of intelligent automation (IA) and are designed to work in tandem. While RPA can certainly automate parts of the invoice process, automation software relies on AI to decipher the data that RPA utilizes.

For example, when you can use RPA to download an electronic invoice, email, or attachment, the application will attempt to read the data on the document using OCR technology.

While OCR is fairly accurate, any data solely using OCR technology will need to be reviewed by AP staff for accuracy.

Using RPA alone can certainly save some time, but the process will still need human intervention to ensure accuracy.

Using RPA and AI together, the entire invoice process becomes automated, since RPA can download the invoice no matter what format, with AI then used to accurately translate the document into a usable format that can be automatically matched to upstream data and sent to your ERP system or accounting software application for payment processing.

How Do You Automate Invoice Processing?

The best way to automate invoice processing is to use a software application like PLANERGY that uses machine learning with robotic process automation (RPA) and AI to automate the procurement process while incorporating AP Automation Software for invoice verification and authorization, comparing invoices received with purchase order data already in the application.

In addition, every invoice received is digitally archived for easy future access.

Why Should I Automate the Invoice Approval Workflow?

One area where workflow gets stymied is the invoice approval process. In desperate need of updating, 47% of AP departments surveyed stated that AP approvals take too long.

The State of AP Report 2022 issued by Mineral Tree also showed that 70% of businesses indicated that their primary focus was on automating invoice approval workflows.

It's easy to see why this area needs improvement. During the typical manual invoice approval workflow, once you perform the three-way match (which can also cause backups), the invoice is then sent to one or more individuals for approval.

The problem is, with a paper invoice, a lot of things can happen to delay approval, starting with the invoice being routed incorrectly. Even if they reach the correct parties, invoices can remain on someone's desk or inbox for days, or even weeks, buried under other piles of paper. And if you require a second approval on an invoice, the entire process can take even longer.

These delays mean that you'll likely miss out on any early payment discounts. Even worse, an invoice may be paid late, resulting in late fees, a change in payment terms, increased interest rates, and even a drop in your credit score. It can also destroy the relationship you have with your suppliers, who may even stop selling to you on credit.

The best way to alleviate these issues is to introduce an automated invoice processing workflow that will automatically route invoices to the proper approvers.

What Are the Benefits of Automated Invoice Processing?

As more businesses begin to realize the impact AP has on cash flow, working capital, and supplier relationships, it's clear that transforming AP from a manual process to an automated one has several key benefits including the following.

Improves Invoice Accuracy

Using automated invoice processing eliminates the need to enter invoice information manually, which is prone to human errors.

Increased accuracy also reduces duplicate payments or other common payment errors such as missed payments or late payments.

As an added bonus, you're likely to see a reduction in late fees or other supplier-imposed penalties.

Improved Vendor Relationships

Keeping your suppliers happy is important. With reduced invoice processing time and more accuracy, your relationship will thrive.

Reduced Labor Costs

Manually entering invoices, manual three-way matching, and printing, signing, and mailing checks are all labor-intensive tasks.

Eliminating these tasks by automating invoice processing increases productivity, freeing your employees to work on more important tasks.

Reduced Invoice Processing Costs

According to Ardent's State of ePayables 2022, the cost to process a single invoice manually starts at $10.18, with automated processing costing a mere $3.12 per invoice, a difference of $706 if you're processing 100 invoices per month.

You'll also need to consider the associated costs of processing invoices manually including postage, paper, ink, fax machines and printers, file cabinets, and in some cases, additional storage space.

Better Insight into Spending

Budgeting and forecasting become more accurate when you use

automated invoice processing.

Having access to spending in real time can helps you make more informed business decisions, and ensures that you won't be surprised by the sudden appearance of an invoice not previously accounted for.

- ## Ability To Take Advantage of Discounts

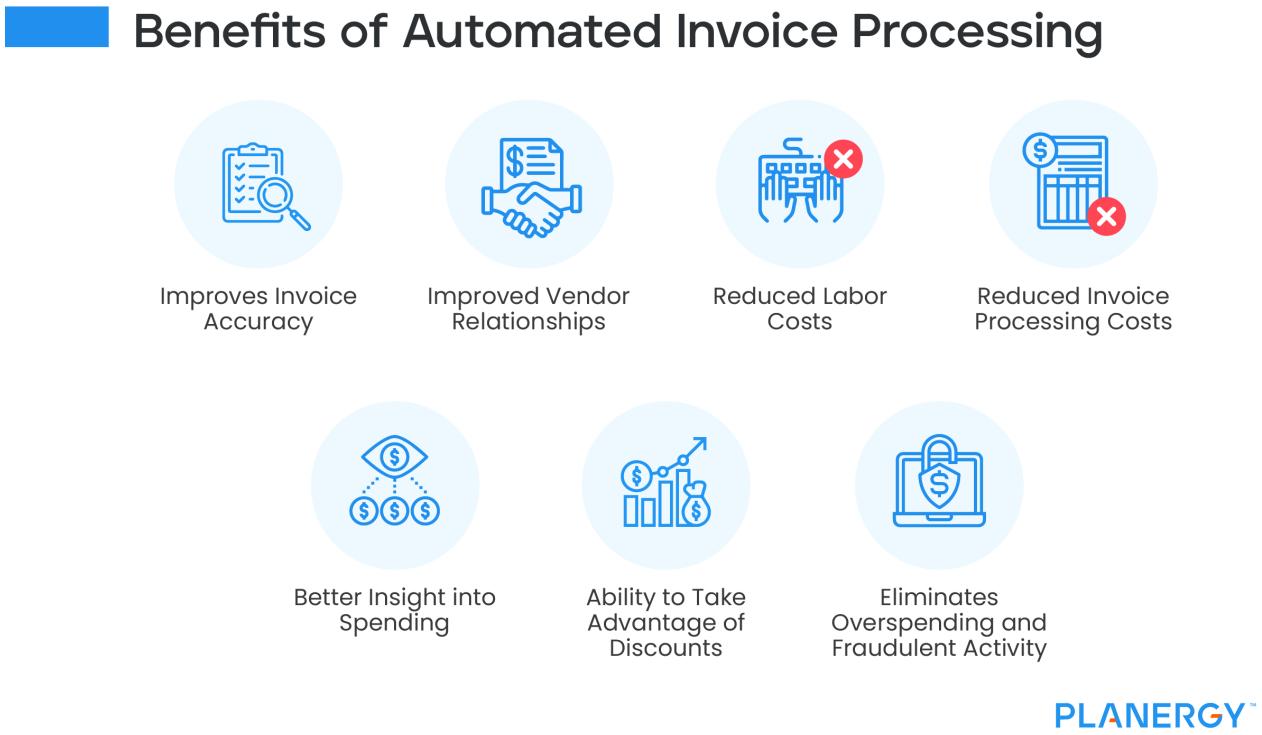
Do your vendors offer an early payment discount that you haven't been able to take advantage of?

Using automated invoice processes eliminates approval bottlenecks, allowing you to pay earlier and save a few dollars in the process.

- ## Eliminates Overspending and Fraudulent Activity

Automating invoice processing eliminates the need for human intervention, thus also reducing the occurrence of accounts payable fraud.

With every invoice being sent through an automated system, those considering engaging in fraudulent activity will find it more difficult to do so. The same goes for unauthorized purchases or chronic overspending.



It’s Time To Switch to Automated Invoice Processing

If your finance department is tired of missing out on discounts, paying late fees, and using AP staff for manual tasks such as data entry and filing, why not make the move to invoice processing automation software?

Doing so can accelerate the payment process, eliminate fraud and overspending, reduce manual data entry, and give you better insight into your company’s financial health.

What’s your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

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