

Payment Curiosities and Anomalies in Accounts Payable

An NTT DATA perspective on plugging profit leakage



Introduction

With improved networking between purchasing, vendors, payments and reporting, accounts payable (AP) has transformed in the digital age from a traditional cost center into a profit center. But even as it influences revenue streams, challenges remain.

AP handles thousands of incoming documents, and the AP clerk is expected to enter, verify and match data on these documents — often non-standard, incomplete or inconsistent — to others in the system. Despite the best training and processes, data entry errors do occur, especially when the data is on disparate, incompatible systems. And in AP, this could mean excess payments, incorrect taxes and, ultimately, profit leakage. If you've ever tried to recover excess payments, then you know how difficult this can be. This white paper details NTT DATA's predictive analytics approach to tackling key challenges of AP. We'll explore a text mining-based statistical model used to identify duplicate payments and transactional errors.





The process design allows for the PDD to be offline as well. When offline, the model generates a report based on transactions processed during the day. The NTT DATA Business Process Management System (BPMS) workflow tool then routes these transactions to a special audit queue to be verified by a quality associate.

The PDD also runs on daily transactional data to extract possible errors. The check is performed on invoice amount, tax amounts, non-purchase order maverick spend, supplier site, and payment method and terms to identify possible errors in data entry. Again, a threshold is set based on the appetite for operational risk versus the cost of rework. The transactions are then routed by the BPMS workflow to the special audit queue for further review.

The use of text mining, advanced analytics and visualization for unstructured, historic AP data provides new perspectives into business and operations. The possibilities are endless, and we are well on our way to getting AP on a digital drive.

About the author:

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- ¹ "Duplicate Payments: An Ounce of Prevention, a Pound of Cure," Institute of Finance and Management IOFM Benchmark studies, February 2016. <https://www.theaccountspayablenetwork.com/best-practices/best-practices-payments/duplicate-payment-prevent/>
- ² "How Prevalent Is Manual Invoice Processing?" APQC Open Standards Benchmarking Survey on Accounts Payables and Expense Reimbursement. October 2016. <https://www.apqc.org/knowledge-base/documents/how-prevalent-manual-invoice-processing>
- ³ "Invoice Resolution Shouldn't Take a Week," APQC Open Standards Benchmarking Survey on Accounts Payables and Expense Reimbursement. April 2016. <https://www.apqc.org/knowledge-base/documents/invoice-resolution-shouldn-t-take-week>

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