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How to Improve Your Duplicate Payment Detection Rates

By Richard B. Lanza

If you have anything at all to do with accounts payable then you know duplicate payments happen, even in the best of systems. The goal of the accounts payable department, then, is to catch those duplicates before they make it out the door.

Why Invoices Get Paid Twice

While computers have become more intelligent in catching duplicates, unfortunately they don't catch them all. Duplicates still flourish mainly due to the following factors:

- The amount of paper that still exists in the process;
- The sheer volume of invoice processing which often is not relative to the number of support staff;
- The duplicative nature of the vendor master file;
- The ingenuity of AP staff in using workarounds to force a payment to a possible duplicate invoice;
- The pressure placed on AP staff to pay vendors in a rush fashion; and
- The poor reporting of accounts payable accounting systems.

Analyzing the Problem

The main problem with duplicate payment reports is not that they generally provide too little information but too much. For example, a report showing duplicate vendor numbers and amounts can result in between five and ten percent of everything processed by accounts payable! Such a report does identify duplicates but they are lost in a sea of repetitive lease, rental, and

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**Obliterate
Duplicate
Payments**

fixed fee payments. However, looking at this from a different angle, such a report could be used in a risk assessment strategy to help refine those duplicate reports while at the same time improving the process itself.

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Call a staff meeting to discuss what in your invoice processing is leading to duplicate payments. Use your duplicate payment report. This is not meant to be a "to ensure all associated negative amounts are included in the analysis. An even better approach is to identify situablame game" session but rather an open discussion based on the objective facts of the report which aims to improve the reports generated by these programs and controls surrounding the process. Part of the purpose of this meeting is to help the group understand exactly what can go wrong. You need to understand each step in the payables process leading to the duplicate. Try this.

- 1) Take a duplicate item in the report;
- 2) Follow all related documents, entry screens, system controls, and database processing flow to uncover weaknesses in the system;
- 3) Think of everything that can go awry with this particular transaction; and
- 4) Repeat the process a number of times using different types of transactions.

Remember, at this stage, there are no wrong answers. Include a wide variety of people in the session. Proper brainstorming can only occur when varied experiences and viewpoints are brought together. It may make sense to include people from the procurement department or from other operational functions that actually produce many of the invoices. Often those outside of the operating function may be more willing to share past mistakes.

Also consider an online survey. Some people are simply uncomfortable speaking up in the meeting due to reasons of personal confidence or office politics. Through Web surveys (i.e., zoomerang.com or survey-monkey.com), independent thought can be obtained and it also can

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help form an agenda for the meeting. [**Editor's note:** Several of the services have a free function for small surveys, typically those with fewer than 100 respondents]

Cleanse the Master Vendor File

After assessing risk and hopefully addressing the root causes that lead to duplicate payments, the next most critical activity is to cleanse the vendor master file of duplicate vendors. There is no easy way around this other than running more effective reports to identify the duplicate vendors and making the review of the database a regular habit. Considerations for such reports include:

- Remove all punctuation marks and spaces from the vendor name; change all text to upper-case; then look for duplicate vendor names.
- Do the same test as above but this time on the vendor address field.
- Analyze the file for duplicate tax ID numbers and/or phone numbers.
- Look for duplicate vendor names based on the first eight characters in the name.
- Identify duplicate addresses based on the letters (not the numbers) in the address and the zip code.

Enhance Standard Reports

AP Now's Top 100 Most Wanted Duplicate List



One of the biggest objections we here from controllers, CFOs, and accounts payable managers regarding duplicate payment audits revolves around the contingency fee. They indicate that their firms wouldn't mind paying a contingency fee for the recovery of smaller items, but to pay, say 25% for the recovery of \$100,000 or more is unthinkable in their organization. Our Top 100 is a rough cut of your payment data identifying the 100 largest possible duplicate payments.

For additional information about this service go to:

<http://ap-now.com/documents/Duptop100Flyer.pdf>

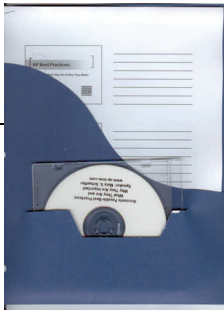
Lastly, given that the duplicate payment reports produced from accounting packages are generally less than ideal, enhance these reports and increase the "hit rate." What follows are some suggestions that should be used for maximum benefit in conjunction with the risk assessment process suggested previously:

Run the duplicate report on the absolute value of the invoice amount where two positive invoice amounts and one negative amount are removed from the report (as there is no duplicate but rather an adjustment of one payment).

Convert the invoice number into one where only the numbers within the invoice number are used. This allows comparisons on invoice numbers that were clearly adjusted prior to processing such as "123A" or "*123".

Remove vendors that commonly have legitimate duplicate amounts such as cleaning fees or rent payments. This will allow you to focus on the higher risk areas of the report. These common duplicate amounts could still be reviewed on a less frequent, more isolated basis.

Have the report take only the current week's transactions yet apply them across the last three years of payment processing. That way the report is more manageable and could form the basis of a quick



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weekly review to recover overpayments immediately prior or right after the actual payment.

Although we live in an imperfect world duplicate payments can be minimized through proven preventive techniques. By assessing risk within the process, cleansing the vendor master file, and improving duplicate payment reporting, the AP department has a much improved chance of ensuring duplicate payments are negligible. While such efforts may not eliminate the issues that cause duplicates, they do provide a much-improved safety net to catch them.

About This Article

This article first appeared in the Accounts Payable Now & Tomorrow newsletter, a monthly print publication. It contains the most current accounts payable advice from the trenches based on our reader surveys, interviews with some of the best practitioners, and the latest changes in all related specialty areas such as T&E, 1099s, unclaimed property, sales and use tax, OFAC, VAT, electronic payment alternatives etc..

About Rich Lanza

Rich helps companies identify their hidden financial assets, mostly using technology and referring them to specialists. He has a decade and a half of experience in audit technology and recovery auditing, becoming a leading authority in these areas. He works with Accounts Payable Now & Tomorrow on our data products.

Resources:

1) Duplicate Payment Diagnostic Service

<http://www.ap-now.com/dupepaymentdiagnostic.html>

2) Top 100 Most Wanted Duplicates

<http://ap-now.com/duplicatepayments.html>

3) Clean Up Your Mater Vendor File: A Step-by-Step Approach CD

<http://www.shop.ap-now.com/product.sc?categoryId=7&productId=170>

4) Master Vendor File Clean-Up Diagnostic Service

<http://www.ap-now.com/mvfdiagnostic.html>

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***The newsletter for
professionals concerned
about payment issues***



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