FlexTecs
FLEXIBLE TECHNOLOGY SOLUTIONS

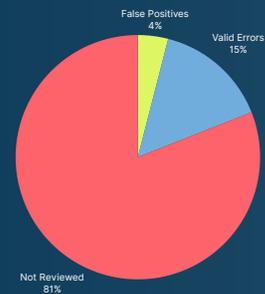**CASE STUDY**

Optimized Payment Accuracy in Action:

7 Use-Cases of How FlexTrap Solved Real Problems

FlexTrap

Error Summary

False Positive Analysis

False Positives
4%

Valid Errors
15%

Not Reviewed
81%

Top 10 Supplier Errors

Vendor Name	Error Type	Error Count

Top 10 Cost Centers with Errors

Cost Center	Error Type	Type Count

Content

A Better Way to Optimize Payment Accuracy

A typical **accounts payable (AP) department** is responsible for an enormous amount of data. Maintaining that data and ensuring suppliers get paid accurately and on time requires a complex web of people, technology, and processes. With these elaborate systems in place, accounts payable departments are over 99.5% accurate on average – that's an incredible feat.

However, when processing countless transactions a year, that .05% adds up. That is half a million dollars in erroneous payments for every one billion dollars spent. It doesn't matter how well-trained, well-tuned, or advanced those people, technologies, and processes are: AP departments are making so many transactions per day that *payment errors are inevitable*.

AP errors can happen for a variety of reasons such as the below and more:

Organizational changes
(i.e. personnel, systems, and technology)

Process changes
(i.e. adoption of AP automation)

Human error or payment fraud

Incorrect billing from suppliers

To combat erroneous payments, AP teams have a variety of systems and processes in place, such as an ERP system, **AP (invoice) automation**, or a manual review of paid transactions to recapture erroneous payments. Many large organizations also engage in regular **accounts payable audits** after the end of their financial year. All of these are critical components of AP health, but none of them represent the full picture. Disconnected technologies, such as ERP controls and Excel reviews, often fail to see the entire picture at the critical moment, leaving gaps that can result in undetected errors.

Accounts payable teams need a solution that can promise them immediate, complete control and assurance in their payments. They need to know that every payment they make is the right one.

They need 24/7, continuous monitoring of AP transactions to optimize payment accuracy.

What is Payment Accuracy Optimization?

Payment accuracy optimization is a payment error prevention approach where teams utilize an automated tool to monitor all transactions for potential erroneous payments, suspicious activity, and a variety of customizable validity checks. At FlexTecs, we enable customers to optimize payment accuracy with our in-house solution, **FlexTrap.** Team members can customize the tool to alert them to specific red flags depending on their unique risks and priorities.

Unlike traditional recovery strategies, payment accuracy optimization is a real-time, round-the-clock solution that helps stop erroneous payments from going out the door.

Benefits of Optimizing Payment Accuracy

Optimized Payment Accuracy Benefit 1: Uncover What You Don't Know

Many AP departments insist that erroneous payments do not happen at their organization, as they believe their ERP system will prevent them from happening. However, Accounts Payable teams typically have no way of knowing when an erroneous payment has slipped through. They either rely on the supplier to return erroneous payments, find out a year or more later in an accounts payable audit, or simply never find out at all.

Payment accuracy optimization eliminates that uncertainty and waiting period. By monitoring transactions for errors as they occur, AP teams know exactly when, where, and why errors occurred. They don't have to go looking for errors – instead, the errors are surfaced directly to them.

Optimized Payment Accuracy Benefit 2: Remove Manual Tasks and Improve Efficiency

As effective and accurate as an accounts payable team may be, AP errors are bound to occur. That means that teams must stay on constant alert, looking back for errors regularly correcting the transaction, and recovering the cash. That vigilance and attention to detail are the reason AP teams operate at such a high level of accuracy...but it also slows them down and adds more work to their already full plate. FlexTrap provides a more time-efficient solution by continuously monitoring all transactions to ensure payment accuracy.

When the AP team is no longer bogged down by a constant barrage of alerts and errors, they can focus on continuous improvement in accuracy, supplier relationships, and internal functions. The time once devoured by manual processes and the reconciliation of errant payments will be freed up to invest in the business and fulfill the greater objectives of the AP department (instead of AP fire drills).

Optimized Payment Accuracy Benefit 3: Final Layer of Protection Before Payment

Most AP departments are constantly changing, with new technology or process changes happening regularly. This may be in the form of an ERP migration or the addition of AP Invoice Automation. All of these changes solve some potential areas for erroneous payments, but they are replaced with new openings for erroneous payments as a result of the new technology or process.

Optimized payment accuracy serves as the last line of protection before the payment is made so that all transactions are continuously monitored and flagged for correction before payment.

99.5% ACCURATE

Optimized Payment Accuracy in Action: How FlexTrap Has Solved Real Problems

When AP teams have to postpone error resolution until after the transaction has been made, they open the door to operational risk and inefficiency. However, by monitoring transactions for erroneous payments and suspicious activity, they can **prevent errors altogether** and optimize payment accuracy upfront.

Explore how these inefficiencies stemming from erroneous payments could be impacting your organization...and how FlexTrap has helped real customers overcome these obstacles.

Case 1: Is your organization struggling with ERP systems that fail to identify and prevent duplicate payments to suppliers?

The Story

Our client answered their initial sales outreach with a comment that we hear all of the time: "Our ERP system already prevents erroneous payments." Still intrigued by the tool, they moved forward with a Proof of Concept (POC) in which FlexTrap investigated their real-world dataset for potential errors.

At the POC delivery, we were able to show actual duplicates that we discovered in their data through FlexTrap totaling over $400K, with a single erroneous payment reaching $60K. In that session alone, the total duplicate payments discovered were enough to cover the cost of FlexTrap for two years.

The Problem

Large duplicate payments can slip through the cracks of your ERP system for a variety of reasons:

Multiple Sources for Invoices: Organizations often receive invoices from various channels, including automated payment systems, manual spreadsheet uploads, system integrations, and manual data entry. Without robust cross-checking mechanisms in place, discrepancies and duplicate entries may appear.

Large Invoice Volumes: Frequent large payments and transactions are more difficult to monitor, which creates a greater risk for duplicate payments. This large outflow of money raises concerns for CFOs as they worry about the challenge of getting back any money sent out by mistake.

Wrong Vendor: Your ERP is programmed to flag exact matches in invoice details as a potential duplicate (Invoice number, value, supplier, date). If ANY of these fields are different, even by one character, the ERP will assume these are different invoices. Therefore, if one of the duplicated invoices is processed against the incorrect vendor, this will avoid the ERP flag and move to payment.

The Solution

FlexTrap's advanced algorithms help you more accurately detect invoice errors that may have gone unnoticed or potentially have paid the wrong vendor due to system or human error.

Case 2: **Have you ever faced challenges in recovering cash from an erroneous payment?**

The Story

Before adopting FlexTrap, some of our clients already engaged in a certain amount of payment accuracy work to catch duplicate payments post-transaction. Their existing solution might not come into effect until months after each payment has been made and requires significant internal bandwidth. IT needs to run exception reports, and AP departments need to manually review the exceptions to weed out false positives and identify true errors. All of this manual intervention introduces a great risk that some erroneous payments will still leak through this review.

Recovering these dollars after the transaction is next to impossible. One of our clients discovered a large duplicate payment of $500,000, and the supplier confirmed that it was a duplicate payment. However, the supplier delayed repayment of the $500,000 for almost six months because of their own cash flow difficulties; even though the client had done everything right, there's never a guarantee that the money lost to an erroneous payment will ever be returned.

The Problem

Duplicate payments are sometimes hard or impossible to recover for many reasons:

- **Out-of-Business Vendors:** When a vendor stops operations or goes bankrupt, there are no longer active reimbursement channels...which makes it exceedingly difficult to recover duplicate payments.

- **No Longer Doing Business:** Even if the vendor hasn't formally closed, if they've stopped operations or provided goods or services, they may become unresponsive altogether.

- **Debit Balance Vendors:** If vendors have any ongoing financial issues or disputes, it may be more difficult to recover duplicate payments from them.

The Solution

FlexTrap can adapt to help you stop duplicate payments, even amid your vendors' unique circumstances and challenges. It can catch the invoice error before the payment goes out, reducing the risk of suppliers not being able to refund you the error.

Case 3:

Has your organization ever invested significant time and resources into manually reviewing invoices for accuracy, only to find that errors still slip through?

The Story

Many AP teams have learned the hard way that their ERP alone cannot catch all payment errors. As a result, those innovative AP departments have begun conducting their own preventative reviews.

Despite having a team of five accounts payable staff members dedicated to the task, one client still suffered from both false positives and missed errors. These issues only came to light after an external audit was conducted later on.

By integrating FlexTrap, they enhanced their payment review process, covering not only duplicate but also incorrect vendor payments and other checks, and ultimately reducing false positives by over 95%. This efficiency allowed the AP team to save significant time, cutting down on payment accuracy work by over 80% and more effectively preventing erroneous payments.

The Problem

Even with a specialized team and an ERP system and lots of time and effort, the client struggled to accurately identify and prevent payment errors, which were only discovered after an external audit.

The Solution

FlexTrap catches these errors before the payments go out, so you don't have to create a payment plan.

If you don't make the error in the first place, you won't have to go through the hassle of getting the money back from your supplier. FlexTrap catches these errors before the payments go out and you don't have to create a payment plan.

FlexTrap introduced real-time alerts and checks for suspicious payment activity and newly entered invoices. The client was able to catch duplicates early, based on criteria unique to their environment.

Case 4: Is your organization hesitant to take on new projects due to the time-consuming nature of migrating to a new ERP system?

The Story

Migrating to a new ERP is a harrowing yet unavoidable task that devours much of the AP team's precious time and bandwidth.

Preparing for the heightened risk of payment inaccuracies during such transitions, one of our clients proactively implemented FlexTrap before undergoing their ERP system migration. By adopting FlexTrap ahead of time, they were able to review and address suspicious invoices in real time, actively preventing errors and enhancing payment accuracy on a daily basis.

As the migration progressed, erroneous payments only increased, especially as the AP team's focus shifted more toward migration tasks. Because they had already brought FlexTrap on board, this wasn't a problem – FlexTrap's implementation proved crucial in maintaining control over payment accuracy amidst the shifting dynamics of the ERP migration.

The Problem

This transition period often leads to an increase in payment errors due to challenges like data migration issues, integration complexities, user mistakes, and batch processing errors. Certain systems and data within an organization are not included or considered in the process of reviewing payments before or after they are made, including:

- **Incomplete Integration of Acquired AP Transactions:** When closed AP transactions from acquired companies are not integrated into the new AP system, incomplete records and significant irregularities go undetected.

- **Systems That Are Not in Scope in Current Controls:** Systems have not been integrated into duplicate invoice reports due to small size, complexity, or IT team bandwidth.

The Solution

FlexTrap flags a significantly higher number of transactions as erroneous payments during this switch in ERP systems and prevented a significant amount of payments from leaving the business. FlexTrap system reviews all transactions against the complete financial history of the old ERP system as well as the new ERP system transactions.

Case 5: Is your organization struggling with duplicate errors caused by misconfigured systems?

The Story

When a company is already in the midst of an automation project, they're not usually thinking about bringing on any additional tools. The thing is, that ongoing automation project opens the door to unanticipated payment errors – and an error prevention tool is exactly what they need most.

Almost all invoice automation solutions include some level of OCR technology to ingest invoice data into the ERP system. One of our clients implemented invoice automation software, and then integrated FlexTrap sometime later.

In the period before adopting FlexTrap, the client's automation tool set up duplicate invoices for payment with inconsistent invoice numbers, evading the notice of their ERP system. FlexTrap was able to prevent a duplicate payment on a six-figure invoice, which exceeded the cost of a two-year subscription to FlexTrap.

The Problem

AP departments today struggle with the implementation of home-grown robotic process automation (RPA) in the payables process or implementing full invoice automation software to streamline operations. This use of automation has become standard for most large organizations and provides legitimate inefficiencies in the AP process.

Invoices can be entered incorrectly due to system, automation, and OCR errors, such as:
- Reading invoices incorrectly, like misinterpreting a "0" for "O" or "1 for "l"
- Reading the date incorrectly
- Relaxed controls to allow for unique invoice situation
- Multiple invoice sources such as file uploads

The Solution

FlexTrap identifies commonly misidentified characters and flags a variety of these payments for review, preventing a serious amount of financial leakage. It checks for errors in invoices such as an invoice number or an amount that doesn't match the vendor. It has rigorous validation protocols built-in to verify that invoice details match vendor history, reducing the chance of errors due to incorrect data entry or invoice manipulation.

Case 6:
Is your organization struggling with ensuring the standard validity of invoice payments?

The Story

For international operations, it's crucial to check the currencies of invoices. For example, if a supplier usually gets paid in USD but an invoice is set for GBP, the supplier would be overpaid, requiring a post-transaction correction and recovery.

Another common cause for concern is a payment that is more than two standard deviations from the mean invoice amount. If a supplier typically receives $1,000 and suddenly an invoice asks for $10,000, it needs to be flagged and reviewed to prevent overpayment.

Finally (though countless scenarios may require a validity check), organizations must look out for invoices intended for payment to an inactive supplier. One of our clients' systems identified an invoice slated for payment but with the incorrect supplier number attached. This particular supplier had not engaged in any transactions with the company for over 18 months, making them a "stale" supplier. Recognizing the prolonged period of inactivity, the client flagged this invoice for a closer review. Consequently, they were able to halt the payment directed to the wrong supplier and correctly reroute the payment to the intended supplier.

The Problem

Despite the comprehensive nature of these validity checks, businesses often encounter significant challenges:

Currency Mismatches: International operations introduce the complexity of dealing with multiple currencies, raising the risk of currency mismatches in payments.

Significant Deviations in Invoice Amounts: Payments that substantially deviate from historical norms can indicate errors or fraud.

Payments to Stale Suppliers: Invoices set up for payment to suppliers with whom the company has not conducted business for an extended period can be indicative of errors in supplier selection or potential fraud.

The Solution

FlexTrap automates and reviews invoices against customizable validity checks and flags any discrepancies for review, preventing incorrect payments and safeguarding financial resources.

Case 7: Is your organization looking for a way to customize invoice validation processes?

The Story

In almost every implementation of FlexTrap, as we work with AP departments to begin utilization of the software, a client suggests a customized validity check that is unique to their particular organization as a discrete pain point.

One of our clients does business with a large number of suppliers that deliver to offices throughout the United States. The client was aware of a new requirement that supplies sent to their offices in Colorado needed a new state tax on the invoice. Although it was primarily the responsibility of the supplier to include this tax on each relevant invoice, there was a potential liability for the client for failing to pay the new state tax when necessary. The client asked us if FlexTrap could flag any Colorado-related invoices to ensure that the new tax was on the invoice and paid correctly.

The Problem

A new state tax requirement for supplies sent out creates a challenge for a company conducting business with a large number of suppliers across the United States. The company faces potential liability if the new state tax is not included and paid on invoices for supplies sent to certain offices, even though it's primarily the supplier's responsibility to include this tax.

The Solution

By customizing FlexTrap to flag any invoices related to supplies sent to different states, the company can ensure that these invoices include the new state tax and that it is paid correctly. The FlexTecs team quickly implemented this customized validity check within FlexTrap, enabling the company to maintain payment accuracy and compliance with the new state tax law, mitigating potential liability.

If you've ever experienced a duplicate payment, incorrect payment, or just an organizational change that caused errors out of your control, FlexTrap might be a perfect fit for your AP team. FlexTrap is a first-of-its-kind tool that actually prevents payment errors at the source. It gives accounts payable teams flexibility to customize the data they're analyzing, visibility into why their errors are occurring, and the control to ensure they stop once and for all. If you're ready to get ahead of your payment errors and improve AP accuracy, **get in touch with FlexTecs today.**

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