

Accounts Payables – Invoice Exceptions

Invoice exceptions within the context of Accounts Payables refers to the process of receiving an invoice from a vendor, validating against the goods or services that needed to be provided and paying the invoice.

The traditional process of buying is composed of the following artifacts:

- **Purchase Order:** order to buy goods or services from a vendor. Issued by the Buyer.
- **Goods / Service Receipt** (usually referred to as Goods Receipt): acknowledgement by the buyer that the goods / services were received. Internal process by the Buyer.
- **Invoice:** Payment request for the amount of the goods / services provided. Issued by the Vendor.

Once the three documents match (referred to three way matching process), the invoice is sent for payment.

Within this context, there are several common types of issues that can occur when receiving vendor invoices and some examples.

Data Quality and Accuracy Issues

- **Incorrect invoice amounts** - Mathematical errors, wrong pricing, or quantity discrepancies. This could be due to a vendor error or wrong information in the buyer's system, such as incorrect amounts in the PO, price variations not taken into consideration or data not up to date.
- **Missing, incomplete or incorrect information** - Delivery dates, tax details, vendor information or incorrect payment terms.
- **Duplicate invoices** - Same invoice submitted multiple times or similar charges from different periods
- **Wrong billing addresses** - Invoices sent to incorrect departments or locations within the organization
- **Wrong Purchase Order in the Invoice** – Vendor uses previously exhausted Purchase Order number to send an invoice.
- **No Purchase Order number in the Invoice** – Invoice received with no PO number. This can be caused due to vendor data issues or because the buyer has not created the PO in time.

Process and Timing Issues

- **Late invoice submissions** - Vendors submitting invoices after payment terms have expired
- **Early invoicing** - Billing for goods/services not yet delivered or completed
- **Invoice format problems** - Non-standard formats that don't integrate well with AP systems
- **Missing supporting documentation** - Lack of delivery receipts, contracts, or approval signatures
- **Goods received but not entered in the system** – Goods physically delivered but goods receipt process not registered in the system. When invoice arrives, the three way matching process fails and the invoice is rejected.

Matching and Reconciliation Problems

- **Three-way matching failures** - Discrepancies between purchase orders, receiving documents, and invoices

- **Vendor master data issues** - Incorrect vendor information, outdated payment terms, or wrong tax classifications
- **Currency and exchange rate problems** - Issues with foreign currency invoices and fluctuating exchange rates
- **Tax calculation errors** - Incorrect sales tax, VAT, or other regulatory tax applications

Cause of issues

- **Invo** - Lack of required tax documentation or compliance certificates
- **Audit trail problems** - Insufficient documentation for regulatory or internal audit purposes
- **Vendor compliance issues** - Suppliers not meeting contractual terms or regulatory standards

These issues can lead to delayed payments, strained vendor relationships, compliance problems, and increased processing costs. Implementing robust invoice validation processes, automated matching systems, and clear vendor communication protocols can help minimize these problems.