

Is there Money Hiding in your Accounts Payable Department?
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There may be money hiding in your accounts payable department that is available for your company to use. There are a few simple procedures you can put into place that will help you reduce or eliminate duplicate payments as well as recover the duplicate payments you might have made. Most systems can detect duplicate entries if an invoice number is put in the exact same way but if there is a digit change the system will not detect it. For example, 12345-IN is close, but not exactly the same as 12345IN (the dash is missing).

Some steps to help prevent duplicate payments are:

1. Before signing a check, verify you have an original invoice for the bill you are paying.
2. Never pay from a statement. This is where the greatest chance of duplicate payments can occur because an invoice could be put in a second time.
3. A statement is a good tool to verify that the open invoices on the vendor's books agree with the open invoices on your books. If your system and the statement do not agree, you may have check(s) that were mailed, but not received, before the statement was printed.
4. A statement is also a good tool to use to see if duplicate payments were made because they should show up as unapplied credits.
5. A statement can also be used as a tool to identify credits the vendor has given you that are not in your system because the paperwork never made it to the accounts payable department.
6. If paying an invoice where goods or services were received, verify the original packing ticket or repair order is attached to the invoice for backup.
7. If you issue purchase orders, verify the price on the purchase order is the same as the invoice.
8. If your purchasing agent negotiates a rebate, develop a way to track qualifying products to make sure you get all you are entitled to.
9. If a vendor offers 2%10 net 30 terms, not taking the discount equates to 36% APR when compounded.
10. If you make a deposit on a large purchase order, enter the deposit on the purchase order so the net amount due shows on the bottom. Compare this amount with the invoice received from the vendor.
11. If you are purchasing parts for resale or as part of the manufacturing process, you may not have to pay sales tax. Verify with your accountant what items you need to pay sales tax on or use tax if purchased out of state.
12. Develop a standardized way to enter invoice numbers for invoices that do not have an invoice number on them or the invoice number is longer than your system allows for.

If you feel you have overpaid and do not have the staff in place to verify payments were made only once, hire an outside firm to audit your accounts payable records. Usually these firms charge a percentage of the amount they find that is recoverable.

If you have any questions or concerns, please contact Steven I. Seidenberg, CPA, CITP at 847-956-1040 or email him at sis@portebrown.com.