# Supplier invoice processing

Process Definition Document (PDD): template and worked example

*Example company (fictional): Hallmark Trade Group, a food and household goods wholesaler in Gdansk, Poland (about 420 employees).*

## Document control

| Field | Value |
|---|---|
| Process name | Supplier invoice processing |
| Process owner | [Name, role] |
| Prepared by | [Name] |
| Reviewed by | [Names of the people who do the work] |
| Approved by | [Name, date] |
| Version | 1.0 (as-is) |
| Status | Draft |

## How to use this template

This is a complete process definition document (PDD) for supplier invoice processing, also called invoice-to-pay or the accounts payable process. It describes the process as it runs today at a fictional wholesaler, with the roles, systems, steps, decisions and controls you would expect in a real AP team.

Use it as a starting point. Replace the company details, keep the sections, and walk through each step with the people who actually do the work. Most teams change the approval limits, the tolerance rules and the payment days. The structure stays the same.

- Replace the company, entities and systems with yours. If you do not use SAP, name the screen or module where each step happens.
- Set your own tolerance rules and approval limits in steps 8 and 12. These differ more than anything else between companies.
- Check the percentages with real data. A month of invoices is usually enough to see how many have no PO and how many get blocked.
- Walk through the steps with the AP clerks, not only the team lead. The workarounds are where the time goes.
- Keep the as-is version even after you redesign the process. It is your baseline for measuring the change.

## 1. Purpose and scope

This procedure describes how Hallmark Trade Group processes supplier invoices, from the moment an invoice arrives to the moment it is paid and cleared in the ERP. It gives AP, purchasing, the warehouse and treasury one shared description of who does what, so that invoices are paid on time, paid once and paid at the right amount.

### In scope

- Supplier invoices and credit notes for goods and services, received by email or post
- Invoices with and without a purchase order
- Mismatch handling with purchasing and the warehouse
- The twice-weekly payment run and payment advice

### Out of scope

- Employee expense claims
- Freight forwarder and customs invoices
- Intercompany invoices
- Changes to supplier master data, including bank details

## 2. Process at a glance

| Item | Description |
|---|---|
| Trigger | A supplier invoice arrives in the AP shared mailbox or in the post tray. |
| Starts when | The AP Clerk picks up the invoice at the 08:00 or 13:00 collection. |
| Ends when | The invoice is paid in a payment run and cleared in SAP. |
| Inputs | Supplier invoice (PDF or paper), Purchase order, Goods receipt, Supplier master record, Contract prices |
| Outputs | Posted invoice in SAP, Payment file released in the bank portal, Payment advice to the supplier, Archived invoice image |
| Volume | About 31,000 invoices a year, roughly 125 per working day |
| Working hours | Monday to Friday, 07:30 to 16:00. Payment runs on Tuesday and Thursday. |

## 3. Roles and responsibilities

| Role | Responsibilities |
|---|---|
| AP Clerk | Collects and registers invoices, keys the data in SAP, runs the three-way match, chases open questions and prepares the payment proposal. |
| Warehouse Receiving Clerk | Confirms what was delivered, posts missing goods receipts and answers quantity questions. |
| Buyer | Checks invoiced prices against the purchase order and the contract and decides whether to accept or dispute a difference. |
| Budget Owner | Gives a cost centre for invoices without a PO and approves them, together with invoices over tolerance. |
| Finance Director | Gives a second approval for any invoice above 10,000 EUR. |
| AP Team Lead | Follows up blocked invoices every week and approves the payment proposal. |
| Treasury Officer | Imports the payment file into the bank portal and releases it with a second signatory. |
| Supplier (external) | Sends invoices and credit notes and answers questions about them. |

## 4. Systems

- SAP S/4HANA: invoice verification (MIRO), goods receipts, payment proposal (F110)
- OpenText: scanning and invoice archive linked to the SAP document
- Microsoft Outlook: AP shared mailbox
- Excel: tracker for blocked invoices
- Santander bank portal: payment file release

## 5. Process map

**Process diagram goes here**

Draw one lane per role from section 3, the steps from section 6 in order, and a diamond for each decision in section 7.

## 6. Procedure, step by step

| # | Step | Who | What happens | System | Output |
|---|---|---|---|---|---|
| 1 | Collect invoices | AP Clerk | Collects new invoices from the shared mailbox and the post tray at 08:00 and 13:00. About 80% arrive as PDF, 20% on paper. | Outlook | Invoices ready to register |
| 2 | Check the document | AP Clerk | Checks that it is an invoice addressed to the right Hallmark entity. Statements, reminders and invoices for other entities go back to the supplier with a short reply. | Outlook | Valid invoice, or reply sent |
| 3 | Scan and archive | AP Clerk | Scans paper invoices and drops PDFs into the OpenText inbox, which attaches the image to a new SAP document. | OpenText, SAP | Invoice image linked in SAP |
| 4 | Check for duplicates | AP Clerk | Searches SAP by supplier number, invoice number and amount. A duplicate (about 2%) is rejected and noted in the mailbox. | SAP | Unique invoice confirmed |
| 5 | Key header data | AP Clerk | Keys supplier, invoice date, gross amount, tax code, currency and payment terms. Data is retyped from the PDF because supplier layouts differ. | SAP (MIRO) | Parked invoice in SAP |
| 6 | Enter the PO or route for approval | AP Clerk | Enters the PO number when there is one (about 75%). Without a PO, asks the Budget Owner for a cost centre and sends the invoice for approval (step 12). | SAP, Outlook | PO invoice ready to match, or approval request |
| 7 | Run the three-way match | AP Clerk | Matches the invoice against the purchase order and the goods receipt. | SAP | Match result |
| 8 | Post or block | AP Clerk | Within tolerance (price within 2% or 5 EUR, quantity within 1%) the invoice posts. About 70% of PO invoices pass first time. Otherwise SAP blocks it for payment. | SAP | Posted invoice, or blocked invoice |
| 9 | Resolve a quantity difference | Warehouse Receiving Clerk | Checks the delivery note, then posts the missing goods receipt or confirms the short delivery. Applies to about 15% of PO invoices. | SAP, Outlook | Goods receipt corrected or short delivery confirmed |
| 10 | Resolve a price difference | Buyer | Checks the price against the contract and replies accept or dispute. Applies to about 15% of PO invoices. | Outlook | Accept or dispute |
| 11 | Release or dispute | AP Clerk | If the difference is accepted, releases the block and posts. If disputed, asks the supplier for a credit note or corrected invoice and processes the new document from step 3. | SAP, Outlook | Posted invoice, or request to the supplier |
| 12 | Approve | Budget Owner | Approves invoices without a PO and invoices over tolerance. Invoices above 10,000 EUR | Outlook, SAP workflow | Approved invoice |

| # | Step | Who | What happens | System | Output |
|---|---|---|---|---|---|
| | | | also go to the Finance Director. AP chases after 2 working days. | | |
| 13 | Log blocked invoices | AP Clerk | Adds any invoice still blocked after 5 working days to the tracker. | Excel | Updated tracker |
| 14 | Review the tracker | AP Team Lead | Every Monday, reviews the tracker and calls buyers or budget owners about invoices older than 10 days. | Excel, phone | Escalations made |
| 15 | Run the payment proposal | AP Clerk | On Tuesday and Thursday, runs the payment proposal for invoices due within 7 days. | SAP (F110) | Payment proposal |
| 16 | Approve the proposal | AP Team Lead | Removes disputed invoices and any supplier with a recent bank detail change, then approves the proposal. | SAP | Approved payment file |
| 17 | Release the payment | Treasury Officer | Imports the file into the bank portal, checks the total and releases it with a second signatory. | Bank portal | Payments sent |
| 18 | Clear and advise | AP Clerk | Confirms clearing in SAP and sends payment advice to suppliers who ask for it. | SAP, Outlook | Cleared invoice, payment advice sent |

## 7. Decision points and business rules

- Is the document a valid invoice for this entity? No: reply to the supplier and close (step 2).
- Is it a duplicate? Yes: reject the copy (step 4).
- Does the invoice have a PO number? No: get a cost centre and Budget Owner approval (steps 6 and 12).
- Is the match within tolerance? Price within 2% or 5 EUR and quantity within 1%: post. Otherwise block (step 8).
- Is the difference accepted by the warehouse or the Buyer? No: ask the supplier for a credit note or corrected invoice (step 11).
- Is the invoice above 10,000 EUR? Yes: the Finance Director approves as well (step 12).

## 8. Exceptions

- Bank details on the invoice differ from the master record (about 1%): stop, and call the supplier on the phone number in the master record, not the one on the invoice.
- Credit note instead of an invoice (about 4%): post it against the original invoice without a three-way match.
- Foreign currency invoice (about 6%): check the rate, and ask Treasury if the difference is more than 1%.
- Budget Owner absent: the approval goes to the named deputy after 3 working days.

## 9. Controls

- Segregation of duties: whoever keys an invoice cannot approve it or release the payment.
- Duplicate check before every posting.
- Three-way match with tolerance limits enforced by SAP.
- Approval limits: Budget Owner for no-PO and over-tolerance invoices, Finance Director above 10,000 EUR.
- Dual signature on the bank file.
- Invoice images archived with the SAP document for 10 years under Polish accounting law.

## 10. Known issues today

- Invoice data is retyped from PDFs because every supplier uses a different layout.

- Mismatch questions travel by email, so nobody can see who is working on which invoice.
- Budget Owners are slow to approve and often away, which is where most of the waiting happens.
- The Excel tracker is updated by hand and is often out of date.
- Typical elapsed time from receipt to payment is 9 to 14 days, while hands-on work is under 30 minutes per invoice.

## 11. RACI matrix

R = responsible (does the work), A = accountable (owns the outcome), C = consulted, I = informed.

| Activity | AP Clerk | Warehouse | Buyer | Budget Owner | AP Team Lead | Treasury |
|---|---|---|---|---|---|---|
| Register and key invoices | R | | | | A | |
| Three-way match | R | C | C | | A | |
| Resolve quantity differences | C | R | | | A | |
| Resolve price differences | C | | R | | A | |
| Approve no-PO and over-tolerance invoices | I | | | A/R | I | |
| Follow up blocked invoices | R | | C | C | A | |
| Prepare payment proposal | R | | | | A | I |
| Release payment | I | | | | C | A/R |

## 12. KPIs

| KPI | Definition | Target |
|---|---|---|
| Days from receipt to posting | Average working days between the invoice arriving and being posted in SAP. | [set] |
| First-time match rate | Share of PO invoices that pass the three-way match without a block. Today about 70%. | [set] |
| Invoices blocked over 10 days | Number of invoices still blocked for payment after 10 working days, counted every Monday. | [set] |
| On-time payment rate | Share of invoices paid on or before the due date. | [set] |
| Missed early payment discounts | Value of discounts lost per month because invoices were not posted in time. | [set] |

## 13. Revision history

| Version | Date | Author | Change |
|---|---|---|---|
| 1.0 | [date] | [name] | First as-is version |
| | | | |

*Free template from processfix.ai. You may copy and adapt it. The company in the example is fictional.*