FlexTecs
FLEXIBLE TECHNOLOGY SOLUTIONS

The Ultimate AP Assurance Checklist

An interactive AP Assurance checklist to help you determine the comprehensiveness of your AP process, identify gaps, and uncover areas of opportunity to optimize.

Content

Background on AP Assurance

In today's dynamic business landscape, accounts payable teams face higher stakes than ever before. Frequent shifts within organizations, increasing demand for growing margins, and a lack of resources and time have created roadblock after roadblock for AP departments. And with the economy wrapped in uncertainty, AP teams need to adapt in order to safeguard their AP processes.

Because many AP departments are achieving 99.95% payment accuracy, this might seem counterintuitive. And while businesses' near–perfect 99.95% AP payment accuracy is impressive, it is imperative to recognize that even a minuscule 0.05% discrepancy can contribute to significant financial leakage. The challenge is that doing something new requires change, and change is never easy, especially when you are already stretched for time and resources.

While 99.95% AP payment accuracy is impressive...

...even a 0.05% discrepancy leads to financial leakage.

Most AP departments maintain AP health through **historical accounts payable audits.** Though AP historical reviews are important, *they are only one piece of the puzzle.* By taking a retrospective point–of–view, they overlook the countless hours, manual effort, and disjointed datasets that drag their AP departments down. Duplicate payment checks are time–consuming and resource constraints only allow a partial review of total vendor statements. So why wait months and years after the fact when you could be resolving those issues and taking your time back while protecting the entirety of your accounts payable with holistic AP solutions?

Imagine the freedom of reclaiming your time – so instead of laboring over mundane manual tasks (i.e. sifting through thousands of emails and invoices to find one single line of data), you can actually focus on making informed and strategic financial decisions.

This is AP Assurance.
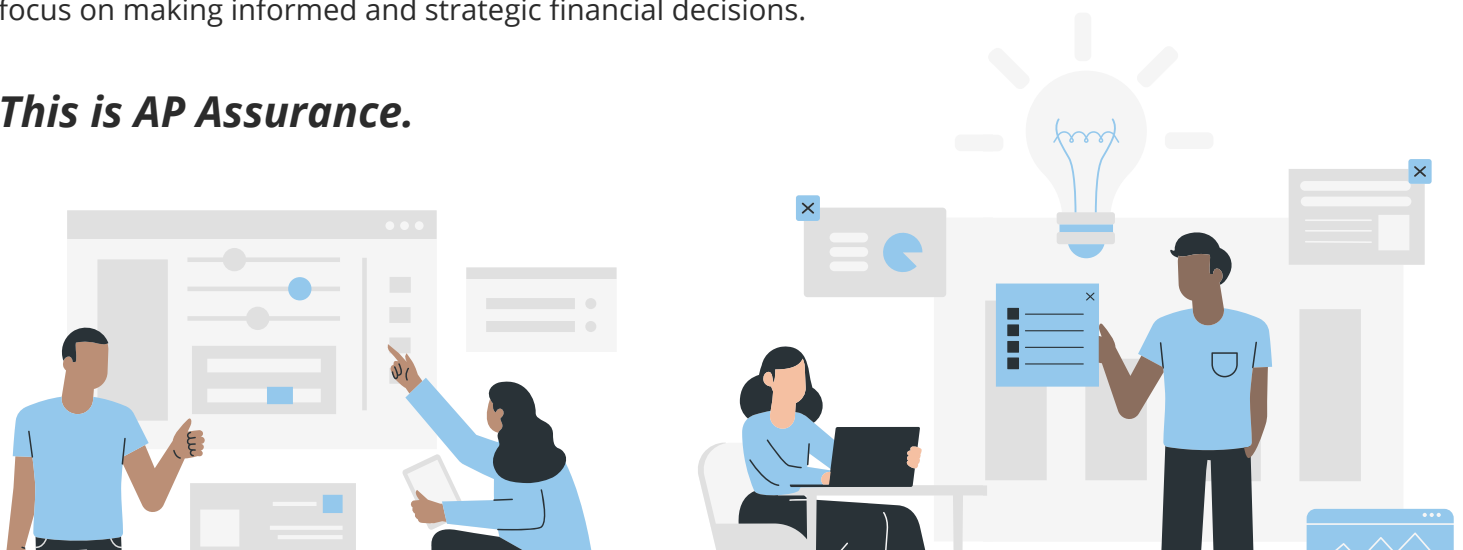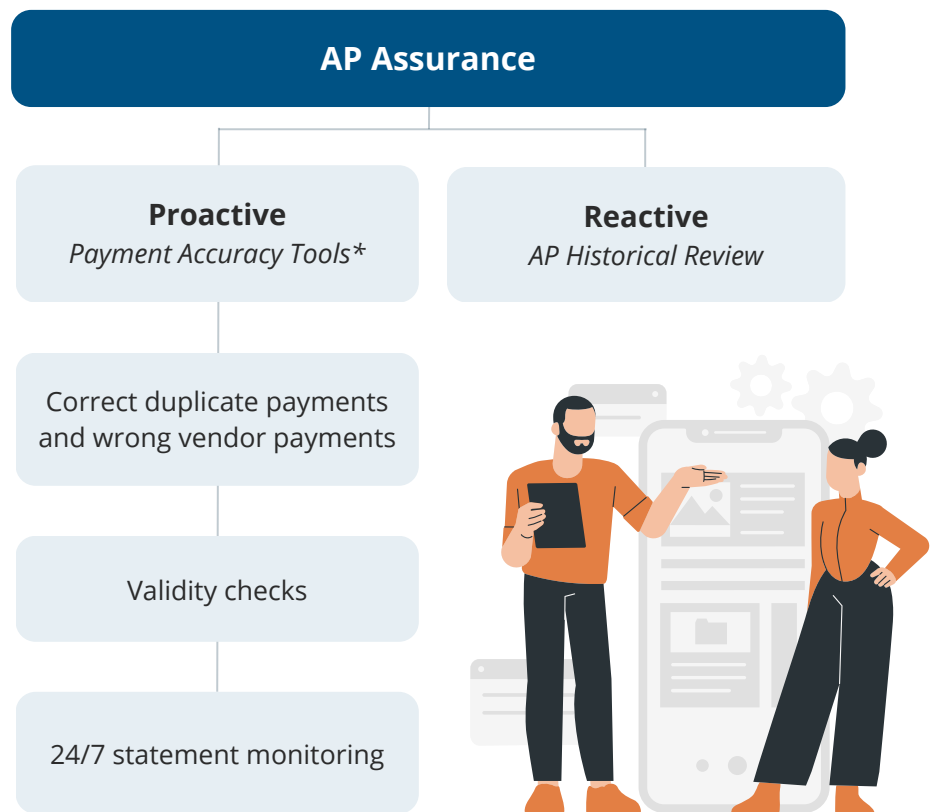
PART I
What is AP Assurance?

AP Assurance

AP Assurance is monitoring AP activity in real–time to ensure that controls are working properly and applying a continuous improvement approach to updating controls, tools, and processes based on feedback from newly identified issues or issues that resurface.

Most departments are already engaged in AP Assurance activities in some form through an attempt to monitor duplicate payments and review a percentage of vendor statements. True AP assurance is accomplished when organizations use accounts payable tools to monitor AP activity in real–time to continuously update controls, tools, and processes based on feedback from newly identified or recurring issues.

True AP assurance includes both proactive and reactive activities within the AP department. Most AP teams have focused more on the reactive side by completing historical reviews and AP audits – looking back in time to correct past errors and recover lost funds.

However, they have the chance to be proactive by **using monitoring tools and accounts payable software** to keep track of any suspicious activity, potential payment errors, and open statement credits. With a proactive perspective, they can get ahead of financial leakage, correcting payment errors before they leave the business and capturing open credits as soon as they appear.

AP Assurance

| **Proactive** | **Reactive** |
| *Payment Accuracy Tools** | *AP Historical Review* |

Correct duplicate payments and wrong vendor payments

Validity checks

24/7 statement monitoring

The proactive steps of preventative payment monitoring and continuous statement monitoring can be followed by the reactive historical AP audit, **resulting in true AP assurance.**

Payment accuracy tools, such as **FlexTrap, enable businesses to get proactive and prevent AP errors.*

PART II

What Kind of Errors Damage AP Processes + How Do They Happen?

Environmental Changes

Environmental changes in things like people or tools are expected to cause some shifts in an organization – but they can also usher in unexpected errors and changes that catch teams by surprise. If your company has undergone any of the following changes in the past 18 months, your AP function may be prone to unexpected errors:

| Staff Reduction | System Merge | Payment Automation | System Migration | AP Outsourcing |

System Flaws

AP environments and their tools are deeply complex, and technology must be finely tuned to stay in sync and maintain AP health. However, each time there's a change in tools or tech, there's the chance that something may have fallen out of place due to an update, environmental change, or just the passing of time. Without proper configuration and stark attention to detail, AP tools can become less effective and lead to system flaws.

Common examples of system errors in accounts payable are:

1 **System or Software Issues:** Technical problems within the accounts payable system or software can cause data integrity issues. These complications may include data corruption, system crashes, integration failures, or inadequate data backup and recovery processes.

2 **Inaccurate or Incomplete Vendor Information:** If vendor details are incorrect or incomplete, payments may be misdirected, delayed, or lost. Insufficient vendor information can also hinder proper vendor management and prevent accurate reporting.

Data Integrity Issues

When accounts payable departments spend the bulk of their time processing, analyzing, and cleaning

data, there's a lot of room for error – even one digit out of line could cost the organization thousands of dollars. Much of the potential for error lies within AP processes. Whether an organization operates on a more manual or automated basis, maintaining data integrity requires a great deal of diligence and attention to detail. Tiny errors evade notice all the time and, left untreated, can compound over time and grow into significant losses.

Common examples of data errors in accounts payable are:

1   **Duplicate Invoices:** When duplicate invoices are mistakenly processed, they can result in overpayment or double payments. Duplicate invoices can occur due to manual errors, system glitches, or inadequate controls.

2   **Duplicate Payments:** Processing duplicate payments for the same invoice might happen due to oversight or errors during payment processing. If not promptly identified and rectified, it can result in overpayment and financial losses.

3   **Unapproved or Unauthorized Invoices:** Without proper approval processes, invoices may be processed before they're authorized. This becomes a problem, especially for goods or services not received.

4   **Poor Document Management:** Inefficient document management practices can lead to missing or misplaced invoices, purchase orders, or receipts. Without proper documentation, it becomes challenging to verify and reconcile accounts, resulting in potential payment errors.

5   **Lack of Reconciliation:** Failing to reconcile accounts payable records with vendor statements or other financial documents can result in unnoticed discrepancies. This can lead to inaccurate financial reporting, overstatement or understatement of liabilities, and strained vendor relationships.

6   **Inefficient Workflow and Prioritization:** Poor workflow management, including improper task prioritization, can result in delayed invoice processing and payments. Inefficient time management, overlooking urgent invoices, or an overwhelming workload can contribute to errors and inefficiencies.

Human Intervention

The human touch is irreplaceable in delicate processes like accounts payable – but humans aren't perfect, and as necessary as they are to AP processes, mistakes are inevitable. Within an accounts payable team, several human errors can occur, potentially leading to financial discrepancies and data integrity issues.

Common examples of human error in accounts payable are:

1 **Inadequate Segregation of Duties:** When duties aren't segregated, it's easier for individuals to manipulate or misappropriate funds. Role separation ensures that different individuals are responsible for invoice processing, approval, and payment authorization.

2 **Incorrect Data Entry:** Human errors during manual data entry, like typos, transposed digits, or misplaced decimal points, can result in incorrect invoice amounts, vendor details, or payment terms. As a result, erroneous or late payments may be made.

3 **Missed or Late Payments:** Overlooking payment due dates and invoices can cause late or missed payments. Consequences of missed or late payments include delayed vendor payments, potential penalties, strained vendor relationships, and a negative impact on cash flow.

4 **Failure to Validate Invoices:** When teams don't have a process in place to review and validate invoices for accuracy and legitimacy, they may let inaccurate invoices slip through. Unverified invoices may contain incorrect pricing, quantities, or descriptions, which can result in incorrect payments.

5 **Inadequate Documentation:** Failing to collect and retain complete supporting documentation – such as purchase orders, receipts, or contracts – can make it a challenge to verify invoices and process payments correctly.

6 **Lack of Invoice Approval:** If invoices are not reviewed and approved by authorized personnel, inaccurate payments may be made. This can result in unauthorized payments, payments for goods or services not received, or overpayments.

7 **Communication Errors:** When teams don't effectively communicate with vendors, it's easy for misunderstandings or errors to arise. Some issues that may come up include incorrect or incomplete vendor information, failure to address vendor queries or disputes promptly, or ineffective communication of payment terms and expectations.

8 **Failure to Follow Internal Controls and Procedures:** Ignoring or bypassing established internal controls and procedures can undermine data integrity. Instances of ignoring controls might look like disregarding approval hierarchies, skipping necessary reviews, or circumventing established payment verification processes.

9 **Fraudulent Activities:** Accounts payable teams are vulnerable to internal or external fraud. This can involve fictitious vendors, inflated invoice amounts, collusion, or identity theft. Such fraudulent activities compromise data integrity and can have severe financial implications.
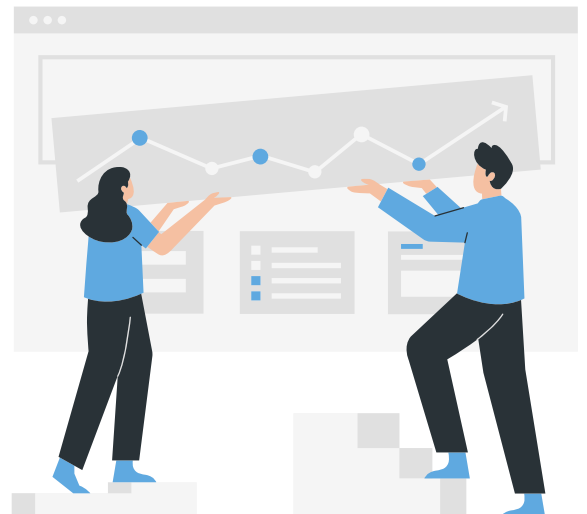
PART III

How to Optimize Your AP Process in 5 Areas

When you take a holistic AP Assurance approach, you optimize your AP process in **5 primary areas**:

Area	Components
Payment Data Accuracy Ensure payments are being made in the right amount, to the right vendor, at the right time.	• Invoice accuracy • Payment errors / accuracy • Duplicate payments
Payment Terms Accuracy Make sure you're paying the correct value, currency, and have the contracted discounts applied to the payment.	• Value accuracy • Payment terms accuracy • Contracted discount applied
Internal Process Efficiency Enhance manual processes through automation to maximize time, team bandwidth, and resource effectiveness.	• Processing time • Invoice approval processes • Manual vs. automated • Vendor master hygiene
Supplier Relationship Management Maintain positive relationships with suppliers by improving communication, documentation, and a mutual understanding of payment / contract terms.	• Reporting • Documentation • Communication • Statement reconciliation / organization
Fraud Payroll, supplier, and transactional checks for fraudulent activity.	• Supplier setup validation • VAT/TAX checks • Transaction tolerance level checks • Supplier credit checks (D&B)

AP Assurance Checklist

AP Assurance can be challenging to achieve, especially when AP teams are bogged down by a complex web of suppliers, departments, internal and external documentation and contracts, hundreds of thousands of invoices, and a myriad of processes and technology.

Even the most accurate, profitable AP teams are impeded by manual processes, outdated or untuned tech, mountains of data, and the unpredictability of their third–party vendors and partners.

AP Assurance tools help you track, maintain, and flag all activity occurring within your AP payments and transactions – but finding out where you currently stand can inform where to focus your AP Assurance efforts.

The AP Assurance Checklist can guide you towards areas of opportunity to get proactive within your accounts payable – showing you where you're performing best, where you have room to grow, and what you can do today to achieve true AP Assurance.

How To Use + How Scoring Works

This checklist is broken up into categories, each with questions surrounding your AP process. **If your response is "yes," put a 1, if it is "no," put a 0.** Once you've answered all questions, each category will be tallied up and you will see the areas of opportunity within your accounts payable process.

FINAL SCORES	0 = No; 1 = Yes
Category	**Score**
Payment Data Accuracy	
Payment Terms Accuracy	
Internal Process Efficiency	
Supplier Relationship Management	
Fraud Protection	

AP Assurance Checklist

PAYMENT DATA ACCURACY

- Does your organization have a process of reviewing historical payments at least annually?
  - Does your organization have a technology solution to help with this process?

- Do you review and cleanse your vendor master data at least once a year?

- Do you have a process for identifying and/or preventing erroneous payments before the invoice has been posted for payment?

- Do you spend more than 5 hours per week trying to identify duplicate payments?

- Do you identify more than $100,000 per year in duplicate payments?

- Does your ERP have any inbuilt duplicate checks?

- Have you ever discovered duplicate or other erroneous payments that were not flagged by your ERP system checks?
  - Does this occur more than once a month?

- Do you get alerts when an incorrect payment has been processed?

- Are more than half of invoices EDI?

- Are all your payments in the same currency?
  - If not, do payments always reflect the correct currency?

PAYMENT DATA ACCURACY SCORE:

AP Assurance Checklist

PAYMENTS TERMS ACCURACY

- Does your organization handle price variances between the purchase order and the invoice?
  - Does the AP Team reconcile those differences?

- Does your organization handle quantity variances between the purchase order and the invoice?
  - Does the AP Team reconcile those differences?

- Does your AP Team pay all your suppliers within payment terms?

PAYMENT TERMS ACCURACY SCORE:

INTERNAL PROCESS EFFICIENCY

- Do you refresh AP teams' training on both manual processes and automated tools at least annually?

- Do you currently or have you in the past used 3rd party AP audit firms?

- Do you track the success of your AP team and processes?

- Do you have the same AP system you had 3 years ago?

- Is it against policy to manually key invoices?

INTERNAL PROCESS EFFICIENCY SCORE:

AP Assurance Checklist

SUPPLIER RELATIONSHIP MANAGEMENT

- Do you reach out to vendors and request statements at least quarterly?

- Do you review and reconcile statements from vendors at least quarterly?

- Do you receive statements from more than 75% of suppliers at least quarterly?

- Do you use a third party provider to complete your statement request and review?

- Are your invoices or invoice copies easily accessible for internal or external review?

SUPPLIER RELATIONSHIP MANAGEMENT SCORE:

FRAUD PROTECTION

- Do you conduct a review of transactions to identify fraudulent activity at least annually?

- Do you have a technology solution in place that continuously monitors your organization for fraudulent activity?

FRAUD PROTECTION SCORE:

How to Interpret Your Results

AP Assurance in Payment Data Accuracy

If you scored a 9 or below in the Payment Data Accuracy section or you are dissatisfied with your results, your organization may be vulnerable to payment data accuracy risks.

Payment data accuracy errors can occur when payments are made erroneously due to failed technology, human error, or general oversight in any form. There's a LOT of data that flows in and out of an AP department...it's only a matter of time before a payment or two just slips through the cracks. Whether you have a perfect payment track record or not, inaccurate payments are inevitable.

AP Assurance tools empower AP departments to monitor payments in real–time so they can catch any errors or suspicious activity before the payment is even made. It gets AP teams out of the weeds and back to what matters so they can spend their time creating a balanced, streamlined AP process. And when you can't count on your ERP or other technology to catch EVERY error (they aren't perfect, either), you can sleep soundly knowing you have the safety net of validity checks protecting your payment data.

AP Assurance in Payment Terms Accuracy

If you scored a 4 or below in the Payment Terms Accuracy section or you are dissatisfied with your results, your organization may be vulnerable to errors in your payment terms.

According to Deloitte, 47% of suppliers are paid late on average. When payment terms aren't followed, your entire cash flow cycle is at risk. Over time, those missed or incorrect payments add up and can lead to significant fees and even severely damaged supplier relationships – but many organizations don't have the technology or systems in place to keep track of them.

With the continuous monitoring AP Assurance provides, the burden of following up on and cross–checking payment terms is lifted off the AP team's shoulders. To achieve AP Assurance, your organization can pursue solutions that monitor and manage vendor payments. Organizations stay on top of payment terms using tools that assist with vendor follow–ups for late payments and check the invoice against the purchase order. Implementing some kind of process or tool to manage and monitor payments can give you operational financial insight and direct you towards any areas of late or incorrect payment.

AP Assurance in Internal Process Efficiency

If you scored a 4 or below in the Internal Process Efficiency section or you are dissatisfied with your results, your organization's internal processes may be putting you at risk.

So much of your success in AP relies on solid foundations – and those foundations are built by your internal processes. To mitigate errors in internal processes, many organizations implement AP automation and complete regular audits of their internal efficiency and accuracy...but neither of those solutions are perfect.

Whether you're more manual or more automated, AP Assurance can help you keep an eye on those processes and enhance them wherever you need support. AP Assurance tools can give you insight into the root causes of errors so you can diagnose where your processes require fine–tuning. Additionally, they allow you to accelerate transaction review to maximize the efficiency of your internal processes.

AP Assurance in Supplier Management

If you scored a 4 or below in the Supplier Management section or you are dissatisfied with your results, your organization may be vulnerable to errors due to supplier management.

As smoothly as your AP department might be running, you're only a piece of the puzzle. What are you doing to manage and check on your suppliers? Few AP teams check up on their suppliers regularly – especially those that contribute less to their total payments – but it turns out, there's a lot at stake with each individual supplier. When firms don't check in with their vendors, they tend to miss open statement credits and sometimes, they even miss payments.

With all the moving parts in an AP department, your vendors are just one more responsibility for you to take care of. But AP Assurance can take that burden off your shoulders. AP Assurance tools can streamline statement reviews to simplify and streamline reconciliation of open credits before they disappear or age into scope. Automating things like outreach to suppliers and your follow–up cadence can ensure you're checking in regularly and preventing the payments you're owed from fading from view. Additionally, AP Assurance tools can keep your team and suppliers compliant with alerts and custom workflows to cover all of your bases.

AP Assurance in Fraud Protection

If you scored a 1 or below in the Fraud Protection section or you are dissatisfied with your results, your organization may be vulnerable to fraud.

In 2022, a **PwC survey** revealed that 46% of surveyed organizations experienced fraud within the past 2 years – that's almost half. Though no organization may believe an employee or partner would commit fraud against them, it's one of the most common crimes committed in the business realm.

When you've got a sharp eye on your transactions, though, suspicious activity like fraud is much more likely to get caught early on.

In defending against erroneous payments, AP Assurance tools double as a fraud protection measure. They can send alerts for any suspicious activity so you see fraudulent transactions as they're occurring – rather than realizing far too late after the fact.

Conclusion

Though the accounts payable industry is so heavily dependent on historical audits for their payment accuracy, it's an imperfect solution – and only one piece of the AP health puzzle. Think about how much money you would have held onto, how much time you would have saved, if you caught all of the errors uncovered in your last AP audit *as they happened*...instead of months or years after the fact.

AP Assurance is achieved through 24/7 AP monitoring to prevent payment errors. The errors your ERP isn't designed to catch, the errors that never even crossed your mind in the first place, and the errors you have no control over – AP Assurance tools bring errors like these among countless others to your attention. And once you have that insight into root causes for your errors, **that's when you can begin the cycle of continuous improvement, driven by operational insight, to achieve true error prevention.**

Do you believe your own team – if armed with the right technology – could achieve the same or better results than your 3rd party provider? At FlexTecs, we *know* you could. **That's why we built FlexTrap: the first AP Assurance tool of its kind that monitors and prevents your payment errors through validity checks and proactive statement reviews.**

FlexTrap is the payment accuracy and statement monitoring tool that equips you to detect and correct payment errors in real–time and efficiently and accurately manage vendor statements and reconciliation... ultimately reducing your third–party AP audit costs by enabling you to easily do the work yourself.

Get in touch now to identify and prevent your most prevalent, devastating payment errors today.

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