AI agents inside the procurement department

Who prepares, who decides, and what never reaches a supplier on an agent's word

IN BRIEF

01 Procurement is the department where agents are sold with the boldest act attached: to negotiate with suppliers and to apply the award. It is also the department where two things are well documented.

02 The first is money sent to a changed supplier bank account. The FBI's complaint centre recorded 3.05 billion dollars of losses to business email compromise in 2025. It defines that crime as one "targeting businesses or individuals working with suppliers". A car parts maker's payment fraud, two councils' losses and an Australian audit finding are on the public record.

03 The second is the tender. A public buyer must treat bidders equally and keep a record that justifies the decision. One bidder has already gone to court over a buyer's use of AI in an evaluation.

04 The vendors know this. One counts "2,500+ autonomous negotiations to date" and says of the award: "Your team makes the final call". One large vendor's agent sends no email to a supplier unless the customer configures it to. The public templates are less careful. Of 14 we opened, 4 have a step where a person approves before something is sent, ordered or paid.

05 This paper is about the team that buys for the organisation: purchase requests, sourcing and tenders, supplier onboarding, supplier risk, contracts and renewals, orders, spend and categories, supplier performance, and the running of the department. It ends with seven questions for any vendor and a place to start. Matching and paying invoices is in the finance paper.

06 The position throughout is simple, and it has five parts. Agents prepare and a named buyer decides. Read tools are kept apart from change tools. Change tools are held for approval. Every call is recorded. And the whole thing runs where the bids, prices and supplier records already are. No agent negotiates with a supplier, sends anything to a supplier, scores or ranks a bid, awards, creates or approves a purchase order, onboards a supplier, or changes a supplier's bank details.

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PART 01

Where procurement departments are today

3.05 billion dollars

losses to business email compromise reported to the FBI's Internet Crime Complaint Center in 2025

The vendors have arrived, and they sell negotiation. We found no named, dated, independently measured result for a procurement agent, and this paper quotes none as proof.

Several put a person at the award, on the same page. This is the clearest pattern in the pages we opened.

- Pactum's page counts "2,500+ autonomous negotiations to date" and describes a saving in a single negotiation "with zero buyer involvement". Its picture of the process ends at the contract award: "Your team makes the final call" [1].
- Keelvar says its agents can "engage suppliers, run the negotiation, analyze bids, and recommend an award". The same sentence ends "with humans setting the rules and approving outcomes" [2].
- Globality says that in one mode its agent "selects the negotiation type and messages with suppliers on your behalf". On the award it says the agent "recommends an award scenario with the reasoning behind it" [3].

One suite applies the award itself, and makes approval a setting. Oracle's page for two agent templates says: "When the negotiation closes, awards are automatically applied". It goes on: "When approvals are enabled, the award is submitted for approval". Among its tips, it suggests making the negotiation owner the first approver "to ensure a human reviews the autonomously created negotiations and awards" [4].

One large vendor starts from review. Microsoft's page on the procurement agent in its supply chain product says of follow-up emails to suppliers: "The system doesn't send emails automatically, unless you explicitly configure it to do so. You're responsible for reviewing and sending each email." It adds: "The generated content should never be used without manual review or supervision" [5].

Some leave the line to the customer. JAGGAER's page promises "a human at every approval checkpoint" [6]. Levelpath's says: "Define where Ranger can act independently and where they escalate" [7].

These are different answers, and a head of procurement should know which one the business is buying.

Hosting is the question none of these pages answers. We searched each vendor page above for a statement that the agent runs on the customer's own infrastructure and found none. That is not proof that no vendor offers it. It means the buyer has to ask.

The best documented loss is a payment to a changed bank account. The FBI's Internet Crime Complaint Center defines business email compromise as "a scam targeting businesses or individuals working with suppliers and/or businesses regularly performing wire transfer payments". Its report for 2025 records losses of 3.05 billion dollars to that crime, against 2.77 billion in 2024 and 2.95 billion in 2023. It adds: "In 2025, businesses reported losses over $30 million to BEC scams involving AI" [10]. Most of this loss still needs no AI at all.

The victims are ordinary buyers. In September 2019 the car parts maker Toyota Boshoku announced "fraudulent payment directions from a malicious third party" at a European subsidiary, with an expected loss of "Approximately 4 billion yen maximum" [11]. A New Zealand district council paid 100,600.30 New Zealand dollars into a fraudulent account after it received a request to change a supplier's bank details, and made the change. The money came back. A manager said: "We have since added extra measures to our verification process" [12]. An English district council lost 52,000 pounds in 2023 after scammers took over a supplier's email account and sent a change of bank details [13]. Western Australia's auditor general describes a local body that paid about 350,000 dollars to an unknown third party after a supplier's account details were changed in its finance system [14].

An agent that changes a supplier record on the strength of a message is the same door with nobody standing at it.

The second risk is the tender nobody can explain. In July 2026 a bidder, Trax International, asked the United States Court of Federal Claims to make the Army look again at an award of roughly 450 million dollars. Its complaint, as reported, called a weakness found in its bid a "classic AI hallucination, with made-up references to TRAX's proposal, that no one on the [Source Selection Evaluation Board] checked" [15]. These are allegations. A legal news service later reported that the court ruled against the bidder, saying it had not connected the Army's use of AI to any error in the evaluation [16]. The bidder lost. Its question will be asked again: who checked what the machine wrote?

What the published accounts leave out. We found no public account of a procurement agent that placed a wrong order or changed a supplier's bank details, and we do not claim one. The frauds above were carried out against people. We opened no original survey of how many procurement teams use agents, and could not open the original publication of one large retailer's widely cited negotiation pilot. This paper prints no number from either.

PART 02

What the public templates do

4 of 14

public procurement templates and examples we opened have a step where a person approves before something is sent, ordered or paid

We opened 14 public templates and examples for procurement work, from workflow platforms, two vendors' documentation and two developer guides. We read each for one thing: is there a step where a person approves before something is sent to a supplier, ordered or paid?

WHAT THE TEMPLATE DOES	DOES A PERSON APPROVE FIRST?
Runs a negotiation between agents over supplier offers, then recommends to approve, escalate or reject	**Only when the agent chooses to escalate**
Reads approved requisitions on a schedule and creates the purchase order record	**No step. Extra approval for high-value purchases is listed as an add-on**
Sorts each requisition into a category and marks some "auto-approved and ready for ERP routing"	**Only for the rest, which go to "pending manual review"**
Gives an agent a tool that places a purchase order after a budget check	**No. The budget check is the only gate**
Drafts a tender document from past projects	**Yes. It "waits for a manager approval webhook"**
Drafts a reply to a supplier's quote and "sends the draft response for approval"	**Yes. "If rejected, the agent deletes the draft response"**

The count. 4 of the 14 have an approval step as part of the template, and one of those four is a developer framework's guide, not a procurement template. 7 have a person on some paths only, or as a setting. 3 have none [8] [9].

Two findings matter more than the count. First, approval is often an idea, not a step. One template that creates purchase order records lists "Route high-value purchases for additional approval" among the things a user could add later [8].

Second, where a template does hold something back, the test is often the model's own opinion. In one, an agent may "recommend auto-approve, escalate, or reject", and a person is asked only on the second path. In another, the model's confidence in its own sorting decides which requisitions skip review [8].

A confidence score is a setting. Whoever sets it has written a delegation of authority, whether or not the head of procurement knows.

PART 03

Three doors, one gate

An agent is only as useful as what it can reach. In a procurement department that means three kinds of thing.

Documents.

The procurement policy, the delegation of authority, tender templates, framework agreements, signed contracts and past award records. These are indexed once as knowledge sources, with each reader's permissions kept, so a colleague outside a tender does not reach a bid through an agent.

Systems of record.

The purchasing system, the supplier master, the contract store, a company registry, a sanctions list. Most are reached through an interface the organisation already runs. The organisation gives the platform the description of that interface and picks which operations become tools.

Files and outside sources.

A bid, a supplier's questionnaire, a certificate or a spend export arrives as a file. Document stores, reporting databases and web search are reached through MCP servers deployed in the organisation's own cluster.

All three pass one gate: every tool call is checked against the organisation's policy, which can allow it, record it, hold it for a person's approval, or block it.

FOUR WAYS INTO A PROCUREMENT DEPARTMENT'S SYSTEMS

	ROUTE	WHAT IT REACHES	WHAT TO KNOW
01	**A file the user uploads**	A purchase request, a bid, a questionnaire, a certificate, a spend export	Nothing is connected. The safest start
02	**A knowledge source**	The policy, the delegation of authority, templates, contracts, past award records	Permissions are kept per reader
03	**An imported description of an interface**	The purchasing system, the supplier master, a company registry, a sanctions list	The organisation picks the operations. Changes wait for approval
04	**An MCP server, deployed in the organisation's cluster**	Document stores, reporting databases, tickets, web search	It runs inside. Check what each tool does

PART 03 · CONTINUED

3,148

operations sent as changes, out of 5,529, in the public procurement interface descriptions we imported (157 files read)

What is published. We ran Katonic's importer on 157 public interface descriptions from publishers of systems a procurement department uses. 146 import as they are, 7 are over the 5 MB import limit and 4 are refused, because each holds characters the importer cannot read. The 146 give 5,529 operations. 2,381 read, and 3,148 are sent as changes. The method alone cannot tell which of those only read. The counts are per file, and some publishers split one system into several files or list several versions [18].

Who the publishers are. Payment and card systems, accounting systems with purchase orders, e-signature and contract tools, e-invoicing and tax services, marketplaces, carriers, public tender and registry services, one sanctions data service, one invoicing network and one enterprise suite.

What that exercise taught us. More than half of the operations change something. That is the reason for the approval rule, and for giving an agent the read operations and nothing else.

Most large suites publish nothing. Most of the large source-to-pay suites publish no description a file address reaches. For those, the description comes from the organisation's own system, or the agent reads a report or an uploaded file. The one enterprise suite that does publish openly publishes files 13 to 19 times the import limit. A description over the limit is imported in the part the organisation needs.

So pick the operations at import, read what each one does, and start with the ones that only read.

PART 04

What an agent may do

One rule runs through every agent in this paper: it prepares, and a named buyer decides.

01	**It reads** the requests, bids, contracts and records it has been given, through read tools only.
02	**It drafts** the specification, the comparison, the summary, the report, with the document and the page behind each statement.
03	**It lists** what is missing from a file, what departs from the policy, and what falls due.
04	**It says when it found nothing.** It is built not to fill a gap from memory.
05	**It stops** before anything that changes an order, a record or a system, and before anything that leaves the building. A tool that changes something waits for approval unless the organisation has decided otherwise for that tool.
06	**It decides nothing about a supplier.**

PART 04 · CONTINUED

That gives 35 agents in nine areas. The full list is a separate document.

AREA	AGENTS	WHAT THEY PREPARE	WHO DECIDES
Requests and intake	4	The category and buying route for a request; answers from the policy; a draft specification	The buyer
Sourcing and tenders	4	Draft tender documents; a supplier longlist; draft answers to bidders; bids side by side against the criteria	The buyer and the evaluation panel
Supplier onboarding	4	What a supplier's file is missing; the checks on a bank detail request; possible sanctions matches	The supplier manager and the compliance officer
Supplier risk	4	A summary of one supplier; gaps in a questionnaire; goods bought from one source only	The supplier manager and the category manager
Contracts and renewals	4	Departures from the playbook; a contract summary; renewal and notice dates	A lawyer, the buyer and the contract owner
Orders	3	A purchase order made ready; differences in a confirmation; late or short deliveries	The buyer approves and issues
Spend and categories	4	A proposed category for each line; the spend report; purchases outside an agreement	The category manager
Supplier performance	4	The scorecard filled from the records; the review pack; missed service levels	The supplier manager and the contract manager
Running the department	4	The draft award record; missing declarations; audit evidence; the savings report	The panel chair and the head of procurement

Four lines are drawn tighter than the rest.

Supplier bank details.

For a request to change a supplier's bank details, an agent may list the checks the organisation's own procedure requires and whether each is on record for that request. It changes nothing, and it does not establish who sent the request. A person checks with the supplier by the route the procedure gives, and a person changes the record.

Suppliers.

Nothing reaches a supplier on an agent's word. An agent may draft an answer to a bidder's question or a follow-up to a questionnaire. A buyer approves it and sends it. No agent negotiates, and no agent deals with another party's agent.

Tenders.

An agent may lay the bids side by side against the published criteria, with the page of each bid behind every entry. It gives no score and ranks nobody. The panel scores and decides. The award record is drafted from the panel's own scores and notes, and the agent adds no reason the panel did not give.

Screening.

An agent may compare a supplier's name, owners and country with the sanctions and debarment lists the organisation uses, and list possible matches. The compliance officer decides whether a match is real and what follows.

PART 05

What the rules already ask

This part needs a read by the organisation's own lawyers and auditors before it is relied on. It reports what the published texts say; it is a summary, not legal advice. Nothing in it says that a platform makes an organisation compliant. Whether a rule applies depends on the organisation's sector, size and country, and on whether it is a public buyer.

A public tender is decided on the criteria, and the reasons are kept

In the European Union, equal treatment comes first. The public procurement Directive says: "Contracting authorities shall treat economic operators equally and without discrimination and shall act in a transparent and proportionate manner."

The record must justify the decision. Buyers must "document the progress of all procurement procedures, whether or not those are conducted by electronic means", and keep "sufficient documentation to justify decisions taken in all stages of the procurement procedure". Every contract needs a written report [19].

The Directive names one automatic method. It is the electronic auction, which comes "after an initial full evaluation of the tenders". Work such as design, "which cannot be ranked using automatic evaluation methods", is kept out of auctions [19]. The text does not mention AI. A score still has to be one a person can justify.

The United Kingdom and the United States say much the same. The Procurement Act 2023 says a buyer "must treat suppliers the same unless a difference between the suppliers justifies different treatment" [20]. The United States federal rules say an agency assesses proposals "solely on the factors and subfactors specified in the solicitation", and that the strengths, weaknesses and risks behind the evaluation "shall be documented in the contract file" [21].

Suppliers' own use of AI

United Kingdom guidance tells public buyers to plan for "a general increase in activity" as suppliers use AI to write bids. It says "suppliers' use of AI is not prohibited during the commercial process", and that its example disclosure questions "should not be scored or taken into account when assessing a tender" [17].

Competition rules reach algorithms

The European Commission's guidelines on agreements between competitors say: "Bid rigging is one of the most serious restrictions of competition, constituting a restriction by object". They say information can pass between competitors "indirectly, by or through a third party (such as a service provider, platform, online tool or algorithm)" [22]. Staff of the United Kingdom's competition authority wrote in March 2026 that AI systems "may learn to reach coordinated outcomes, even without human intent to collude" [23]. No agent in this paper sets a price or deals with another party's agent.

Bribery and sanctions: due diligence on suppliers

Bribery. Under the United Kingdom's Bribery Act, a company whose associate pays a bribe has a defence if it proves it "had in place adequate procedures designed to prevent persons associated with C from undertaking such conduct" [24].

Sanctions. The United States sanctions office says a compliance programme should have "at least five essential components": "(1) management commitment; (2) risk assessment; (3) internal controls; (4) testing and auditing; and (5) training" [25]. A list of possible matches feeds those controls. It is not the decision.

PART 05 · CONTINUED

Supply chain due diligence, with its current dates

The European Union's due diligence Directive has moved. As amended in February 2026, it covers a European Union company that "had more than 5 000 employees on average and had a net worldwide turnover of more than EUR 1 500 000 000". Member States "shall apply those measures from 26 July 2029", with one article applying later. Its recitals name "purchasing practices" among the things a company should adapt [26].

Forced labour. A separate Regulation says operators "shall not place or make available on the Union market products that are made with forced labour". Its text says: "It shall apply from 14 December 2027" [27].

The AI Act

We found no procurement entry on the high-risk list. Two entries could still catch a procurement use. One covers systems meant "to monitor and evaluate the performance and behaviour of persons" at work. The other covers systems "intended to be used to evaluate the creditworthiness of natural persons or establish their credit score" [28]. An agent that scored buyers, or scored the credit of a supplier who is a sole trader, could fall there. Whether an entry catches a particular use is for counsel.

The dates have moved. Regulation (EU) 2026/1744 says the high-risk rules apply from "2 December 2027 as regards AI systems classified as high-risk pursuant to Article 6(2) and Annex III" and from 2 August 2028 for those under Article 6(1) and Annex I [29].

Segregation of duties

The person who requests, the person who approves and the person who changes a supplier record should not be one person. The United States catalogue of security controls puts it this way: "Separation of duties includes dividing mission or business functions and support functions among different individuals or roles". It asks organisations to "Define system access authorizations to support separation of duties" [30].

An auditor will ask the same of an agent. Can one agent account request, approve and change? Is each approval recorded against a named person?

PLACE	WHAT WE READ	WHAT IT ASKS
European Union, public buyers	Directive 2014/24/EU, Articles 18, 35 and 84	Equal treatment, and "sufficient documentation to justify decisions" [19]
United Kingdom, public buyers	Procurement Act 2023, section 12; guidance note PPN 017	Suppliers treated the same; AI disclosure "should not be scored" [20] [17]
United States, federal buyers	Federal Acquisition Regulation 15.305	Evaluation "solely on the factors and subfactors specified" [21]
European Union	Guidelines on horizontal agreements	Bid rigging is "a restriction by object" [22]
United Kingdom	Bribery Act 2010, section 7	"adequate procedures" [24]
European Union, large companies	Directive (EU) 2024/1760 as amended by Directive (EU) 2026/470	Due diligence duties applied "from 26 July 2029" [26]

We did not open the OECD guidance on bid rigging, the audit standard behind SOX reviews, the COSO framework, the German supply chain law, the GDPR, or any Gulf, Singapore, Australian or Indian rule. An organisation should check each with its own advisers.

PART 05 · CONTINUED

What the rules have in common

01	**A tender is scored on the published criteria,** by people who can give their reasons.
02	**The record of the decision is kept,** and it is the panel's record.
03	**Due diligence on a supplier is the organisation's duty,** and a person decides what a finding means.
04	**Duties are divided.** Whoever asks does not approve, and whoever approves does not change the record.

PART 06

A worked example: one mid-sized group's procurement team

Take a made-up manufacturing group: 4,100 staff, a procurement team of 14, and about 2,600 active suppliers. Nothing here is a customer's story, and every figure is illustrative; it is section 4 put to work.

01

At intake, 180 purchase requests arrive in a week. The agent proposes the category and the buying route for each, and lists what is missing from 41. A buyer confirms or corrects each one.

02

On a bank detail request, a message asks to change one supplier's account. The agent lists the five checks the procedure requires and shows that two are on record. A member of the team calls the supplier on the number already on file, completes the other three, and changes the record. A second person approves the change.

03

In a tender, six bids arrive for a packaging contract. The agent lays them side by side against the nine published criteria, with the page behind each entry. The panel scores each bid and decides.

04

On onboarding, 23 new supplier files come in during the month. The agent finds eight with a missing or expired certificate and lists three possible sanctions matches. The compliance officer clears two and escalates one.

05

Before a renewal, the agent lists 17 contracts with a notice date in the next quarter, with the clause that sets each. The contract owners decide each one.

Every one of these changes nothing by itself, sends nothing to a supplier, and leaves a record of who asked, which tool ran and what was decided.

PART 07

Seven questions before an agent touches a tender

01 **Where does it run?**
On our infrastructure, in our private cloud, or in the vendor's service? Where is the model? Does any step send bids, prices or supplier records elsewhere, and which?

02 **What can it read?**
Does it keep each reader's permissions, or does it read every tender as one all-seeing account?

03 **What can it change?**
List every tool that creates, approves, awards, orders, pays, onboards or edits a supplier record. Is each one separate from the read tools, and does each wait for a person?

04 **What can it send?**
Show us every path by which a message, a document or a price reaches a supplier. Is each held for a named buyer?

05 **Who approves, and is there a value or a score below which nobody does?**
Show us every threshold, who set it, and whether the model rates its own work.

06 **What is recorded?**
Who asked, which tool ran, what was decided, for how long is that kept, and can it go into the tender file?

07 **Can we stop it?**
One agent, one tool or one server, at once, by us.

PART 08

Where to start

Pick work where reading is slow, the decision stays with a buyer, and nothing reaches a supplier on the agent's word.

Procurement policy questions and answers
Colleagues ask what the policy says and get the answer with the paragraph cited. No order or supplier is touched.

Purchase request triage
The agent proposes the category and the buying route for each request. A buyer confirms.

Supplier onboarding file check
The agent lists what a new supplier's file is missing. The supplier manager approves.

One team, one category, invented data first. Then beside the manual process, measured against it.

About Katonic AI

Katonic AI builds the platform that organisations use to build, run and govern AI agents on their own infrastructure: in their own data centre, in a private or sovereign cloud, or with no connection to the internet at all. The platform is in production with governments, banks, telecom operators and utilities. Katonic is certified to ISO 27001.

KATONIC.AI/SOLUTIONS/PROCUREMENT

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