



Certified and Pre-audited Invoices The Synchronized Accounting Protocol

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This paper provides an overview of data assurance in the Sweetbridge Synchronized Accounting platform. For information on the tokenization of assets see our paper on Trusted Tokenized Assets.

Certified and Pre-audited Invoices

Invoicing is one of the largest areas of error and fraud in business. As a result, companies and financial institutions treat invoices with suspicion. Processes to validate invoices before payment, or to correctly allocate their cost before loading into accounting or ERP systems, delay their payment. Globally, \$3T worth of invoices are paid late every year. Invoice quality varies by industry sector and the region of the world in which the invoice originates. On average, 3% of invoices are never paid, paid for a different amount, or are rejected and must be rebilled.

The largest and most able to pay organizations are frequently the worst payers. Yet SOX compliance and audit rules require organizations to adhere to their agreements with their suppliers. The multi-billion dollar a year audit and revenue recovery industry makes money by finding or preventing errors in invoices. It is estimated that 54 bps of error¹ exist on average in the typical invoice.

Because of all of this, banks and factoring companies treat invoices as a low quality asset and either charge high effective interest rates or only lend on a portion of receivables. Customers being able to pay invoices when they are due is also a critical problem.

The Sweetbridge Synchronized Accounting platform creates certified and pre-audited invoices which the platform can autopay to eliminate all of these issues. The platform is able to generate an invoice from pre-agreed inputs, allocate the cost of the invoice to the proper cost centers and general ledger accounts, and even enforce payment when desired. The certified invoices can be digitally signed by a third party auditor firm. The invoice can be sent in electronic or paper form and comes with a code on paper or a hash key if electronic that can be used to verify it has not been altered and is valid.

How certified invoicing works

A certified auditor, lawyer or accountant uses the Sweetbridge platform to encode agreement templates that automatically define pricing, payment terms, penalty clauses, etc. along with accounting treatments and payment methods for all counterparties. You can use standard pre-built templates or you can create your own that are specific to your business out of pre-built or custom-built legal and accounting components. You can use these with both customers or suppliers to create mutual self-bill or auto-bill processes.

These templates are digitally signed by the counterparties and include the accepted inputs, such as a purchase order, bill of lading, or sales order. The templates also include any verification methods required such as an inspection certificate, delivery receipt, or proof of delivery provided by a third party. The resulting template can be pre-audited and signed off by an auditor such as KPMG if you want the invoices to not only be certified but pre-audited. All data is shared via the platform so all parties have a shared state.

Inputs can be manually or automatically countersigned by all parties using existing processes with minimal change. When all valid inputs are received an invoice is automatically generated, digitally sealed, and digitally signed by all counterparties automatically using cryptographic technology that can't be hacked or spoofed. This information can be integrated directly into the accounting system via a simple file interface or a snap-in to major accounting packages.

If the resulting invoice is paper based, a bar code, QR code or http url is added to the invoice as a seal that anyone can verify through the internet. If the resulting invoice is electronic, a hashcode and internet url are provide to verify the invoice manually or through an API. You can even integrate the Sweetbridge platform into the accounting system using snap-ins that automate all of these features.

Benefits

Sweetbridge certified and pre-audited invoices are guaranteed to match the agreements and accounting treatments agreed to between the parties. These invoices can be loaded into the accounting system and paid without further audit or manual intervention. These invoices can be pre-audited in real-time by an auditor such as one of the big 4 audit firms. When the parties agree to use autopay, every payment occurs on the due date automatically. This makes payments predictable for the seller and lowers cost for the buyer. It minimizes uncertainty and the frustration, delay, and expense of disputes. All of this reduces the risk of fraud or errors which makes the invoices easier to finance at lower cost.

¹ The Sweetbridge founder Scott Nelson's prior business Trax Technologies, Inc. found an average of 54 bps in error and fraud in 120M invoice transactions annually