ZYCUS
COGNITIVE AP AUTOMATION

ACCOUNTS PAYABLE CHALLENGES: HOW TO EFFICIENTLY PROCESS NON-PO INVOICES?

Accounts Payable (AP) functions all over the globe are under constant pressure to cut costs through efficient processing and paying their suppliers on time. This may sound like an easy feat; however, when the processes are manual, it can be chaotic, and the situation can quickly go out of control.

In general, no set process is followed for non-purchase order (PO)-backed transactions, which can be a loophole for internal and regulatory compliance mandates. Non-PO invoicing translates to limited or no reference to the purchase being made. Operationally, such transactions create a stressful environment for the AP function, which is running against the clock to get adequate approvals, receipt acknowledgments, a valid GL number on invoices that are almost or already past due – these factors increase the likelihood of errors and in turn, may lead to financial implications for the enterprise.

For example, **a study by PayStream Advisors found that in 2019, 43% of businesses in the United States used non-PO methods, such as email, phone, or paper-based requests to initiate transactions with suppliers, while 57% used purchase orders.** The study also found that non-PO means varied by industry, with the healthcare and professional services industries having the highest percentage of non-PO-based transactions.

In Europe, 45% of businesses used non-PO methods, such as invoices or other payment requests for all or most of their transactions, while 55% used purchase orders. The survey also found that non-PO methods varied by country, with Germany and the UK having the highest percentage of non-PO-based transactions.

Overall, non-PO invoicing can vary widely depending on the industry, region, and individual business practices. While non-PO methods can be more flexible and suitable for certain types of transactions, they pose risks and challenges.

Repercussions of non-PO invoices

Non-PO invoices can increase the risk of fraud. Since there is no PO involved, it becomes difficult to verify the details of the transaction. This leads to disputes and delays in payments causing strain on the relationship between the supplier and the company (i.e., paying entity).

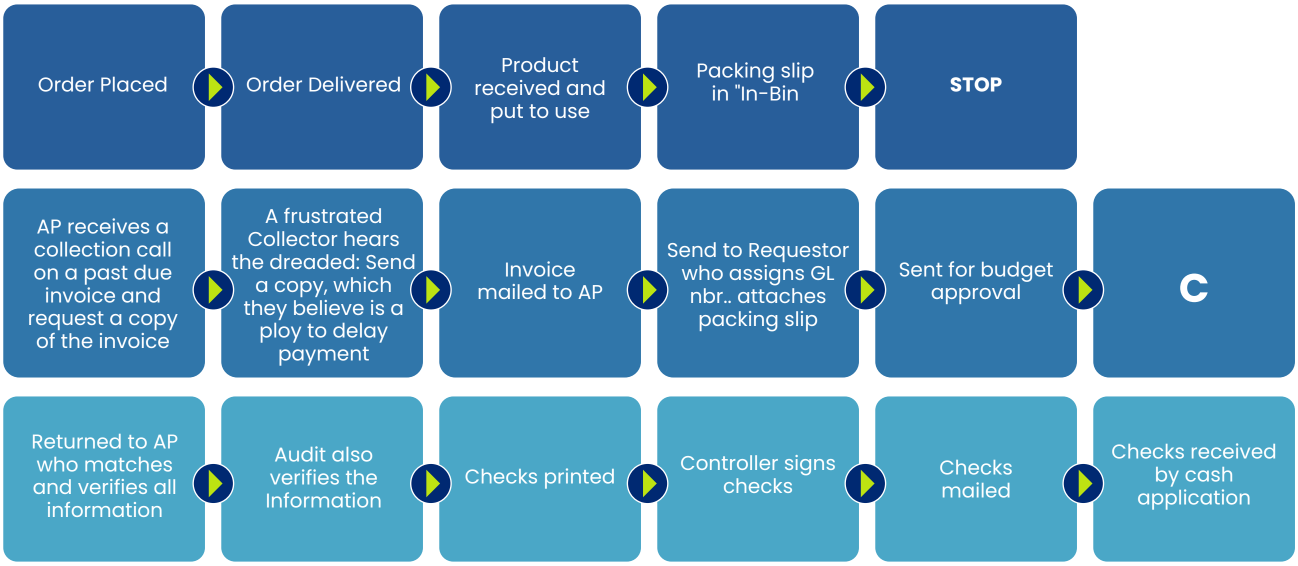
Non-PO invoicing can make it difficult to track expenses accurately and manage budgets. This can lead to inaccurate financial reporting. In addition, demonstrating compliance with a clear audit trail and proper documentation is a key imperative for enterprises. However, non-PO invoicing can reduce visibility and control over the purchasing process. This can make it challenging to identify areas for cost savings or potential risks, which can ultimately impact the enterprise’s financial health.

Establishing transparent processes and procedures for invoicing and using POs to verify transaction details is highly recommended.

How does non-PO purchasing happen?

Non-PO invoice processing is archaic and chaotic. They are usually not sent to AP function and are frequently received at a later date.

Figure 1 **The non-PO invoicing chaos**



Source: Zycus

The AP team has no authority to approve and has to do a multi-step process to identify the purchaser, and the buying slip, place the GL code, and go for budget approval. All these multiple steps take time and further strain the supplier relationship. Suppliers may perceive this as a ploy to delay the payments.

How big is the non-PO invoice problem?

Despite various "No-PO, No Pay" policies being exercised, non-PO invoices cannot be eradicated. They can, however, be reduced and brought under control if adequate technical support is there to ensure better compliance practices, exceptional handling, and approval workflows. Non-PO invoices exist because some purchases may not require a purchase order. For example, small, one-time purchases like office supplies or repairs may not require a purchase order to be created.

Statistics show that non-PO invoices make up a significant portion of total invoices processed by companies. According to a survey by the Institute of Finance and Management (IoFM), non-PO invoices account for approximately 47% of total invoices received by enterprises. Another institutional study found that 27% of companies do not require a purchase order under a specific dollar amount.

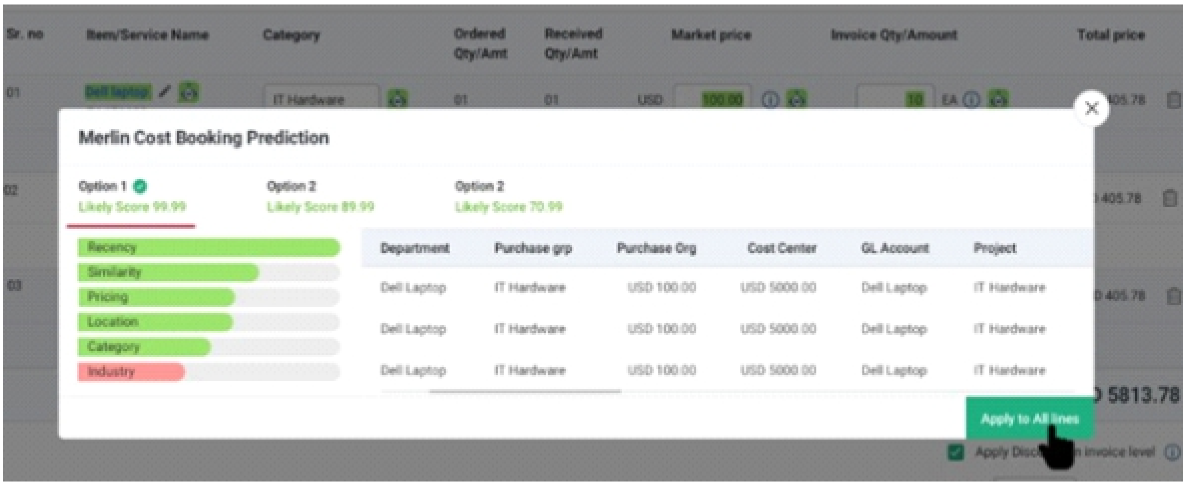
Furthermore, a study by Ardent Partners found that non-PO invoices can take longer to process than PO invoices, with an average processing time of 13.9 days compared to 11.4 days for PO invoices.

In general, AP team have to manually fill in the cost booking information for line items of non-PO invoices. This requirement obviously consumes a lot of time and increases the processing time of invoices.

The solution to your non-PO invoicing challenges

Zycus has a comprehensive solution to help you manage your non-PO invoices effectively through a self-service portal. First, the supplier issues a non-PO invoice. Then, the AP team selects the non-PO option in the invoice dashboard. Mandatory fields like invoice number, date, and vendor details can be selected from the autosuggestions when the non-PO invoice is linked to the existing contracts. The Zycus AP Automation solution offers cost allocation predication capabilities using Merlin AI for all line items in a non-PO invoice. AI/ML models are auto trained in case any changes are made to the cost allocation information, which results in better accuracy in future. Moreover, confidence scores are provided for each prediction; AP teams can then review the data based on confidence score and submit invoice quickly.

Figure 2 **Cost Allocation Prediction with Merlin AI**



Source: Zycus

The invoice can then be auto routed to other users for GL code verification. After making changes, if any, or verification it can be routed for approval to stakeholders through a defined workflow. While this is done, all the supplier has to do now is monitor the acceptance and payment status of the invoice on an intuitive dashboard as he works his way through other critical tasks. With real-time alert capabilities, the supplier can be notified anywhere for PO and non-PO invoice processing.

Conclusion

With the use of artificial intelligence (AI) and machine learning (ML), non-PO invoices can be automatically categorized and routed to the appropriate function for review and approval. This can help reduce processing time, errors and improve accuracy.

In conclusion, an AI-led automated AP solution provided by Zycus can speed up the processing of non-PO invoices. By automating and streamlining the non-PO invoice processing workflow, companies can reduce the time and effort required for manual intervention, reduce errors, and improve efficiency, ultimately leading to cost savings and improved AP productivity.

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Zycus is the pioneer in Cognitive Procurement software and has been a trusted partner of choice for large global enterprises for two decades. Zycus has been consistently recognized by Gartner, Forrester, and other analysts for its Source to Pay integrated suite.

Zycus powers its S2P software with the revolutionary Merlin AI Suite. Merlin AI takes over the tactical tasks and empowers procurement and AP officers to focus on strategic projects; offers data-driven actionable insights for quicker and smarter decisions, and its conversational AI offers a B2C type user-experience to the end-users.

Zycus helps enterprises drive real savings, reduce risks, and boost compliance, and its seamless, intuitive, and easy-to-use user interface ensures high adoption and value across the organization.

Start your #CognitiveProcurement journey with us, as you are #MeantforMore.