

5 ways to prevent accounts payable FRAUD

According to the Association of Certified Fraud Examiners, the typical organization loses 5% of its revenue each year to fraud.* And that's just the occurrences that are detected and reported. Accounts Payable is at a high risk for fraud, because that's where your organization funnels its money to pay vendors. Here's what you can do to help prevent AP fraud.

1

STOP ISSUING CHECK PAYMENTS.

Checks still represent the greatest number of corporate payment transactions. According to the Association for Financial Professionals, 82% of organizations report that checks were the primary target for fraud attacks at their companies.** From the moment they're issued, check payments are a high risk for fraud.

2

IMPLEMENT POSITIVE PAY.

If you must issue some checks, implement a positive pay program with your bank. With positive pay, you forward a check issue file to your bank for each check run. Before your bank honors a check, it matches the check against your check issue file. If the check isn't there or if the check information doesn't match the file, the bank notifies you so that you can authorize or decline the check payment.

3

VERIFY VENDOR DATA.

Periodically review vendor contact information for accuracy in your vendor master file. Red flags for possible fraudulent activity include a "public" email address (such as Gmail or Yahoo) for the vendor; a residential address instead of a business address; a vendor address that matches one of your employee's addresses; or two or more vendors with the same contact information.

4

CONDUCT SURPRISE AUDITS.

Periodically review your AP department's policies and procedures, paying close attention to fraud detection and prevention effectiveness. Consult with your AP staff and peers to identify possible weaknesses in your fraud prevention policies and procedures.

5

SEGREGATE EMPLOYEE DUTIES.

Most employees are honest, but you must also take steps to prevent internal fraud. For example, the same employee(s) shouldn't be responsible for issuing payments and reconciling accounts. And make sure you separate the vendor set-up process from the vendor payment process.

*2014 Report to the Nations on Occupational Fraud and Abuse, Association of Certified Fraud Examiners Inc.

**2014 AFP Payments Fraud and Control Survey, Association of Financial Professionals Inc.