AppZen and Regulatory Compliance

How AI-powered spend auditing helps you comply with spend regulations

Even best-in-class AP processes have regulatory violations

You may have a best-in-class accounts payable process, but if you're not auditing 100 percent of spend prior to disbursement, you may have regulatory violations - such as bribery, export controls, money laundering, and more - lurking in your payments. These can take the form of cash, stock, gifts, meals, or anything of value, and show up in expenses, invoices, purchase requisitions and orders, and even contracts. Below are six important ones.

Violation	Sample regulations	Sample authorities	Sample penalties
Sanctioned entities	US Trading with the Enemy Act, UK Policing and Crime Act	US Office of Foreign Assets Control (OFAC), UK HM Treasury Office of Financial Sanctions Implementation (OFSI)	Civil and criminal penalties of up to $1M per violation, plus prison time (US)
Debarred entities	US Rehabilitation Act, Vietnam Era Veterans' Readjustment Assistance Act	US Department of Labor, Office of Federal Contract Compliance Programs (OFCCP)	Transaction or payment annulment or termination, or other remedies (US)
Export controlled entities	US Export Administration Regulations, UK Export Control Act	US Bureau of Industry and Security, UK Department of International Trade Export Control Joint Unit (ECJU)	Administrative and criminal penalties of up to $1.3M per violation, plus prison time (US)
Foreign entities	US Foreign Corrupt Practices Act (FCPA), UK Bribery Act, OECD Anti-Bribery Convention	US Department of Justice, US Securities and Exchange Commission, UK Ministry of Justice	Civil and criminal penalties of up to hundreds of millions of dollars, plus prison time (US)
Politically-exposed entities	US Patriot Act, Canada Proceeds of Crime, Terrorist Financing Act, UK Money Laundering Regulations, EU Directive 2006/70/EC	US Department of Justice Financial Action Task Force (FATF), US Department of the Treasury, UK Financial Conduct Authority Office for Professional Body Anti-Money Laundering Supervision (OPBAS)	Civil and criminal penalties of up to hundreds of millions of dollars, plus prison time (US)
Healthcare providers	US Sunshine Act, France Loi Bertrand, UK ABPI Code of Practice, UK Medicines Act, EU EFPIA Patient Organisation Code	US Centers for Medicare and Medicaid Services, UK Association of the British Pharmaceutical Industry (ABPI), Germany LeitlinienWatch, France Ordre National des Medecins	Civil penalties of up to $1,150,000 per violation (US)

The downside of non-compliance

The downside of non-compliance with spend regulations is significant. Depending on the infraction and its magnitude, your organization and its principals may be subject to civil and criminal penalties, and even prison time. While minimum penalties may not seem overwhelming, companies have paid hefty fines and suffered massive reputational damage for their roles in violating the law. Take the US Foreign Corrupt Practices Act of 1977. In the last five years alone, companies have paid more than $8 billion in monetary sanctions for violating the regulation, with an average sanction in the past year totaling $233 million, according to Stanford Law School. The average FCPA investigation lasts about three years and can take a huge toll on your reputation, business prospects, and employee morale.

Requirements for spend regulatory compliance

When it comes to finding regulatory violations in your expenses and payables, these five capabilities are critical requirements for any solution.

1. Audit 100 percent of spend
2. Review transactions prior to payment
3. Validate people and organizations against regulatory data sources
4. Identify spend anomalies that can signal violations
5. Flag potential violations for manual review

How AppZen AI works in enabling regulatory compliance

AppZen delivers the world's leading AI platform for modern finance teams. Starting with business spend, we automate manual process, uncover problems, and optimize decisions for enterprises around the globe.

AppZen helps your team comply with spend regulations by using AI to audit all of your organization's spend in real time, prior to payment. The AppZen Platform integrates with your expense management and invoice automation systems and, if applicable, other business systems such as contract management and enterprise resource planning. For organizations with multiple back-office applications, this integration can be powerful not just for complying with regulations but also for complying with corporate policies and contracts, reducing spend, and streamlining process.

As employees and suppliers submit their expense and invoice transactions for payment, our platform extracts and makes sense of key information from your unstructured documents like

receipts, contracts, and invoices; augments the information with data from your internal business systems and thousands of online sources, including merchant databases, pricing information, and regulatory data sources; assigns a risk score to each transaction based on its likelihood of containing errors, waste, fraud, or non-compliance; and flags high-risk transactions for manual review. Because you can configure AppZen to approve low-risk transactions automatically, you can isolate just the high-risk spend for your reviewers, allowing them to focus their attention only on items that matter.

Star Match™, your secret weapon in finding regulatory violations in your spend

Star Match™ is a key ingredient in the AppZen spend auditing process. Powered by AI, Star Match cross-references an unlimited number of data points from your documents, internal business systems, and online sources to bring greater precision to your spend approval process than ever before. Star Match plays a critical role in finding regulatory violations because it can verify the people and organizations named in your spend transactions (attendees at business lunches and dinners, gift recipients, and suppliers and named entities in invoices and contracts) against all relevant regulatory data sources, in real time, before you disburse payment.

How AppZen addresses the requirements

Finance teams face an impossible dilemma: Audit all spend against regulatory data sources and for spend anomalies prior to payment, incurring impossibly high costs and delaying payments, or audit only a fraction of spend post-payment, knowing you'll miss violations. Enterprises process thousands of expense reports and tens of thousands of invoices every month, so reviewing every transaction isn't just impractical; it's impossible at that scale. However, powered by AI, the AppZen Platform uniquely enables you to audit all of your spend transactions in real time and in a scalable way. Only AppZen addresses the five requirements above. Here's how.

Requirement	AppZen's response
Audit 100 percent of spend	The AppZen Platform audits all of your spend automatically and in real time. We assign a risk score to every transaction, giving you the option to auto-approve low-risk spend, vastly reducing the number of items requiring manual review.
Review transactions prior to payment	Because the AppZen Platform audits every transaction in real time and only flags the high-risk spend for manual review, you are able to review payments before you pay.
Validate people and organizations against regulatory data sources	AI-powered Star Match verifies the people and organizations in your spend against all relevant regulatory data sources, automatically and in real time.
Identify spend anomalies that can signal violations	The AppZen Platform uses AI to flag anomalous spend and payments to unknown or risky suppliers.
Flag potential violations for manual review	Because the AppZen Platform assigns a risk score to every transaction, you can auto-approve low-risk spend and flag high-risk items, like potential regulatory violations, for manual review.

Key regulatory data sources

Using Star Match to verify people and organizations against key regulatory data sources, the AppZen Platform allows you to flag violations immediately. Here are the sources we include in the process, and we continually consider new additions as our customers request new sources.

Violation	Regulatory data sources
Sanctioned entities	• US Treasury's Office of Foreign Assets Control's online directory of sanctioned individuals, groups, and entities, such as terrorists and narcotics traffickers that are not country-specific • US Treasury's Office of Foreign Assets Control's online directory of foreign sanctions evaders
Debarred entities	• US Department of State's online directory of statutorily debarred parties, including people prohibited from participating directly or indirectly in the export of defense articles (including technical data) and defense services • US Department of Labor's Office of Federal Contract Compliance Programs's online directory of entities that have been declared ineligible to receive Federal contracts • US Department of State's online directory of people deemed by the United States to be connected to a terrorist organization • U.S. Department of the Treasury's Office of the Comptroller of the Currency • World Bank list of debarred companies • Australian Consolidated Sanctions List • GSA System for Award Management (SAM) Federal government active exclusion records
Export controlled entities	• US Department of Commerce's Bureau of Industry and Security's online directory of denied persons, including people and companies with denied export privileges • US Department of Commerce's Bureau of Industry and Security's online directory of unverified persons, including names and countries of foreign persons who in the past were parties to a transaction that BIS couldn't do a pre-license check or post-shipment verification for reasons outside of the government's control • US Department of Commerce's Bureau of Industry and Security's online directory of entities whose presence in a transaction can trigger a supplemental license requirement
Foreign entities	• US Central Intelligence Agency's online directory of chiefs of state and cabinet members of foreign governments • US Department of State's online directory of diplomatic posts and foreign missions • WikiProject every politician, an online directory of all elected representatives, from national to local level
Politically-exposed entities	• US Treasury's Office of Foreign Assets Control's online directory of specially designated nationals (SDNs), including individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries • WikiProject every politician, an online directory of all elected representatives, from national to local level
Healthcare providers	• US Department of Health and Human Services's Centers for Medicare and Medicaid Services's National Provider Identifier, an online registry of healthcare provider organizations and individuals

	• US Department of Health and Human Services's Office of Inspector General's Most Wanted Fugitives, an online directory of fugitives with charges related to health care fraud and abuse

About AppZen

AppZen delivers the world's leading AI platform for modern finance teams. Starting with business spend, we automate manual process, uncover problems, and optimize decision making for enterprises around the globe, including 25 percent of the Fortune 500. Our platform combines patented deep learning, computer vision, and semantic analysis with intelligence from thousands of online data sources to understand financial transactions in business context and make decisions *before those transactions happen*. AppZen is a must have for CFOs and their teams to reduce spend, comply with policy, and streamline process.

Since we released our platform in 2016, over 1,500 enterprises have standardized on AppZen, including three of the top ten banks, four of the top ten media companies, three of the top ten pharmaceutical manufacturers, two of the top five aerospace companies, and five of the top ten software providers.