An Accounting of Financial Professionals

A look at fraud, deepfakes, whistleblowing, burnout, and other key challenges facing AP teams.

Medius, Q2 2024

Executive Summary

Managing spending today is more complex and critical than it has ever been. Accounts payable teams control, validate, and process all cash leaving the business. If Payables are not tracked, classified, and managed effectively, a business cannot scale. Inaccurate reporting can have painful and costly consequences, including poor business and investment decisions, regulatory fines, and reputational damage.

This complex AP environment prompted Medius to learn more about the specific challenges finance teams face. The 2024 Financial Census reveals key challenges of finance teams, including rising fraud, growing deepfake scams, issues of internal fraud, fear of retaliation for whistleblowing, and the retention of talent. Overall, these teams face multiple challenges amidst economic uncertainty.

Invoice fraud hits the bottom line, and AP teams are constantly under attack. Finance teams have seen, on average, 13 cases of attempted invoices fraud and 9 cases of successful invoice fraud in the past 12 months, with the average loss being $133,000 in the US and £104,000 in the UK.

Half of finance professionals (53%) have experienced attempted deepfake scamming attacks, with 43% admitting they have fallen victim to an attack and 85% saying deepfake technology poses an existential crisis to the business' financial security. When asked, the vast majority of professionals (87%) admitted that they would make a payment if they were "called" by their CEO or CFO to do so. This is concerning as more than half (57%) of financial professionals can independently make financial transactions without additional approval.

More than half of financial professionals in the UK and US have spotted or suspected internal fraud in their workplaces, yet four out of five stay silent, fearing retaliation. Their concerns are validated when 32% of professionals in finance have seen whistleblowers victimized behind their backs or to their faces.

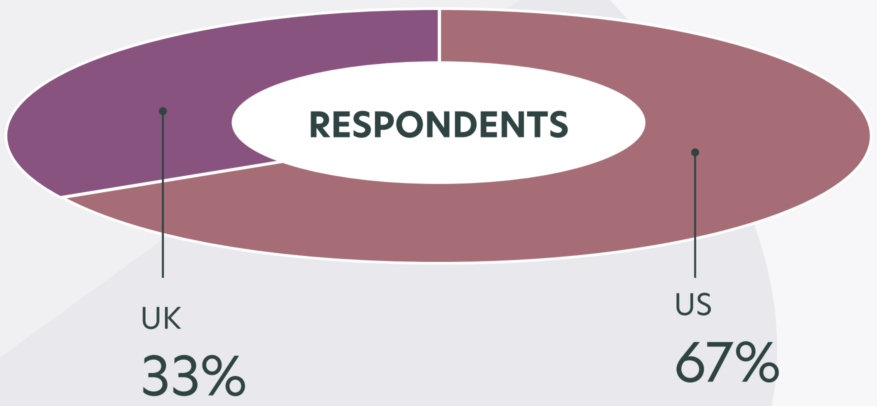
Attracting and retaining talent continues to be a priority, as losing talent is costly and disruptive. But according to data, finance professionals are a particular flight risk, with 58% of finance professionals in the US and 71% of finance professionals in the UK looking for a new job right now. More than half (55%) said they are experiencing burnout, part of which may be centered around mundane tasks. Finance professionals spend an average of six hours a week responding to vendor inquiries about invoices, answering an average of 28 supplier emails each day. Fortunately, 94% of respondents said they are happy with the adoption of AI which can reduce these strains.

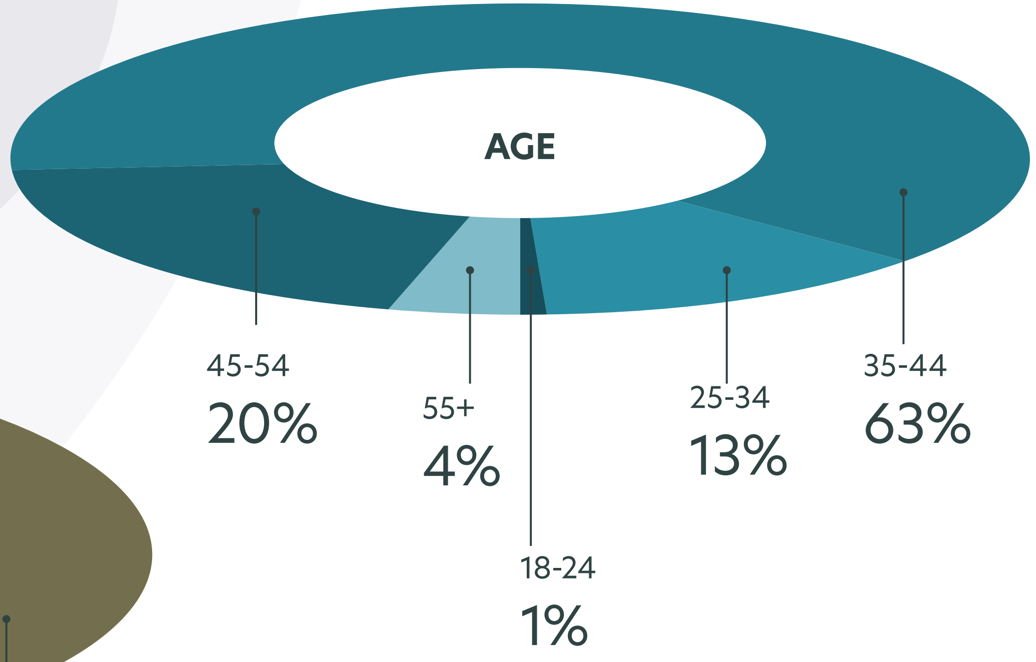
At Medius, we believe that managing AP and finance should be about strategy, not stress, and that we need to address these challenges head on. Technology can help. By listening to the challenges and needs of finance professionals, we can provide the right tools to make businesses and people's lives better. Implemented correctly, automation and autonomous software solutions can identify fraud, reduce mundane tasks, and increase transparency across the business.

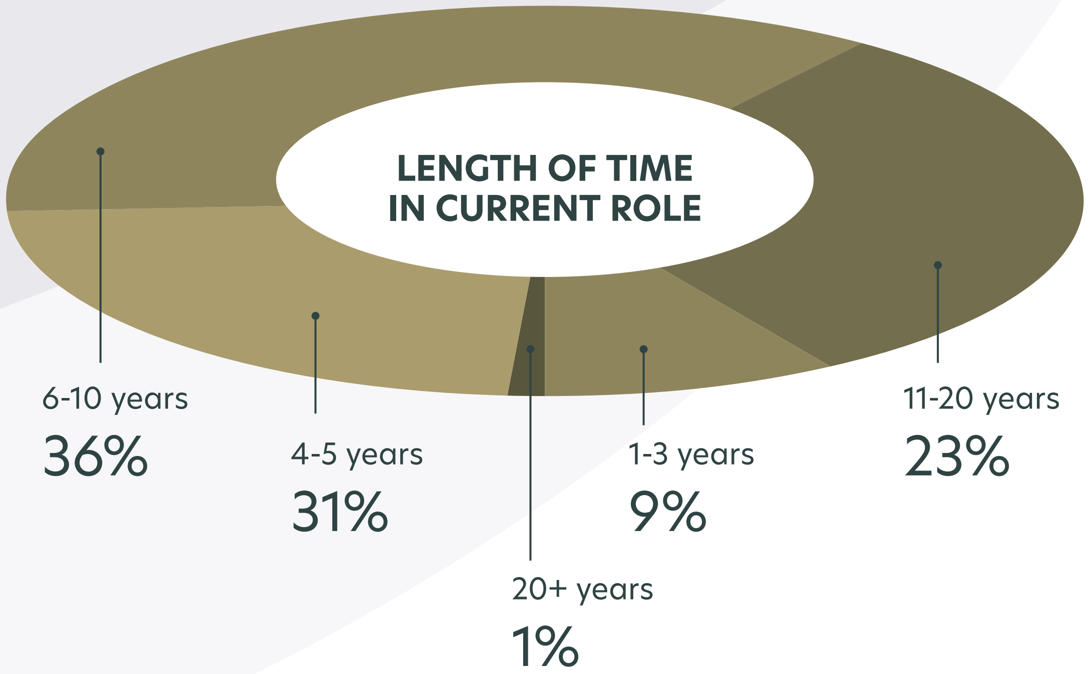
Methodology

To paint a complete picture of the challenges facing finance departments, we surveyed across the US and UK 1,533 senior finance executives who make the final decisions and/or hold the final responsibility regarding financial matters in their organization. To ensure small operations didn't skew the data, companies with less than 50 employees and those that process less than 5,000 invoices annually were excluded—in fact, the average number of invoices processed by our sample each year exceeds 26,000.

We enlisted the help of research company Censuswide, which abides by and employs members of the Market Research Society. The Market Research Society is based on the European Society for Opinion and Market Research principles.







Who's stealing from you and how are they doing it?

Fraud

Organized crime groups and malicious actors are becoming far more specialized, professional, and advanced. They thrive on invoice processes, messy paper trails, and the opportunities posed by financial professionals who can independently make financial transactions without additional approval.

The 2024 survey reveals that nearly half (44%) of businesses have been targeted by invoice fraud. On average, financial professionals saw 13 cases of attempted invoice fraud in the past 12 months. Additionally, financial professionals have witnessed 9 cases of successful invoice fraud in the past 12 months. However, invoice fraud isn't the only threat.

Business Email Compromise (BEC) scams hit 43% of businesses surveyed. Between October 2013 and December 2022, the FBI received reports of 277,918 domestic and international incidents of BEC, leading to an aggregate loss of nearly $51 billion. Additionally, a third (34%) of businesses have been targeted by identity theft.

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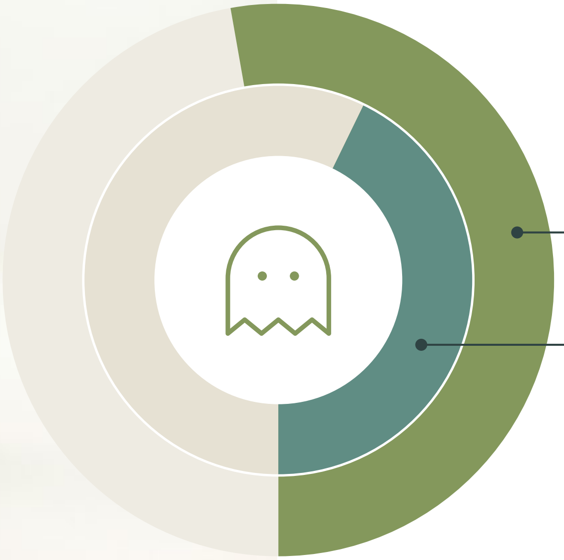


Deepfakes

Deepfakes, which create convincing-but-false audiovisual content, pose potential risks in identity verification.

53% **of finance professionals have been targeted by attempted deepfake scamming attacks.**

43% **admit they have ultimately fallen victim to an attack.**

When asked, the vast majority of professionals (87%) admitted that they would make a payment if they were "called" by their CEO or CFO to do so. This is concerning as more than half (57%) of financial professionals can independently make financial transactions without additional approval.

Only 40% of professionals, however, say protecting the business from deepfakes is a top priority.

Overall, a third (33%) of employees don't feel well educated enough to tackle deepfakes, and there is a large difference between professionals in the US, where 48% in the US consider themselves experts, and the UK, where just 12% do. There is also little faith in colleagues; only 36% of professionals are very confident a colleague would spot a deepfake fraud attempt.

Who's stealing from you and how are they doing it?

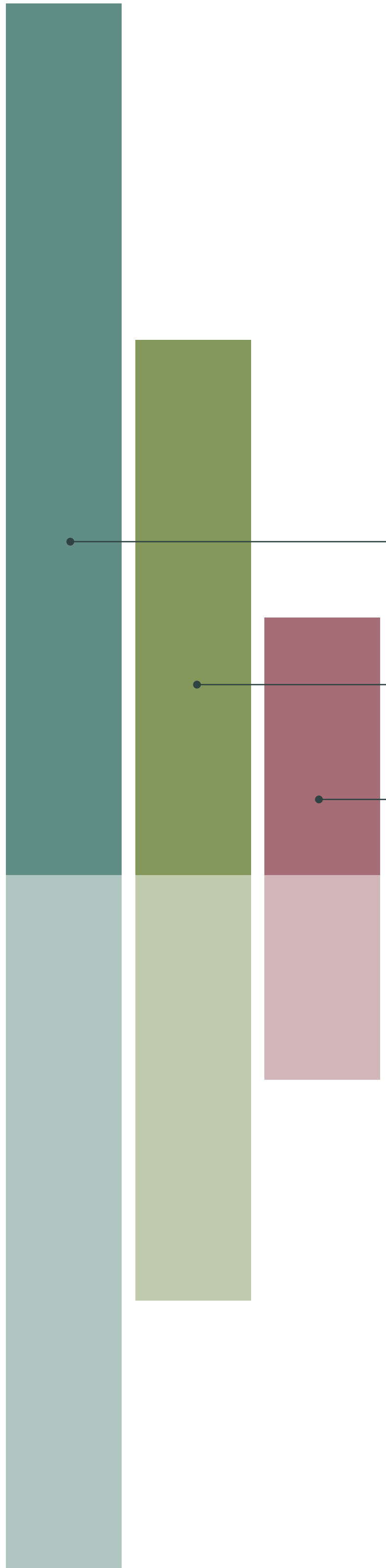
Whistleblowing

When it comes to internal fraud, **more than half of financial professionals in the UK and US (56%) have spotted or suspected internal fraud in their workplaces,** yet four in five (81%) stayed silent. When asked why, 45% of professionals cited the fear of recrimination.

Concerns of repercussions are vindicated. The survey reveals the extent to which financial professionals in the UK and US have witnessed negative consequences for whistleblowers firsthand:

When asked what would encourage them to flag suspicious activity, 93% of workers surveyed would feel more comfortable doing so if they had more evidence, yet nearly half (48%) said the legal system simply does not adequately protect whistleblowers.

> "White collar crime is on the rise and no organization is safe. Employees are the last line of defense against fraud, but confidence to report suspicious activity is declining. AI anomaly-detection technology can provide employees with the evidence and assurances they need to be more forthcoming. Building a culture where employees feel comfortable to report their suspicions could save organizations millions in the long run."
>
> *~Jim Lucier, CEO at Medius*



Finance ends up paying the price.

When describing their organization's approach to preventing and reducing invoice and payment fraud, finance professionals say efforts are often siloed.

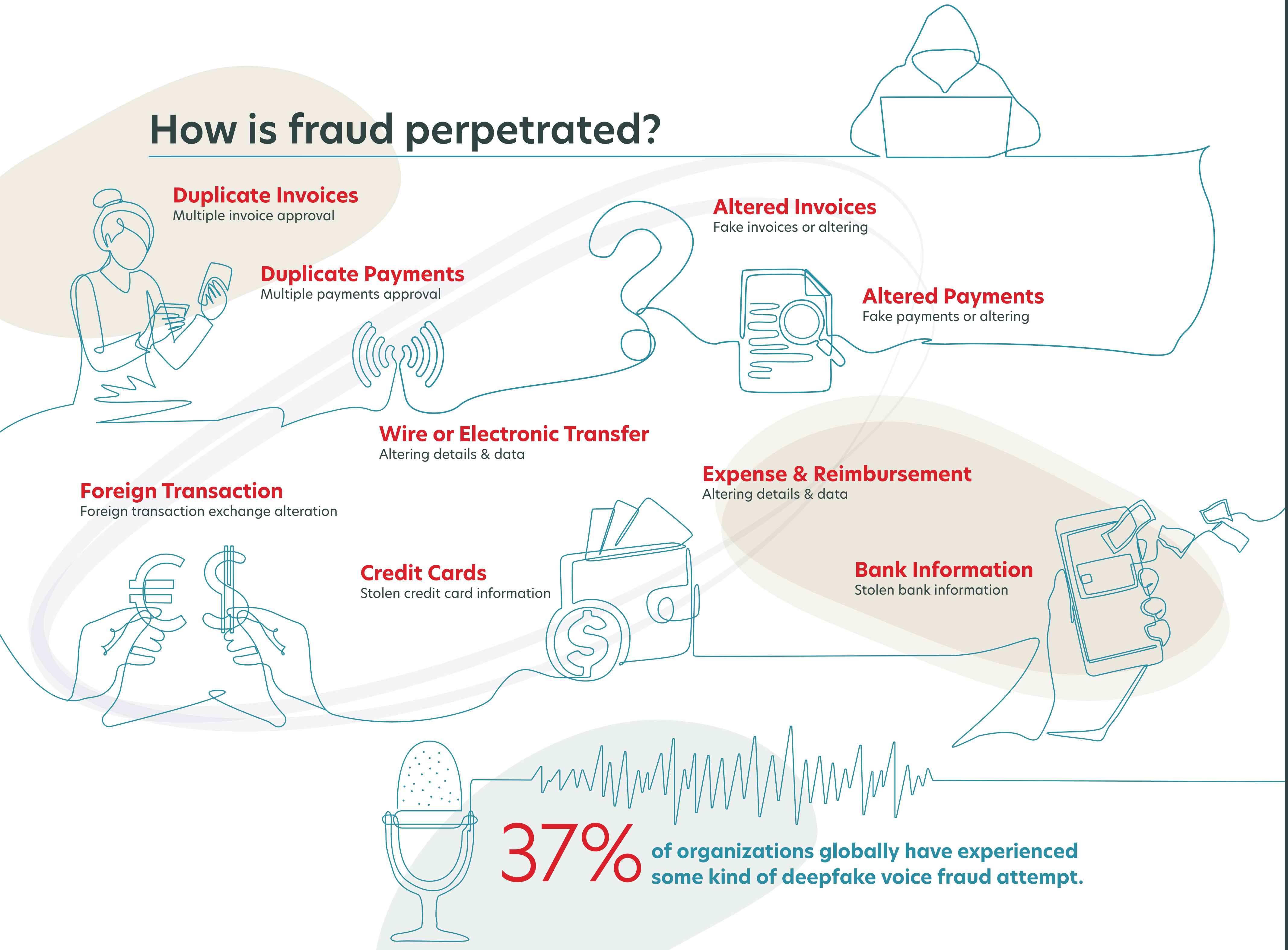
In **44%** of the organizations, finance is solely responsible for preventing invoice fraud.

In **27%** of the businesses, IT is responsible.

Only **13%** claim to have both teams working to prevent invoice fraud.

That's unfortunate, because collaboration and information sharing are how professionals keep up with the latest criminal tactics. This is why we encourage industry-wide collaboration between businesses that spot fraudulent AP patterns. Similarly, this is why we worked with famous fraudsters in our Accounts Deceivable podcast series, to give listeners insights into the inner workings of invoice fraud.

How is fraud perpetrated?



37% **of organizations globally have experienced some kind of deepfake voice fraud attempt.**

A few solutions

Artificial intelligence and machine learning can be used to help identify and spotlight potential bad actors and errors to protect businesses against fraud and risk. Coupled with a multi-level validation process and segregation of duties, businesses can combat these coordinated attacks.

The best ways to reduce invoice fraud include:

- Employ 3-way matching
- Validate supplier data
- Review invoice activity and invoice amounts
- Establish a system of multistage authorizations
- Use anomaly detection technology/intelligent solutions to the invoice to pay process

How expensive are employee expenses?

Employee-initiated spend (often referred to as non-PO expenses) encompasses any employee purchases in which they can choose what to buy, when to buy, from whom to buy, and for how much. These expenses can include travel-related expenses like airfare, hotel stays, mileage, meals, and transportation. They also include a wide range of expense categories, such as office supplies, consulting services, internet and mobile phones, subscriptions and training.

Due to its diverse nature, employee expenses can easily get out of control. Organizations often lack real-time visibility into these expenses until after they've been incurred.

91% **of respondents feel in control of employee spending.**

59% **worry about employee spending going over budget.**

HALF **feel their business has gone over budget because of out-of-control employee spending.**

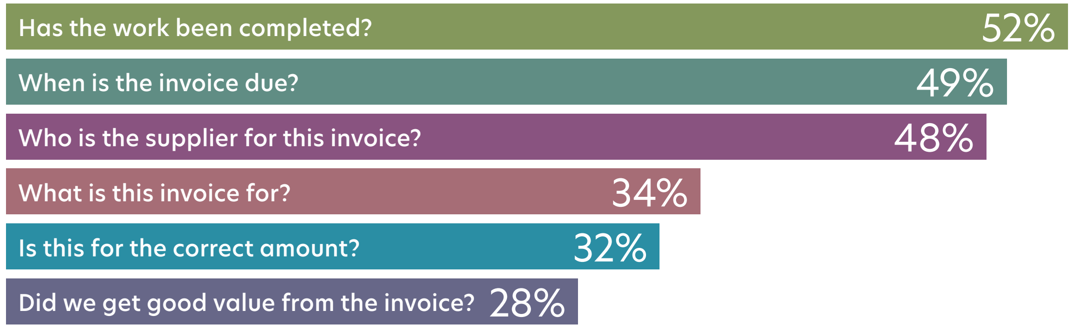
Striking the right balance between control and employee flexibility is crucial. Managing employee-initiated spend requires visibility, compliance, and control—all while empowering employees to handle expenses efficiently.

You're getting robbed of time, too.

Every workplace relies on efficient, productive employees to help ensure the business is operating at its full potential. While it is often a combination of personal and environmental factors that make it challenging for employees to stay focused and productive, low-value work can impact productivity and employee job satisfaction.

As many as 87% of finance professionals are responsible for replying to vendor emails, answering an average of 28 such emails each day. This translates to an average of six hours a week replying to vendor inquiries about invoices.

You're wasting nearly a full day each week answering questions that could be answered for you:



While these inquiries are innocent emails from suppliers looking to be paid, this randomized deluge of communications is a burden on a finance team that should be focused on making accurate payments and closing out the month. These teams are forced to choose between risking supplier satisfaction and making on-time payments, and they have an overwhelming load of tasks to keep businesses on track.

In addition to supplier inquiries, the finance team frequently steps in to review invoices. On average, 30% of invoices require manual intervention from the finance team.

AI-powered assistants can be used to answer common invoice questions—providing suppliers and approvers immediate, accurate answers and reducing the burden on finance teams, while increasing responsiveness to stakeholders.

Let's turn churn and burn around.

Finance leaders seem to be bucking the "Big Stay" trend of prioritizing stability at work. According to our data, it seems finance professionals are a particular flight risk.

58% of finance professionals in the US are looking for a new job.

71% in the UK are seeking new employment.

55% Why? More than half said they are burned out.

Finance positions may also be harder to fill with younger generations of employees. When asked, 40% of finance professionals wouldn't recommend that the younger generation get a job in finance. Why?

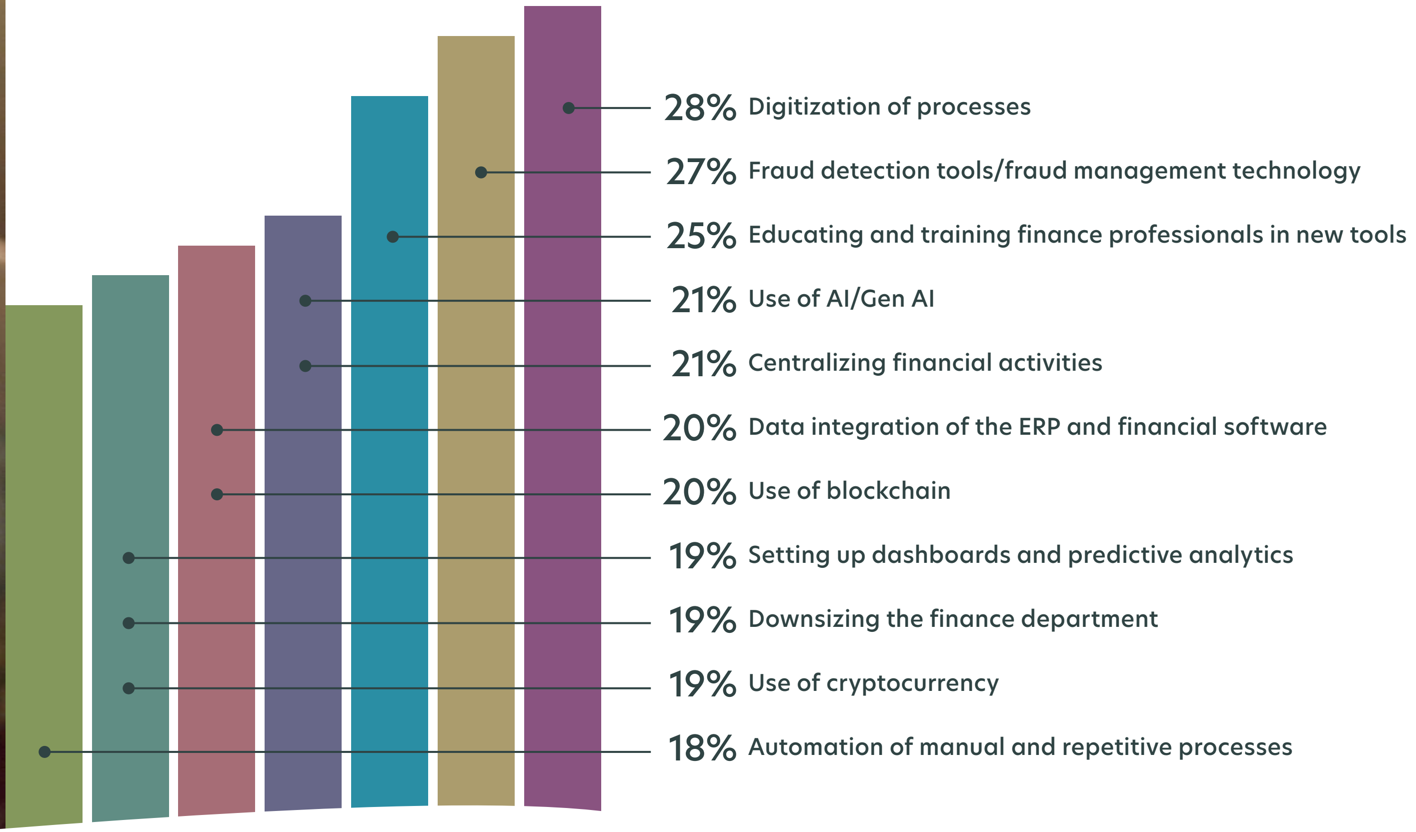
However, finance teams identified automation as the solution to their biggest issues. Implemented correctly, automation can identify fraud, speed up payments, reduce mundane tasks, improve collaboration, and make the month-end process better. When asked about the impacts of automation on the role of the finance professional, our respondents said:

Let’s turn churn and burn around.

The good news is that as a result of automation, half (54%) of finance professionals have more time for innovative strategies and can perform different activities than before, thanks to automation or working completely digitally with no more paper processes.

It also means that half do not have that kind of time.

When asked what initiatives they’d most like to see in the next three years, respondents said:



The future is autonomous.

For our customers, the old way of processing invoices in a simple rules- and template-based system just doesn't allow them to efficiently and effectively control spending, reduce risk, improve productivity, or address complex issues, like three-way matching or regulatory/compliance issues.

In the invoice-to-pay process there are inherent risks—risks of fraud, risks of duplicate payments, risks of late payments, risks of non-compliance or tax issues. And then there's the risk of employee attrition, because companies have talent management and retention to contend with, too.

The solution lies in rethinking how these processes have always worked, focusing on the outcomes businesses need, then delivering the tools that drive innovation and growth.

Finance teams shouldn't ever have to touch an invoice. Ever. Using intelligent technologies like AI and machine learning, they can turn email, eInvoices, PDF, XML, and paper invoices into simple, secure, automated processes, ultimately reducing risk.

The real promise of AI and machine learning in AP is not streamlining processes, it's eliminating them.

With the growth of cloud technology and standard best-of- breed solutions that don't require customizations, businesses can avoid the time and cost of application integration with pre-packaged and fully managed integrations.

There are a lot of choices when it comes to AP solutions, but to get beyond basic automation with a company rated equally high by both customers and analysts—a company redefining how AP should work helping minimize risk—turn to Medius.

10 Ways AI can impact your financial processes:

- Data capture
- Coding
- Approved identification
- Categorization of document sent along with invoices
- 2 and 3-way matching
- Repeat tasks (machine learning algorithms)
- Balance sheet forecasts (analytics)
- Compliance sanctions screening
- Fraud detection
- Identification of errors

About Medius

By linking invoice capture, processing, and payments, Medius replaces the worry and wondering of AP management with calm and confidence. With one look at a demo, you'll see how Medius solutions turn endless email, PDF, and paper invoices into a simple, secure, automated process—but that's just the beginning. Medius goes far beyond basic automation, putting artificial intelligence to work, so invoices get coded, approved, and paid. Your business gets the transparency to see exactly what's pending and what's paid, so you can be confident your forecasts are spot on and there's virtually no chance of fraud from fake invoices. And you won't have to worry about high implementation costs and consultants, because you'll start seeing the value immediately and the innovation won't stop. Learn more at medius.com.