

# How to Optimize Accounts Payable with Invoice Processing Software



Vendor invoice processing is not the most important thing your business does. In fact, it consumes time and money that could better be used elsewhere. What if you could reduce the resources you expend processing and paying invoices?

That's the promise of invoice processing software, also known as AP invoice automation. Invoice processing software automates tedious, error-prone manual tasks and streamlines the tasks that do require human intervention.

In this article, we explore the limitations of traditional invoice processing, how automation helps, and offer some tips for optimizing your AP invoice workflow.

## THE LIMITATIONS OF TRADITIONAL INVOICE PROCESSING

Many businesses use manual paper or PDF-based processes to handle vendor invoices. While simple in concept, manual approaches lead to efficiency and accuracy problems in practice. As a result, accounts payable teams struggle to process invoices quickly, accurately, and cost-effectively.

### Lack of visibility and control

With manual processing, it is difficult to get visibility into the status of invoices as they move through the approval workflow. Approvers have no way to track down invoices once they land in someone's email inbox. AP staff lacks control over invoices that get stuck somewhere in the process. It's difficult to properly monitor performance and address bottlenecks.

The lack of visibility also means no audit trail capturing approvals, changes, and processing steps, opening the door for errors, fraud, and compliance issues. Invoice fraud costs mid-market businesses [\\$280,000 per year](#) on average, and that only accounts for fraud that was noticed.

### High invoice processing costs

Processing invoices manually requires significant staff time and effort. AP teams must manually enter data from invoices into accounting software, validate entries, match invoices to purchase orders, route for approval, file paperwork, and more. And that assumes there are no errors, the remediation of which inflates costs even further.

Adobe estimates the [average cost of processing an invoice](#) ranges between \$15 and \$40. The cost per invoice when using invoice automation software is a fraction of manual costs, as we'll see later in the article.

### Data entry errors

Manually entering information introduces errors, no matter how carefully data is transcribed. Fat-finger mistakes, transpositions, and other simple data entry errors are unavoidable. These errors then require employee time to correct, and many are not caught until further downstream, sometimes after payment.

### Inefficient workflows

Routing paper and electronic documents through traditional interoffice communication networks hinders efficiency. Invoices are often delayed, rerouted incorrectly, or even lost entirely. Unreliable delivery extends approval cycles and slows processing times.

### Delayed vendor payments

With all the challenges and delays stemming from manual processing, promptly paying vendors becomes difficult. Late payments can damage vendor relationships and prevent businesses from capitalizing on early payment discounts. It's also challenging to manage cash flow and correctly prioritize invoice payments when there is no real-time view of outstanding invoices.

## WHAT IS INVOICE PROCESSING SOFTWARE?

Automated invoice processing software provides a streamlined electronic system to capture, validate, approve, and sometimes pay supplier invoices. This software utilizes advanced data capture techniques like optical character recognition (OCR) and machine learning to eliminate manual data entry. Invoice processing automation also introduces structured workflows guided by configurable business rules.

## WHICH AP INVOICE PROCESSES CAN BE AUTOMATED?

A comprehensive AP invoice automation solution streamlines the entire invoicing process and automates many aspects that would otherwise require tedious manual work. Let's look at some ways invoice software could accelerate and reduce the cost of your business's invoice processing pipeline.

### Invoice capture

Invoice processing software can automatically capture paper and electronic invoices as soon as they arrive. Optical character recognition (OCR) technology, supported by machine learning, extracts data from scanned documents or PDFs. Businesses can integrate with suppliers to receive electronic invoices in standardized formats like EDI, eliminating the need to manually enter data.

### Account coding

Verified invoices are automatically coded to the appropriate GL codes and cost centers based on your custom accounting rules. Pre-defined mappings associate invoice line items with destination accounts. Automatic invoice coding saves significant time otherwise spent manually determining the correct accounts for each invoice. It helps avoid incorrect coding, improving the quality of financial and spend data.

### Two and three-way matching

Invoice automation software can automate the essential task of matching invoices back to purchase orders and goods receipts.

Two-way invoice matching compares details on extracted data from supplier invoices with the corresponding purchase orders, ensuring they adhere to contracted pricing, quantities, and other terms within defined tolerances. Two-way matching prevents organizations from paying for items never formally ordered (a common tactic of invoice fraudsters).

Three-way matching takes the process one step further. Quantities, prices, and other vendor invoice details are matched against the original purchase order and the goods receipt confirmation.

Automated invoice matching improves compliance, accuracy, and fraud prevention measures. Rather than relying on employees to spot discrepancies within hundreds of invoices, the software handles the heavy lifting, allowing your AP teams to operate more efficiently while minimizing financial risks.

### Invoice approval routing

Automated, structured invoice approval workflows can be tailored to your business's needs and existing processes. Configurable rules route inbound supplier invoices to appropriate approvers or approver groups based on attributes like:

- **Invoice dollar amount:** High-value invoices above pre-set thresholds may be routed to management approval queues before processing.
- **Account codes:** Invoices hitting sensitive GL codes or operating expense accounts could route to budget owners for review.
- **Vendor:** Invoices from strategic vendors may have customized multi-step approval chains involving specific stakeholders.
- **Cost center and project codes:** Invoices could be automatically directed to the managers responsible for the billed cost centers or projects.
- **Purchasing categories:** Invoices for large IT hardware purchases, for example, could route to IT leadership approval queues.

Automated routing rules help optimize the approval process for faster processing times, accountability, and risk reduction.

### Exception handling

Invoices that fail validation checks or fall outside tolerance levels are automatically flagged and routed for exception handling. Issues such as price discrepancies from purchase orders or missing goods receipts are identified early and sent to appropriate team members to resolve.

### Duplicate invoice and fraud prevention

The system can screen for duplicate vendor invoices before processing to prevent double payments. Fraud monitoring capabilities also identify suspicious activity like altered invoices or changes to vendor payment details. Automated controls significantly reduce risk, unnecessary work, and overpayment.

## WHY AUTOMATE VENDOR INVOICE PROCESSING?

Automating the invoicing process saves immense time and money while improving accuracy, visibility, and compliance. Here are a few of the benefits AP teams can achieve by implementing invoice processing automation.

### Reduced AP invoicing costs

Invoice automation eliminates most manual tasks traditionally required to handle invoices. The software captures data automatically, codes transactions, routes for approvals, and integrates with downstream systems without human intervention. Removing these manual tasks reduces the staff hours needed to process invoices.

### Fewer invoice errors

Manual data entry and validation introduce frequent errors into AP workflows. Invoice automation mitigates this by extracting data from scanned or electronic documents. AI-powered invoice capture minimizes data entry mistakes, duplicate invoices, fraudulent changes, and coding errors.

### Greater spend visibility

With a unified digital system capturing all invoice data and accounts payable documents, businesses gain greater visibility across their spend. AP and procurement managers can generate insights through improved invoice analytics, enabling greater oversight of supplier performance and more strategic budgeting, forecasting, and decision-making.

### Scalability

Manual invoice processing costs grow with transaction volume. In contrast, automated solutions scale to handle growing invoice volumes without increased staffing. As your business grows and enters new markets, you can onboard new vendors and increase purchasing volume without proportionally increasing invoicing costs.

### Improved spend and accounting compliance

The structured controls and audit trails inherent to digital systems significantly improve compliance. Enforced approval workflows, duplicate detection, matching validation, and exception handling all work to minimize compliance risks. Additionally, accessible logs and audit trails provide the documentation needed during audits and investigations.

## 5 TIPS FOR EFFICIENT AP INVOICE AUTOMATION

Implementing a new invoice automation system is an opportunity to transform accounts payable operations. Follow these tips to ensure your organization gets the most from its AP invoice processing software.

### Track invoice processing KPIs

Monitor key performance indicators like invoice cycle times, touchless invoice rates, and cost per invoice processed. Tracking metrics before and after implementation will help you to see efficiency gains and identify improvement areas.

Adopting invoice automation will allow you to collect and analyze more and higher quality spend data. Monitoring the right KPIs will help you to maximize the value of that data and your investment in automation technology.

### Integrate invoice processing software with accounting and ERP platforms

Choose software that integrates with your existing financial systems and enterprise resource planning software. Sharing vendor data, charts of accounts, cost centers, and other information eliminates the need for duplicate data entry while making spending and supplier data is available for analysis alongside data generated by other systems.

### Choose a mobile-friendly invoice automation solution

Modern invoice process software should allow approvers and AP employees to manage invoice and approval processes from mobile devices. Mobile access encourages prompt exception resolution and speedy approvals regardless of employee location. Reviewers can handle exceptions, reassign invoices, and approve from their phone or tablet.

### Leverage straight-through payments

When possible, integrate your payment solution with your invoice processing software to support straight-through payment processing. Vroozi supports this workflow via *Vroozi Pay*.

Straight-through processing automatically triggers vendor payments following invoice approval based on custom thresholds and rules. Payments require no manual release or secondary review, accelerating settlement while freeing up employee bandwidth.

### Establish custom approval workflows

Leverage your invoice automation solution's workflow capabilities to create custom approval flows that route invoices to appropriate reviewers based on intelligent rules. By tailoring the software to your business processes, you can streamline operations, reduce bottlenecks, and ensure timely payments.

## OPTIMIZE AND AUTOMATE AP INVOICING WITH VROOZI

Vroozi's [AP invoice automation](#) offers a complete invoice processing solution that includes cognitive OCR invoice capture, smart coding and invoice approvals, straight-through processing, and low-friction integration with your financial or ERP systems.

Our invoice processing software is part of a comprehensive procure-to-pay platform that also includes:

- A [digital supplier marketplace](#) for static and punch-out catalogs.
- [eProcurement](#) with [ERP integration](#)
- [Purchase order automation](#)
- [Digital payments](#)

To see Vroozi in action, [experience a live version of the app](#) or [request a personalized walkthrough](#) from one of our team members.

## EXPERIENCE VROOZI TODAY

Vroozi offers a complete procure-to-pay solution with extensive procurement automation capabilities, robust integration, and versatile customization options. If you'd like to see Vroozi in action, take a look at our [product demo](#) or get in touch for a [personalized tour](#).



Vroozi consistently ranks as having the best ROI among all Procure-to-Pay vendors on G2. Our users report seeing ROI within the first 10 months vs. the competitor average of 19 months.

Vroozi users also report an average time-to-go-live of 3.5 months — that's 15% faster than the average P2P implementation!

## ONE PLATFORM TO MANAGE ALL YOUR GLOBAL BUSINESS SPEND. PURCHASE, PAY, AND COLLABORATE WITH CONFIDENCE.



## VROOZI PLATFORM BENEFITS

- Multi-channel platform with anytime, anywhere access
- Consumer-like ecommerce UX
- Fully digital and electronic purchase orders, invoices and payments
- 3-way match ensures you only pay for what you ordered and what you received
- Real-time visibility and spend analytics with built-in budget checks



## VROOZI FINANCIAL BENEFITS

- 100% spend under management
- 15 – 30% savings on purchasing costs
- 10 – 20% consolidation on tail spend
- 60 – 75% savings on vendor payment costs
- Increased financial control and visibility
- Increased remote operational efficiency



## VROOZI OPERATIONAL BENEFITS

- Automate tasks, reduce errors
- Enhanced supplier collaboration
- Faster purchase cycles with efficient approval workflows
- Built-in policy and regulatory checks
- Reduce IT dependency & empower users

REQUEST A DEMO

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