

AP Automation: Driving Effective Supplier Communications, Fraud Detection, and Compliance



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Introduction

Accounts Payable (AP) is an integral part of any organization, and its efficiency plays a crucial role in maintaining the financial health of the organization. Manual AP processes are often time-consuming, error-prone, and can result in compliance issues, miscommunication with suppliers, fraud, and increased working costs. With the advent of AP automation, organizations can streamline their processes and improve the accuracy and efficiency of their AP function. There are four pillars of AP automation that organizations need to focus on, including global compliance, supplier communication, fraud detection, and time and cost savings. Let's explore why AP automation is essential for organizations and what are the four main problems that the AP functions typically encounter.

AP Automation for Anomaly and Fraud Detection

AP frauds can occur in various guises, ranging from simple errors and mistakes to complex fraudulent activities. Some of the common anomalies and frauds that affect AP functions, include:

1

Duplicate Invoices: Duplicate invoices arise due to human error or intentional fraud. In such cases, the payment for the same invoice is made twice, leading to financial losses for the organization.

2

Phantom Vendors: Phantom vendors are fictitious vendors created by employees or fraudsters to siphon off money from the organization. In such cases, payments are made to these vendors without any goods or services being provided, leading to financial losses for the organization.

3

Business Email Compromise (BEC): BEC is a type of phishing scam where fraudsters send emails pretending to be a legitimate supplier or vendor, asking for payment to be made to a different bank account. In such cases, the payment is made to fraudulent bank account(s), leading to financial losses for the organization.

4

Anomalies in Buying Patterns: Anomalies in buying patterns can indicate fraudulent activities, such as a sudden increase in purchases from a particular vendor, or purchases made outside of usual business hours.

Zycus AI-led AP Automation Solution for Anomaly and Fraud Detection

Zycus AI-led AP automation solution is designed to help organizations detect and prevent fraud and anomalies in their AP processes. Some of the key features of the solution, include:

1

Detecting Phantom Vendors: Zycus' AP automation solution uses advanced analytics and machine learning (ML) algorithms to detect phantom vendors. The solution analyzes vendor data to identify any irregularities or anomalies, such as vendors with no physical address or vendors with similar bank account details.

2

Flagging Suspicious Vendor Emails: Zycus' AP automation solution flags any suspicious vendor emails for bank details change. The solution analyzes the email content and sender details to identify any anomalies or irregularities, such as emails from suspicious email addresses or emails with unusual language.

3

Reducing the Risk of Phishing: Zycus' AP automation solution reduces the risk of the organization being subjected to fraudulent attempts due to phishing. The solution uses advanced email security features to identify and block phishing emails, ensuring that payments are made only to legitimate vendors.

4

Mitigating Duplicate Invoices: Zycus' AP automation solution flags duplicate invoices based on items being invoiced, ensuring that duplicate payments are mitigated.

5

Detecting Anomaly in Buying Patterns: Zycus' AP automation solution uses advanced analytics and machine learning (ML) algorithms to detect anomalies in buying patterns. The solution analyzes purchasing data to identify any irregularities or anomalies, such as sudden spikes in purchases from a particular vendor.

Zycus AI-led AP automation solution is built on four pillars of anomaly and fraud detection:

1

Business Email Compromise: This pillar focuses on identifying signature anomalies and suspicious sender emails to detect potential phishing scams.

2

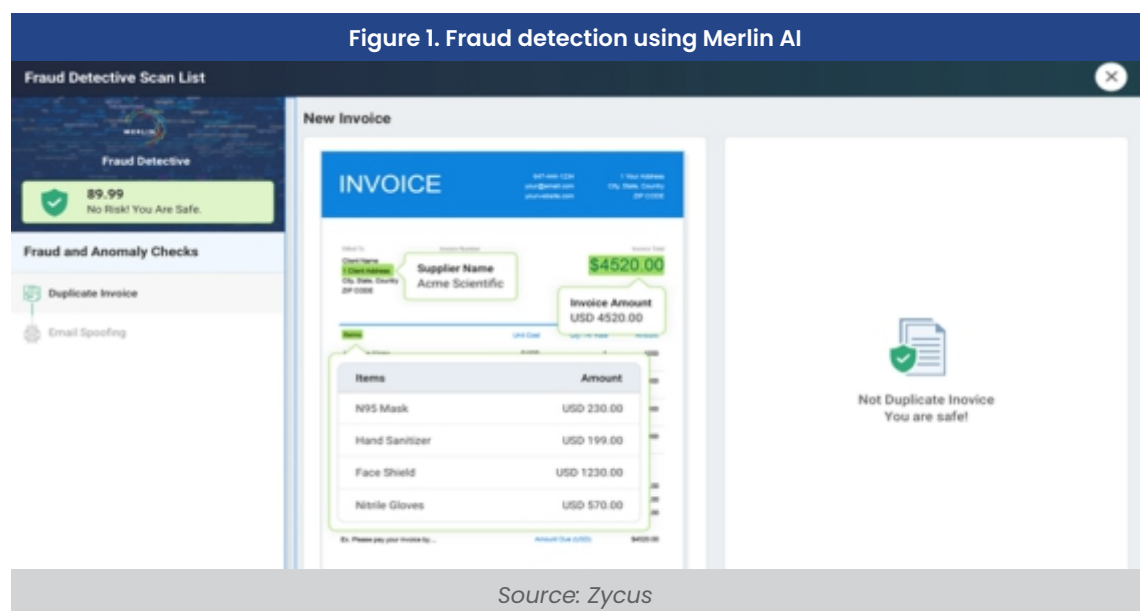
Duplicate Invoice Detection: This pillar focuses on identifying and flagging duplicate invoices to avoid double payments.

3

Requisition Splitting: This pillar focuses on detecting pseudo low-value transactional requisitions raised in quick succession, relative to usual buying patterns, to be flagged as fraud.

4

Phantom Vendor Identification: This pillar focuses on identifying fictitious vendors created to siphon off money from the organization.



► Key Use cases

Zycus AI-led AP automation solution can be used in various scenarios to detect and prevent fraud and anomalies. Here are some of the use cases:

1

A hacker gains access to a supplier account and changes the banking details, which if undetected, can lead to payment being made to a wrong account: Zycus' AP automation solution detects any changes to bank account details and flags any suspicious emails requesting such changes to prevent fraudulent payments.

2

The Buyer receives emails from suspicious emails for banking details change which goes undetected and gets paid: Zycus' AP automation solution identifies suspicious emails and flags them for further investigation, ensuring that payments are only made to legitimate vendors.

3

The Supplier sends a non-PO (purchase order) invoice which is a duplicate of an already paid invoice and gets paid again: Zycus' AP automation solution flags duplicate invoices, ensuring that duplicate payments are avoided

AP automation for better Supplier Communications

Accounts payable (AP) teams play a crucial role in managing a company's finances, ensuring that invoices are processed accurately, and payments are made on time. However, with increasing volumes of invoices and supplier queries, the AP team can often get bogged down with manual processing of invoice-containing emails, leading to additional costs, missed replies, and slower response times.

Manual processing of emails having invoices as attachments can be a significant challenge for AP teams, leading to a range of issues, such as increased AP FTE requirements, lower supplier satisfaction, and missed responses.



Growing volumes of emails: As businesses grow and expand, the number of emails received by the AP team also increases, making manual email processing increasingly challenging.

Complex invoice processing: Invoice processing can be a time-consuming and error-prone process, especially when dealing with large volumes of invoices or invoices with multiple line items.



Supplier queries: The AP team is responsible for responding to supplier queries, which can be time-consuming and often require input from multiple team members.

Missed emails: Manual email processing can result in missed emails and responses, which can lead to delays in invoice processing and reduced supplier satisfaction.



► The Business Use case

An AP team's primary responsibility is to manage and process invoices, facilitate approval for payments, and respond to supplier queries. However, with manual email processing, these tasks can take longer than necessary, leading to reduced productivity and increased costs.

AP frauds can occur in various guises, ranging from simple errors and mistakes to complex fraudulent activities. Some of the common anomalies and frauds that affect AP functions, include:

Zycus AP Smart Desk is an AI-powered tool that automates email processing for the AP team. The tool uses natural language processing (NLP) and machine learning (ML) algorithms to identify the type of email and extract relevant data, such as invoice information or query content.

The AP Smart Desk then auto-replies to query emails and creates invoices for invoice processing emails, freeing up valuable resources for the AP team.

Zycus's AP Smart Desk offers a range of differentiating capabilities that set it apart from other solutions in the market, including:

1

Autoclassification of emails with high accuracy: With NLP and ML algorithms, Zycus AP Smart Desk can accurately classify emails based on their content, reducing the need for manual processing.

2

Auto-extraction of invoice data: Zycus AP Smart Desk can extract invoice data, including multiple invoices in a single document, and create invoices for processing, reducing the need for manual data entry.

3

Auto-reply functionality: With auto-reply functionality for query emails, Zycus AP Smart Desk can reduce the time required to respond to supplier queries, improving overall efficiency.

4

Multilingual support: Zycus AP Smart Desk can process emails in a range of languages, enabling businesses to work with suppliers in different regions.

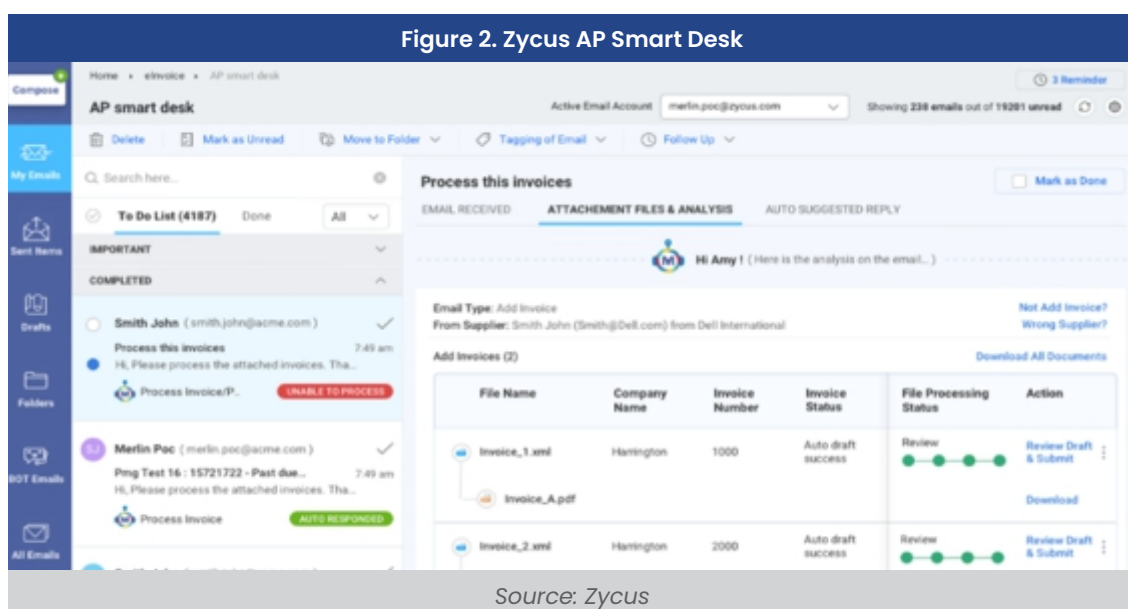
5

Supporting document identification: AP smartdesk can auto-identify supporting documents, reducing the need for manual processing and improving overall accuracy.

6

Fraud detection: fraud detection capabilities help reduce the risk of financial and invoice fraud (e.g., duplicate invoices, email spoofing, and phishing) and drive compliance with regulatory mandates.

Figure 2. Zycus AP Smart Desk



Source: Zycus

► The Benefits of Zycus AP Smart Desk

Zycus AP Smart Desk offers a range of benefits for the AP team and the wider business, including:

Improved productivity: By automating email processing, AP smartdesk can save valuable time for the AP team, enabling them to focus on more strategic tasks.

Faster response times: With auto-reply functionality for query emails, AP Smart Desk can reduce the time required to respond to supplier queries.

Reduced costs: Zycus AP Smart Desk can reduce the costs associated with manual email processing, such as additional resource requirements and missed emails.

Enhanced supplier satisfaction: Faster response times and a reduction in missed emails help improve supplier satisfaction, leading to stronger supplier relationships.

Improved accuracy: With high email classification and response accuracy, Zycus AP Smart Desk can reduce errors in invoice processing and email responses.

Anomaly and Fraud detection: Zycus AP Smart Desk's fraud detection capabilities reduce the financial losses associated with common invoice anomalies and frauds, such as duplicate invoices, email spoofing, phishing, and drive compliance with regulatory mandates.

AP Automation for Time and Cost Savings

Manual processing of invoices and payments can be a tedious and error-prone process, leading to inefficiencies and increased costs. This is where Accounts Payable Automation can help.

AP Automation is the process of automating the manual tasks involved in the AP function, such as invoice processing, payment processing, and data entry. With AP Automation, businesses can reduce the time and cost involved in manual processing, increase accuracy, and improve overall efficiency.

Manual processing of invoices and payments is a time-consuming process that can lead to errors, delays, and increased costs. Here are some of the challenges that organizations face with manual AP processing:

1

Time-consuming data entry: Manual data entry of invoice information can be time-consuming and error-prone. This can lead to delays in payment processing and increased costs.

2

Inefficient invoice processing: Manually processing invoices can be a tedious process, involving manual sorting, matching, and approval. This can result in delays in payment processing and increased costs.

3

Lack of visibility: With manual processing, it can be difficult to track the status of invoices and payments, leading to a lack of visibility and control over the AP process.

AP Automation can help overcome the challenges of manual AP processing, leading to increased efficiency and cost savings. Here are some of the benefits of AP Automation:

1

Increased efficiency: AP Automation can streamline the entire AP process, from invoice receipt to payment processing, reducing the time and effort required for manual processing.

2

Improved accuracy: With AP Automation, data entry and invoice processing can be automated, reducing the risk of errors and increasing accuracy.

3

Better visibility and control: AP Automation provides real-time visibility into the status of invoices and payments, allowing organizations to have better control over the AP process.

Zycus' AP Automation solution is a comprehensive solution that can help organizations automate their entire AP process. Here are the three pillars of Zycus' AP Automation solution:

1

Template agnostic invoice processing: Zycus' AP Automation solution leverages a template-agnostic approach for different document types and layouts, eliminating the need to create and maintain multiple templates.

2

Superior data extraction accuracy: Zycus' AP Automation solution uses AI/ML technology to extract data from invoices accurately, reducing the need for human intervention and increasing accuracy.

3

Get up and running faster: Zycus' AP Automation solution can handle documents in multiple languages and layouts, and its AI/ML capabilities require fewer samples to train, allowing organizations to get up and running faster.

► **Key Metrics:**

1

53% Reduction in Average time to create an invoice: With Zycus' AP Automation solution, organizations can reduce the time it takes to create an invoice, leading to faster payment processing and improved cash flow.

2

833 hours Average processing time saved per 50,000 invoices: Zycus' AP Automation solution can save an average of 833 hours in processing time for every 50,000 invoices processed, leading to significant time and cost savings.

3

62% reduction in cost per invoice: By automating the AP process with Zycus' solution, organizations can reduce the cost per invoice by 62%, leading to significant cost savings.

AP Automation for Global compliance and Tax compliance

Accounts payable automation has become a key driver of efficiency and cost savings for businesses across industries. Organizations can significantly reduce the time and cost associated with invoice processing by adopting AP automation tools while ensuring global compliance with local tax regulations.

For instance, according to recent studies, businesses that implement AP automation can achieve a 53% reduction in the average time it takes to create an invoice, saving up to 167 hours per 10,000 invoices processed. Additionally, automation can save organizations up to **\$0.89 per invoice**.

However, in today's era of e-invoicing, it's about more than just streamlining processes and reducing costs. As a result, tax authorities in different geographies have implemented various regulations and guidelines for the processing and storing electronic invoices. For example, in the European Union, electronic invoicing is governed by the EU Directive on electronic invoicing in public procurement. At the same time, in the United States, the IRS has established guidelines for the processing and storing of electronic invoices.

Failure to comply with these regulations can result in penalties and legal consequences. Therefore, understanding the basics of invoice compliance and adhering to global e-invoicing guidelines is crucial for businesses operating in different geographies. Furthermore, by adopting accounts payable automation tools that ensure compliance with these regulations, organizations can streamline their processes, reduce costs, and avoid legal issues and reputational damage.

Let's first understand the rudiments of invoice compliance and then analyze the impact of global e-invoicing compliance guidelines on current invoicing processes across businesses in different geographies.

Clearance model

Tax authorities are increasingly looking to simplify tax collection by gathering compliance data directly from transactions as they occur. For example, the clearance e-invoicing model, which is becoming more popular, requires that every transaction be approved by/reported to the government in real-time before the buyer and seller can complete it. This new approach involves a three-way communication paradigm between buyers, sellers, and the government, transforming how enterprises do business in countries that mandate real-time authorization of every invoice. **Clearance Model was started in LATAM countries with Mexico and Brazil being in the forefront. Slowly it has got adopted in the other regions of the world like Italy, Turkey, China, France and many more.** It is predicted that by 2025, enterprises in both industrialized and emerging economies will conduct more than 75% of all invoicing electronically with tax administrations, in real-time or shortly after that. For example, according to Billentis (an industry analyst firm focused on e-invoicing), Colombia found it could reduce 50 percent of the **country's** tax evasion by applying clearance models.

Within the next six years, the clearance model will dominate global e-invoicing, with the market for e-invoicing and business enablement for this technology-driven tax enforcement model growing from nearly \$4.8 billion in 2019 to \$20 billion by 2025.

With Zycus, you can expand your business more strategically, as you can validate and ensure that correct taxes are charged on every invoice. Zycus supports the end-to-end Clearance model from the Buyer perspective for Invoices, Credit memos, and Payment receipts across multiple countries like Mexico and Italy. For example, once the supplier has created a valid CFDI invoice /credit memo/payment receipt in Mexico, it just needs to upload to the Zycus supplier portal. The system checks for structural validity and then checks it from the Mexican government's SAT validation standpoint. A corresponding document will be created in the Zycus supplier and the eInvoice portal if the invoice is valid.

For Outbound, in case the supplier uploads or emails a cXML or unstamped CFDI file. Zycus' solution will route it for approval/stamping with the Mexican government.

Content Compliance

One of the primary concerns with accounts payable automation is content compliance. The content of invoices must comply with various regulatory requirements, including the format, language, and data fields required. Failure to comply with these regulations can result in costly penalties or legal action.

In a survey conducted by Ardent Partners, 51% of respondents cited content compliance as a significant challenge in their AP automation initiatives. This highlights the need for organizations to adopt a solution to automate their accounts payable processes while ensuring content compliance.

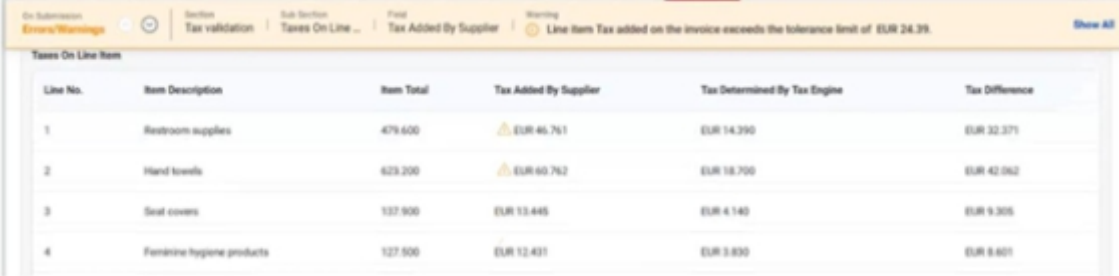
With Zycus, you can easily maintain content compliance across all the countries by using pre-defined templates and configuring country-specific forms per your requirements.

Tax Compliance

Automatic tax calculation is a boon to the modern business world due to various reasons, including the increasing complexity of tax laws, the risk of non-compliance, and the need for accurate and timely tax payments.

According to a study conducted by Ernst & Young, 68% of tax executives believe that tax laws and regulations have become more complex over the past three years, making it more challenging to accurately calculate taxes manually. In addition, failure to comply with tax laws can result in significant penalties and fines, which can be costly for businesses. For example, in 2018, the IRS assessed over \$13 billion in penalties and interest for failure to pay taxes, file returns, or deposit taxes on time.

To ensure compliance with tax laws and avoid penalties, businesses must calculate taxes accurately and on time. Automatic tax calculation is the most efficient way to achieve this goal.



The screenshot displays a software interface for tax compliance. At the top, there is a navigation bar with tabs: 'On Submission Errors/Warnings', 'Section Tax validation', 'Sub Section Taxes On Line ...', 'Final Tax Added By Supplier', and 'Warning'. A warning message states: 'Line Item Tax added on the invoice exceeds the tolerance limit of EUR 24.39.' Below this is a table titled 'Taxes On Line Item'.

Line No.	Item Description	Item Total	Tax Added By Supplier	Tax Determined By Tax Engine	Tax Difference
1	Restroom supplies	479.600	EUR 46.761	EUR 14.390	EUR 32.371
2	Hand towels	609.200	EUR 60.762	EUR 18.700	EUR 42.062
3	Seat covers	127.900	EUR 13.445	EUR 4.140	EUR 9.305
4	Feminine hygiene products	127.900	EUR 12.431	EUR 3.830	EUR 8.601

Zycus supports automatic tax calculation via third parties like Thompson Reuters. . The platform allows taxes to be manually entered and get verified from the automatic tax engine of Thomas Reuters. If there is a significant deviation of the taxes, above and beyond the threshold, by the user, the user will have to either change the taxes as recommended by the automatic tax calculation mechanism or proceed with what he has entered. An approval workflow is set up to ensure appropriate checks and balances for the correct tax to be entered and approved.

Conclusion

In conclusion, the AP function is an essential component of an organization's financial management. However, traditional manual processes pose significant challenges that can be resolved through AP automation. Implementing AP automation solutions not only streamlines processes and improves efficiency but also helps organizations comply with regulations, communicate effectively with suppliers, detect fraud, and save time and working costs. Therefore, organizations should prioritize AP automation to improve their financial health and achieve a competitive advantage in their respective industries.

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.

