

FINANCIAL SERVICES

## Why the 3-way match cannot prevent overpayment or fraud

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The three-way match, which cross-references invoices, purchase orders and receiving documents before issuing payments, has been considered the industry-standard procedure in accounts payable departments for years until now.

As businesses become more sophisticated, there are far more data points to confirm the validity of an invoice. Does it include all early payment discounts? Are the payment terms net 30, net 60 enforced?

Unfortunately, many accounts payable departments do not have the time or resources to manually check these items, and are unknowingly being overcharged for services that they did not receive, or products that are not for the negotiated rates or terms.

Below are four reasons the three-match is no longer enough to prevent overpayment or fraud.

The three-way match cannot check multiple data points

Again, the three-way match only verifies price and unit numbers across invoices, purchase orders and receiving documents, but it does not check critical information such as volume discounts, payment terms, delivery times, transport conditions, chain of custody and service-level agreements.

These data can affect your bottom line: **longer payment terms** help you improve cash flow and maximize profits.

The three-way match does not confirm that services were actually performed

Because of its limited sources of data, the three-way match does not integrate with business systems to verify key fob swipes, messages sent or software licenses.

This data is important for creating a profile of contractor and service provider activity levels so that you can make sure you are actually **receiving the work for which you are paying**.

The three-way match still leaves you open to fraud

Outright fraud is a big problem. Aware of the sheer volume of invoices many business receive, **clever criminals** can

thwart the three-way match by creating fictitious companies, enacting phishing scams, billing for products that were never delivered, overcharging for products or inflating shipping charges.

The three-way match will not catch fake merchants, billing errors or violations of payment terms.

The three-way match does not check employee expense reports

Even if the three-way match works fine for your purchasing department, it will not catch **employee expense reports**, which are processed through their own system, completely separate from AP.

The average enterprise deals with thousands of expense reports each quarter, often overwhelming human auditors who may miss high-risk expenses and common misconduct such as duplicate charges and mileage padding.

The three-way match offers no visibility into questionable employee spending.

THERE IS A solution for the limitations of the three-way match: artificial intelligence to cross-check the accuracy of documents and transactions including expenses and invoices against AP systems, contract management, and expense reporting software; internal business systems data; and external signals from online sources.

To help ensure that you are receiving the products and services you paid for, cross-reference business data from email, messaging, badge access, sensor data and system logs, as well as external online data to verify work activity, software license usage and shipping documents.

Match these data points to your contracts, invoices and any other documents to verify everything is correct. Match across expense reports as well to help spot errors, waste and fraud.

With these steps, you can enforce contract terms every time you receive an invoice, helping you better manage contracts and control spending.

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