Invoice Verification Process: Steps, Best Practices and Checklist

IN THIS ARTICLE

- What Is Invoice Verification?
- What Are the Different Types of Invoice Verification?
- What Documents Are Required for Invoice Verification?
- Invoice Verification Checklist
- What Are the Steps for Invoice Verification?
- What Types of Invoices Have Higher Error Rates?
- What Is the Difference Between Invoice Verification and Invoice Audit?
- How To Streamline the Invoice Verification Process

Paying bills on time is one of the main responsibilities that the accounts payable department is tasked with.

Busy AP departments can receive an untold number of incoming invoices daily that have to be processed for payment, and management expects them to be processed accurately and on time.

But before an invoice is sent for payment, it must be verified.

What Is Invoice Verification?

The invoice verification process is exactly as it sounds. Once an invoice is received, it needs to be verified before it moves forward in the AP process.

Invoice verification involves verifying that the vendor or supplier sending the invoice is legitimate.

This is particularly important when a new vendor or supplier is used. Depending on the type of invoice received, the process may also include verifying the terms and conditions of the invoice.

This is particularly important for any long-term contracts or subscriptions where pricing may change.

Once the supplier validation is complete and terms and conditions approved, the AP staff can complete three-way matching, which compares an invoice to a purchase order and shipping receipt to confirm that the information matches all relevant documents.

During the three-way matching process, AP staff must verify that the product or service ordered has been received in the quantity stated and that pricing is accurate.

If the invoice appears legitimate, it will move on to the next step in the AP process.

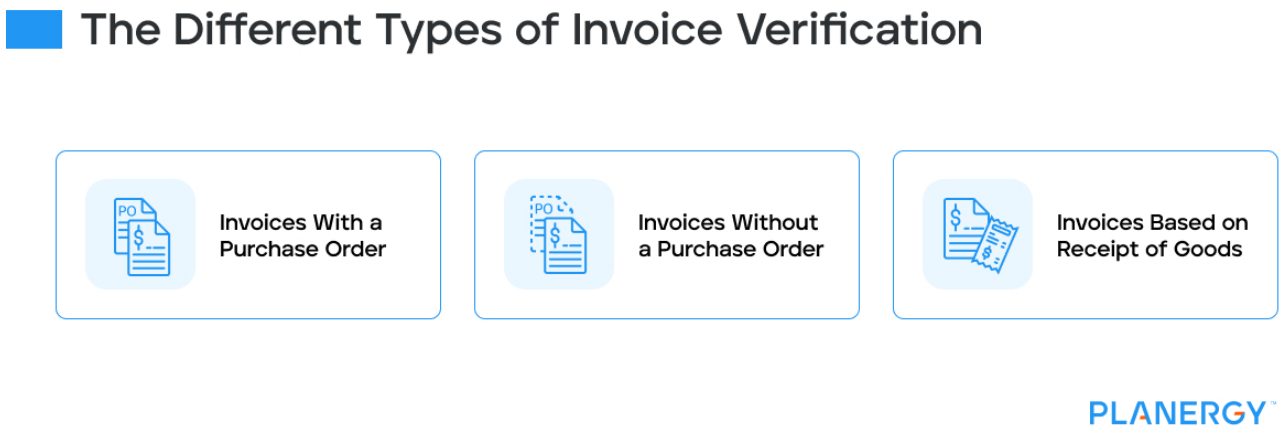
If the invoice is not correct, it will need to be returned to the vendor or supplier for correction.

Once a correction has been made, the revised invoice will need to be reverified to ensure that it’s ready for the invoice approval process.

What Are the Different Types of Invoice

Verification?

The invoice verification process can be different based on the processes used by the AP department. The three most common invoice verification types include:



- ## Invoices With a Purchase Order

  When verifying an invoice with a purchase order, the three-way matching process is utilized, which matches the information on the invoice to the corresponding purchase order.

  For goods and supplies received, you'll also match the invoice and purchase order to the shipping receipt. However, if services were ordered using a purchase order, you will typically match only these two documents.

- ## Invoices Without a Purchase Order

  If your business only uses purchase orders for ordering supplies or doesn't use a purchase order system at all, the invoice verification process usually involves verifying the service was received by the appropriate department.

  For example, if the admin department contracts with a cleaning service to clean the offices once a week, they may not use a purchase order. In that instance, having the admin department verify the expense may be helpful.

This can also apply to maintenance and repair expenses that may not have gone through procurement or used a purchase order.

- **Invoices Based on Receipt of Goods**

  If you order materials and supplies that are received in multiple shipments, you should also receive a separate invoice for each shipment, with the appropriate line items included.

  While this is an acceptable practice, make sure that you don't receive an additional invoice for all of the products combined.

What Documents Are Required for Invoice Verification?

Depending on the type of business you own, you may need several documents to completely verify invoice data.

For example, if you're verifying an invoice from a software provider, you may need to have a copy of the contract handy, where you can view terms and conditions, as well as monthly billing amounts.

Subscription services or regular or one-time maintenance may also require contract review. Other documents needed for invoice verification include:

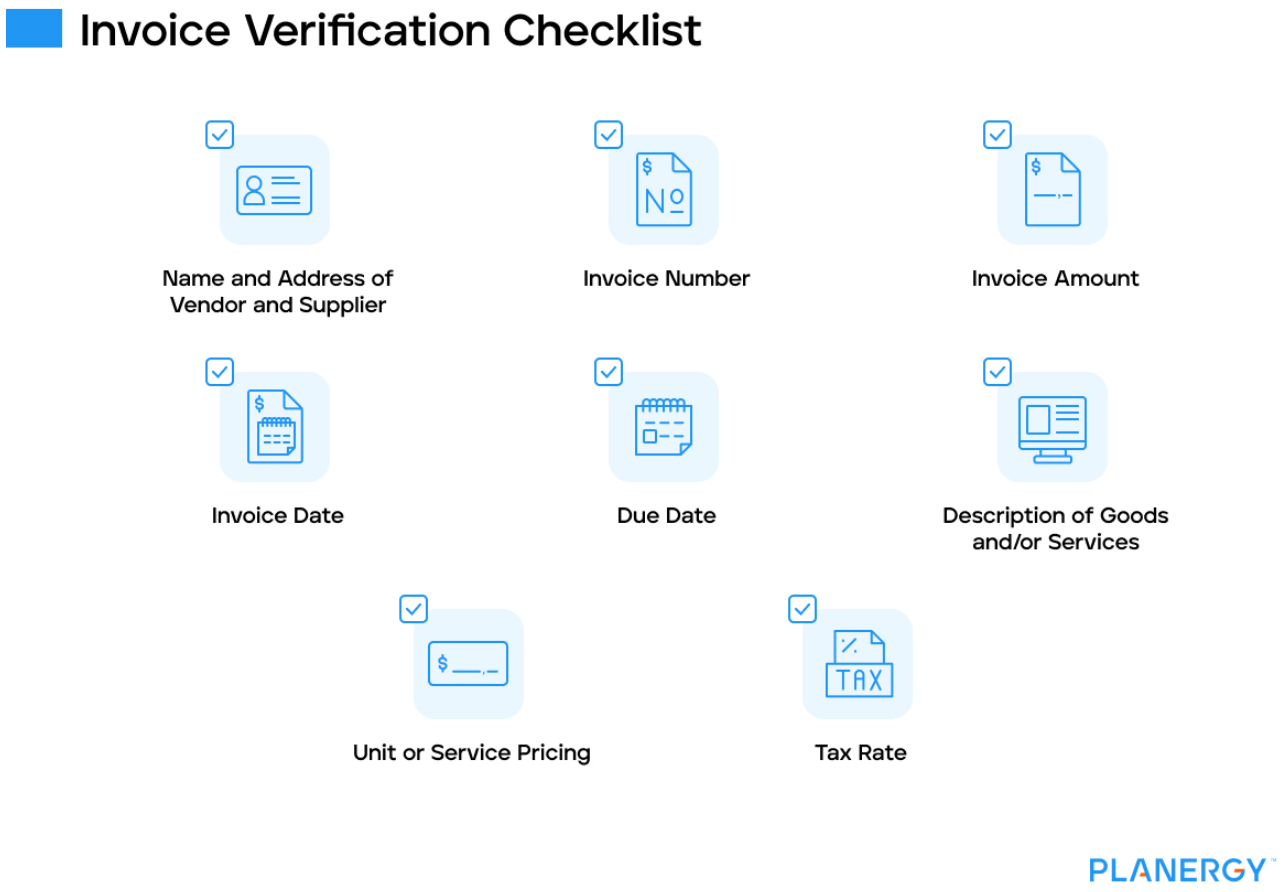
- A written estimate for the purchase

- A purchase order
- A shipping receipt

Having these documents in place makes invoice verification an easier task.

Invoice Verification Checklist

When verifying invoices, it can help to refer to a checklist to ensure that an area is not missed during the verification process, and should include a variation of the following:



- Name and address of vendor and supplier
- Invoice number
- Invoice amount
- Invoice date
- Due date
- Description of goods and/or services
- Unit or service pricing

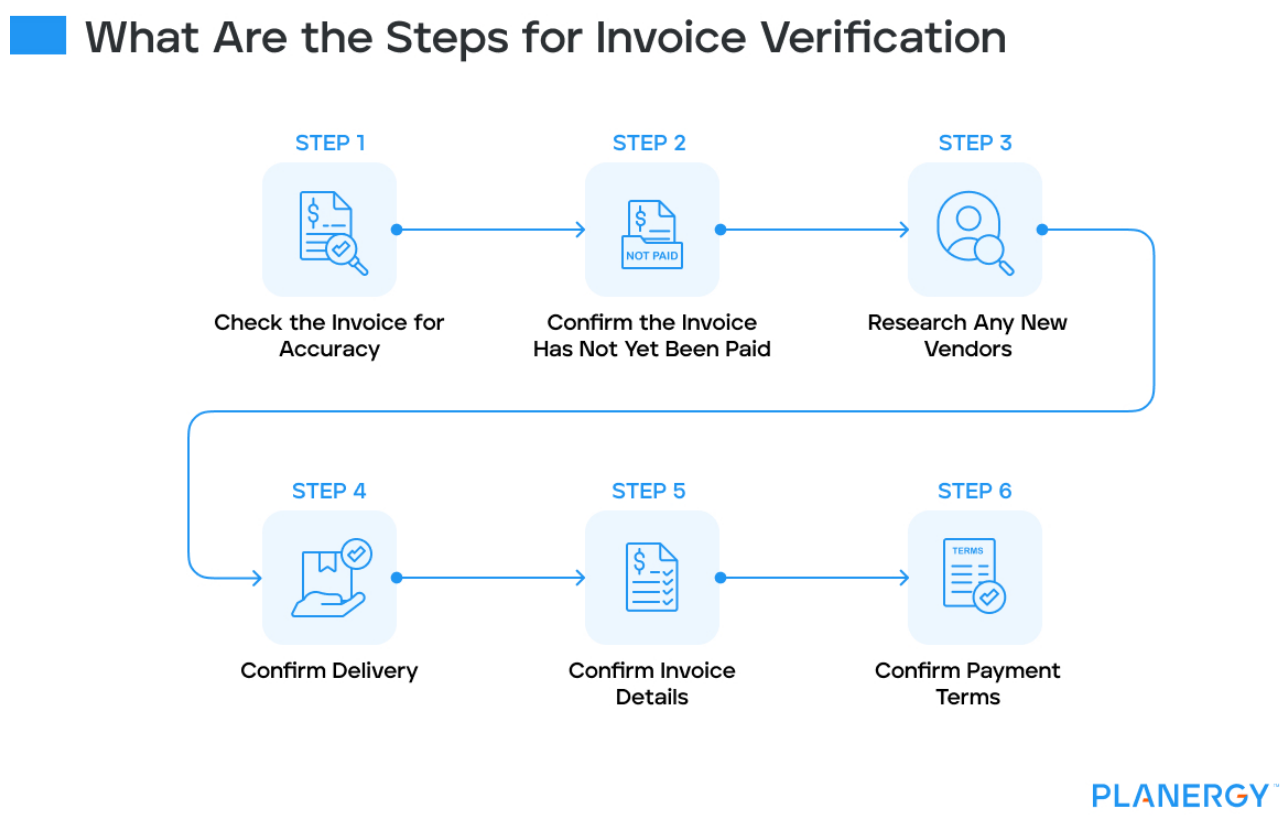
- Tax rate

You can add other areas that are relevant to your business when you create your own checklist.

What Are the Steps for Invoice Verification?

In most cases, invoice verification can be completed using the following steps when processing invoices.

If you have all of your supporting documents in place, you're ready to begin the invoice verification process.



1. ## Check the Invoice for Accuracy

   Before you begin to compare invoice information against a purchase order or shipping receipt, you should first examine the invoice itself to ensure that it's not a forgery.

Today, fraudulent invoices are often professional in appearance and designed to fool even the most discerning eye. In other cases, a fraudulent invoice may be spotted just by looking at the appearance of the invoice.

Fake invoices usually include telltale signs such as inaccurate or missing logos, typos, and mismatched colors, but in some cases, a fake invoice may look exactly like your regular vendor or supplier invoices.

If you're unsure if an invoice is authentic, you can conduct further research by comparing the current invoice to past invoices from the same vendor or supplier.

Take a few minutes to compare the vendor contact information such as purchase order number, service provider, return address, and email to see if it matches the ones listed in the vendor file.

If it doesn't, you may need to contact the vendor or supplier directly for verification.

2. Confirm That the Invoice Has Not Yet Been Paid

You can confirm this by searching invoice numbers to see if there's a match. This is a simple process for those using an automated AP system, like PLANERGY, that will flag duplicate invoice numbers immediately.

However, for those using a manual system, invoices are often paid twice because the invoice number has a typo or is recorded differently.

The best way to manually verify if an invoice has already been paid is to search recent payments to that vendor or supplier or search invoice payments made for the same amount.

3. Research Any New Vendors

If the invoice is from a new vendor, be sure to first verify the authenticity of the vendor before moving on to verifying invoice information.

This can be done by checking the vendor file, making sure the vendor was

approved properly, and then checking with the department that ordered the product or service to verify that the order is authentic.

4. Confirm Delivery

If you have a shipping or goods receipt, delivery confirmation can be completed during the three-way matching process.

But if you receive an invoice for services rendered, whether it's to repair a leaking roof or for temp services in the admin department, you'll need to confirm with the appropriate parties that the services were delivered as described in the invoice.

Be sure to check delivery notes on the receipt if they're available.

5. Confirm Invoice Details

Once you've determined that both the invoice and the vendor are authentic, you can then move on to verifying the rest of the invoice.

This is done using three-way matching, which matches invoice information to a purchase order and delivery receipt.

If no issues are found during the review, the invoice can be sent for approval or payment processing.

However, if a discrepancy is found, the vendor will need to be contacted to make any necessary changes, including adjusting the due date, before the invoice can be paid.

6. Confirm Payment Terms

Incorrect payment terms can cause a delay in invoice verification and payment approval, resulting in late charges and other penalties.

It's important to confirm that the payment terms listed on the invoice are the same terms that have been previously negotiated.

Many times, a salesperson can agree on payment terms with a customer

only to have the terms overridden by a manager.

For example, if you negotiated Net 60 terms with one of your vendor's salespeople, but the company only offers Net 30 terms, there will be an issue when payment is due.

Having an invoice checklist handy can help AP staff remain vigilant about processing invoices properly, avoiding potential late payments.

What Types of Invoices Have Higher Error Rates?

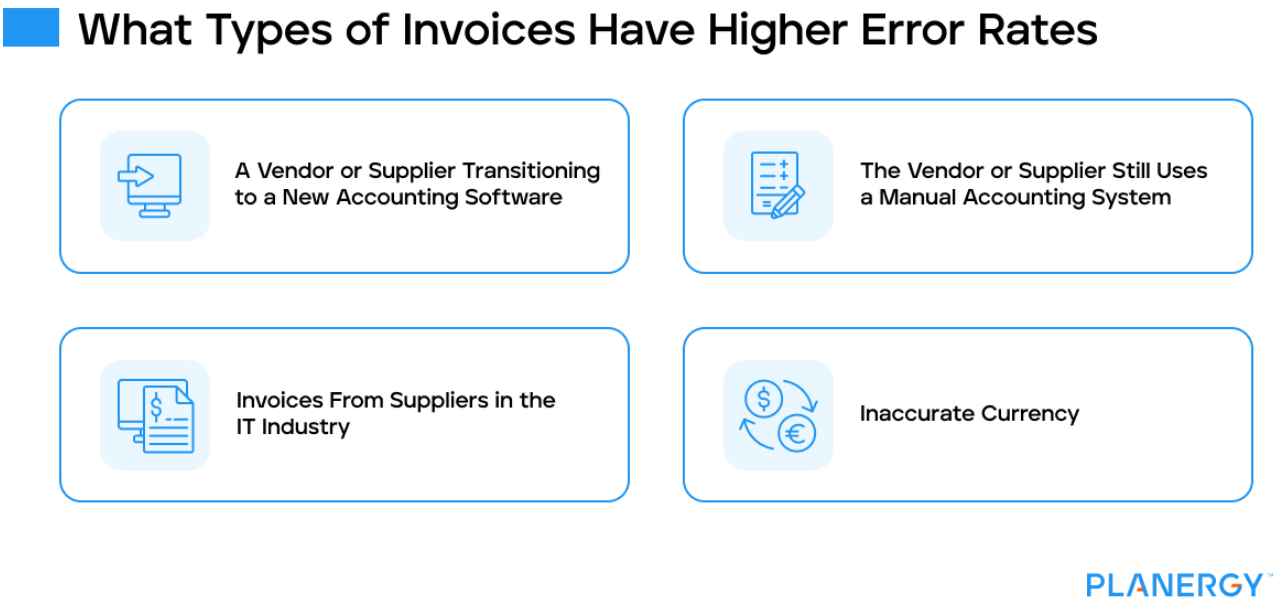
Invoice errors are prevalent in the IT industry, particularly when dealing with software subscription services.

This is due to fluctuating pricing and plan levels and plan discounts that are communicated to and agreed upon between the IT company and the consumer.

The problem is that those negotiated terms are not communicated to the billing department.

As a result, even though a company's subscription recognizes and accounts for these differences, in many cases, the billing department is unaware of the changes, resulting in inaccurate invoices and a lot of disgruntled customers.

But it isn't only the IT sector that may cause invoicing issues. Other causes include:



A Vendor or Supplier Transitioning to a New Accounting Software Application

If you have vendors or supplies that are merging with another company or have recently upgraded their software or ERP system, be sure to keep a close eye on any invoices received during this time.

Incorrect balances forward, products invoiced for the wrong amount, and inaccurate due dates are just a few of the issues you may encounter during the transition.

The Vendor or Supplier Still Uses a Manual Accounting System

E-invoicing, or electronic invoices, contain few errors and are the easiest way for vendors and suppliers to prevent invoice mix-ups.

Unfortunately, for those using manual systems, the likelihood of invoice errors increases substantially.

Some of the more common errors you're likely to encounter from vendors and suppliers still using a manual invoicing system are:

- Paper invoices that are lost or misplaced
- Late invoices
- Missing or inaccurate due dates
- Erroneous charges
- Not itemizing products or services properly
- Calculation errors
- Adding the wrong sales tax rate

Typos and invoices sent to the wrong address are additional problems you may encounter when dealing with manual billing systems.

- **Inaccurate Currency**

  If you typically do business globally, it's important to verify that the charges on the invoice are being billed using the proper currency.

  It's a simple mistake to make, and even automated systems can churn out inaccurate invoices if the vendor or supplier doesn't properly notate the correct currency in the system.

What Is the Difference Between Invoice Verification and Invoice Audit?

Both invoice verification and invoice auditing are important components of a well-functioning accounts payable department.

While invoice verification is a routine practice that should be completed for each invoice received, invoice auditing involves a review of a specific set of invoices to search for possible errors, overpayments, and accounts payable fraud.

How To Streamline the Invoice Verification Process

Verifying supplier and vendor invoices manually is a time-consuming process that can create bottlenecks in the entire payable process increasing your invoice cycle time and the cost of processing an invoice.

Instead, look to process automation to streamline the entire workflow process including invoice receipt, three-way matching, and payment processing by implementing an automated AP software application like PLANERGY.

Using real-time technology, PLANERGY can match invoices with purchase orders and shipping receipts, route verified invoices for approval and payment, and automatically flag invoice exceptions that need further additional verification.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our Accounts Payable Automation Software page to see how PLANERGY can automate your AP process reducing you the hours of manual processing, stoping erroneous payments, and driving value across your organization.
- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

2. Download our guide "Preparing Your AP Department For The Future"

Download a free copy of our guide to future proofing your accounts payable department. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

download a free copy of our guide

3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools,

techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

Related Posts