

eCatalogue purchases: the argument for 2-way matching

The traditional procurement process involves orders being placed by a central/site buyer and the goods being received on site by any number of different people functioning in a variety of different roles. Contractors traditionally use a 3-way match process to pay suppliers: the purchase order details must match the invoice details which in turn must match the GRN/POD details.

When contractors switch to an eProcurement-based process, the orders are more often placed directly on suppliers by end users (on-site contract administrators (CAs) or site secretaries) and the goods are delivered directly to those people, on site. That works OK until it is time to pay suppliers. The purchase order matches the invoice, but many contractors struggle to get its end users to record receipts for that third necessary and vital match. Sites think: 'Is it really worth recording a receipt for a £1.99 pack of pens' Then, without a receipt, the invoice doesn't get paid. Before too long, the suppliers put the account on hold, and refuse to supply anything to the whole business until the account is settled.

Some contractors fight to get their end users to record receipts in the eProcurement system. And, in the most part, they are successful but there are often pockets of resistance. Any time you are dealing with human involvement in a process, there is the opportunity for variation.

To overcome the problem, eProcurement contractors are relying much more on a simple 2-way match process. If the invoice matches the purchase order, the invoice gets paid. This concept does not usually sit comfortably with the majority of accountants and auditors; fearing that they will be paying for things that are never received.

There are certain controls that you have to have in place for this to be successful. They include:

1. There has to be some monetary threshold when receipt is required. For example, you may want to require a formal receipt for orders over £1,000. The Pareto Principle may apply here - 20% of the orders account for 80% of the spend. If so, worry about managing the receipt of the significant few orders, not the trivial many.
2. The end user must employ diligence in ensuring that what they ordered gets delivered. Usually, this is 'built in' because the user is ordering goods because they have a need to fill. An unfulfilled order usually ensures the supplier is regularly chased. Also, cost management processes are usually sufficient to ensure that budgets are used appropriately.
3. eProcurement suppliers must be able to provide summaries of shipments and proofs of delivery for every order upon request. You may even want to use their POD records if there is a need to verify that a delivery took place.
4. Concern about fraud is greatly reduced if the end users can only purchase from suppliers that are selected by a centralised supply chain management staff, as opposed to allowing end users to order from anyone they wish.

This approach can cause something to be paid that was never received. But from real-world experience, this is actually a rare occurrence and one that can be handled in a cost effective contract review meeting between the contractor and the supplier.

There are fewer problems with 2-way matching than with the 3-way-match approach. Fewer resources are used to solve problems which mean a lower cost to the supplier of doing business with the contractor.

Many contractors who have implemented eProcurement have also implemented purchasing card (PCard) programs years before, and draw the parallel with some aspects of PCards, saying that they do not record receipts for PCard purchases, therefore, for the procurement of low-value, low-risk eCatalogue items, what is the difference?