

White Paper

# Intelligent PO Matching

## Invoices, POs & Goods Receipts



## The Problem

Most companies do some form of matching of vendor invoices to purchase orders and/or goods receipts. This is called a two or three way match.

The process can require a great deal of manual effort, particularly if the invoiced items have to be matched at the line level.

Once an invoice is entered into an ERP it is assigned a “match/no match” status. If for any reason there are price differences or problems with the goods receipt, the invoice cannot be processed by the ERP.



*The 3 way matching process in most organizations is painful, manual, and slow.*

Users or knowledge workers typically have to cancel the transaction, and then perform time-consuming manual work to clear the exception. This usually involves the purchaser, the receiver and sometimes the vendor.

ERPs do not have an automated way of handling these exceptions and in many cases staff members may spend days trying to clear up the differences between purchase orders, invoices, and goods receipts.



*Invoices in an ERP have a “match” or “no match” status.*

Procurement software companies claim they can “automatically match” these documents – but what makes that possible? As mentioned above ERPs do not have an automated way of handling these exceptions.

## The Solution

That’s where **Intelligent 3 Way Match** makes a difference—especially when exceptions occur.

### Intelligent 3 Way Match Handles Two or Three Way Matching, Non-PO Invoices and Exceptions

First, let’s get up to speed:

- Paper and emailed invoices are intelligently scanned, and their data fields captured. The technology recognizes each invoice by vendor and collects all of the essential information, regardless if the format is regular paper, PDF, XML, Word documents, or otherwise.
- Purchase Order data is generated within the ERP, an external requisitioning system, or a blend of both.
- Goods receipts are imported if they are already entered into the ERP, or users register them electronically in order to process them.

...and imagine all of this information is visible in one intuitive, user-friendly dashboard.

The matching process for all of these documents is automated by Palette when it compares the data and, according to tolerances and rules you set, matches the documents accordingly.

## Types of Automated Matches



### 2 Way Match

For a 2 way match, the software matches invoices to internal purchase orders, or to purchase orders imported from an external ordering system or a combination of the two.

If the invoice amount and order amount match, the invoice is matched in full, and the account postings and authorization for payment for the invoice are inherited from the purchase order.



### 3 Way Match

For 3 way matching, incoming invoices (either scanned or emailed) are automatically matched to the purchase order and goods receipt.



### Recurring Invoices

Repeat invoices such as rentals, phone, internet contracts and other utilities are automatically matched to account numbers or contracts, posted to the proper GL codes, and approved for payment.

In any given company, about 15-25% of recurring invoices can be set up as contracts or agreements.

## Matching at the Line Level

Where an invoice has lines (as in an itemized invoice), Intelligent 3 Way Match matches it at the line level. Invoice lines may come into the system as part of an e-invoice, scanned with line interpretation from a paper invoice, or entered manually.

An invoice line is matched in full if it matches a purchase order line within the permitted tolerances set in defined rules. If the invoice lines match purchase order lines, they inherit the account postings and authorization from the P.O.

## Matching at Total Level

If no lines are detected on the invoice (a non-itemized invoice), matching is attempted at the total level. If there is a purchase order linked to the invoice, the system matches the amount on the invoice and the purchase order amount to check that they are a match within the permitted variances that have already been established.



## Handling Exceptions—Exceptionally Well

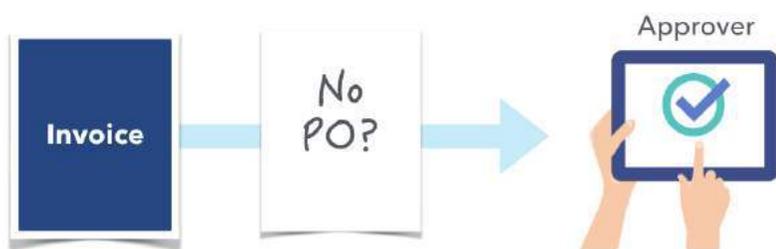
In most companies accounts payable staff do not have the data or knowledge of the purchase to be able to clear an exception.

This is where the manual process slows things down.

Whereas the AP staff member might not have the information at hand, Intelligent 3 Way Match isolates the problem that is preventing a proper match.

For Non-PO invoices or where there is missing information, the invoice is sent to an approver. For purchase order invoices that contain exceptions as a result of the matching process, these invoices and all corresponding documents are sent to the appropriate person based on the setup of the organization.

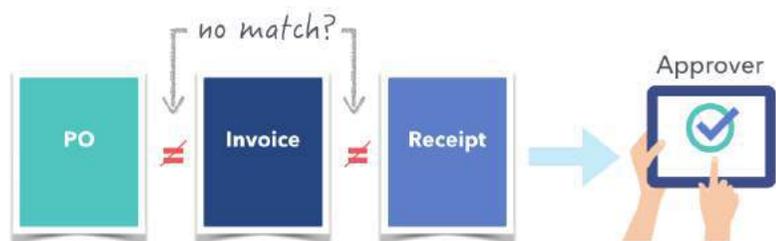
Once delivered, the recipient views the package of information which includes an invoice image, a copy of the PO, the goods receipt information, and a description of the error.



*Non-PO Invoice: Invoice is sent to approver(s)*



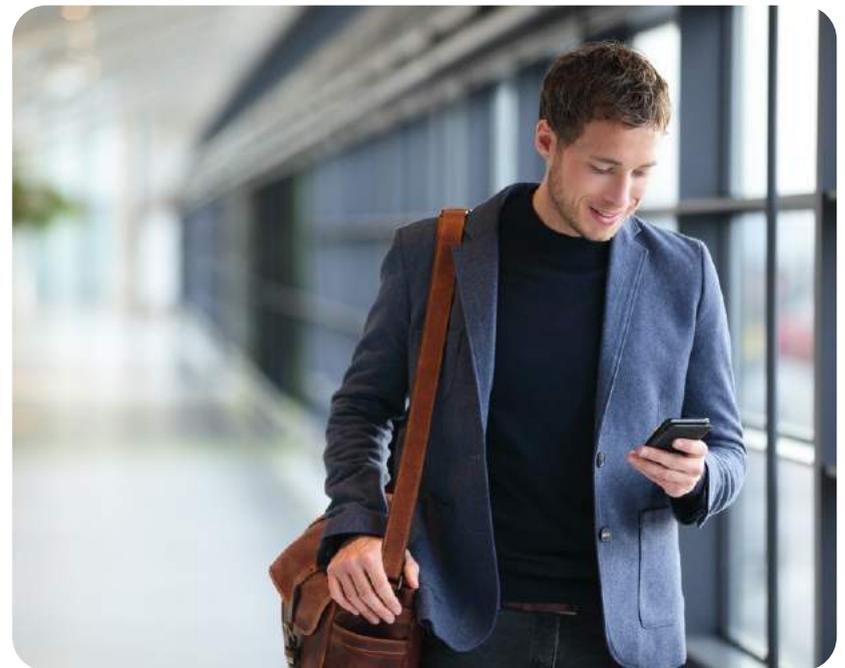
*Missing Information: Invoice is sent to approver(s)*



*Exceptions: Information packet is sent to approver(s)*

This package of information is presented in a single dashboard on the recipient's laptop or mobile device. It gives the knowledge worker all the tools and services they need to manage the exception, such as ad-hoc routing capabilities to colleagues and email and/or portal communications with vendors.

When the knowledge worker is done, they can return the corrected invoice package through the dashboard back to the matching engine, clearing the exception.



As well, all of these steps (including the communications) are tracked and recorded, creating an audit trail visible to auditors and regulators.

### What about companies with a large volume of non-PO invoices?

The non-PO invoice arrives with no accounting data on it, and no PO to assign the account codes from. To handle this, intelligent scanning technology classifies each invoice when it captures the data. It asks the following:

1. If there is no PO number, the system will look for a contract number to use to account code and approve the invoice.
2. No PO number or contract number? The system uses a piece of reference data (as predetermined by your staff) from each invoice and automatically routes that invoice to the appropriate person for validation, approval or exception handling, as described above.

**Intelligent 3 Way Match** is a shared central dashboard on desktop and mobile that shortens the payment cycle and increases staff productivity.

It's part of a complete workflow from Palette that includes automated invoice processing, spend management, purchase order automation and more.

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