



CRYSTALLUS INC.

ACCOUNTS  
PAYABLE  
NOW &  
TOMORROW

*Must-have AP information to help you and your company succeed today and prepare for tomorrow.*

Mary S. Schaeffer  
Editorial Director

[www.ap-now.com](http://www.ap-now.com)

Payment Processing Diagnostic

The payment process is strewn with "opportunities" for companies to lose money through inefficient if not downright shoddy practices that lead to duplicate payments. For the most part, the professionals who run accounts payable operations know these practices should be overhauled but often don't have the political wherewithal to insist on the change. Sarbanes-Oxley has changed some of that but there is still room for improvement at many organizations. This quiz will target those areas that really need further investigation. The Diagnostics that follow the quiz will provide solutions to potential payment process problems.

### The Questions

1) Does your accounts payable staff often pay invoices that are marked copy, duplicate or second request?  Yes  No

**Potential Issue:** Paying from copies is one of the biggest causes of duplicate payments. Best-practice accounts payable departments make it a policy never to pay from copies unless extenuating circumstances are proved.

2) Do you issue more than five manual (Rush /ASAP) checks each month?  Yes  No

**Potential Issue:** Rush checks indicate a breakdown in sound invoice processing procedures. While every firm has an occasional slip up or occasional need when a check must be issued outside the normal check production cycle, more than a few indicates serious problem. Paying with rush checks outside the normal cycle is one of most common causes of duplicate payments.

3) Does your staff spend tons of time tracking down delinquent payments for vendors looking to be paid?  Yes  No

**Potential Issue:** Inefficient processes that lead to time wasted in the accounts payable department. What's more, they may often miss a payment that has been made and issue a second one.

4) Do you fail to direct vendors to send all invoices to the accounts payable department?  Yes  No

**Potential Issue:** Without clear instructions, invoices take longer than they should to get to accounts payable for payment. Not to sound like a broken record, but this often leads to a second invoice being issued — one that occasionally gets paid.

*Continued on the following page*

**Obliterate  
Duplicate  
Payments**

5) Has your company ever been put on credit hold by a key supplier because an invoice had not been paid (not because of financial difficulties)? \_\_\_\_\_ Yes \_\_\_\_\_ No

**Potential Issue:** Yikes—this one is really bad. While key suppliers can sometimes behave like pampered princesses, to get one to the point that it puts you on credit hold because of non-payment signals an almost complete breakdown in effective processing procedures. The problem is just as likely to be outside of the accounts payable department as it is within the group. However, that will not matter when manufacturing starts screaming. And, late payments tend to generate second and third invoices—which we all know occasionally get paid.

6) Do you fail to earn (and take) more than 10% of the early payment discounts your firm is entitled to? \_\_\_\_\_ Yes \_\_\_\_\_ No

**Potential Issue:** The primary issue obviously is the loss of the early payment discount, which in the current low-rate interest rate environment may represent the best investment opportunity your company has. Secondly, failure to earn early payment discounts can be symptomatic of bigger operational issues—which lead to duplicate payments.

### PRODUCING AP N&T

MARY S. SCHAEFFER  
Publisher & Editorial Director

Kathie FITZGERALD  
Managing Editor

ELIZABETH BASHUR  
Insight Design Studio  
Masthead & Website Design

JACK ALLEN  
Proofreader

WALTER JOSEPHS  
IT Manager

Please respect our copyright and do not photocopy this publication. Group discounts are available for two or more subscriptions to the same address or same organization. Call 302 836 0540 for a quote.

Federal  
Government  
CCR vendor &  
Woman-Owned  
Business

### The Answers

Once again, all the questions have the same answers. Even one response of yes is not really acceptable as these are all serious issues. When it comes to payments not only do inefficient processes cost in terms of wasted time, they often, as demonstrated above, open the door for fraudsters and duplicate or erroneous payments.

### The Diagnostics

Most of the problems discussed were symptomatic of bigger problems. To diagnose the source of your problems try the following:

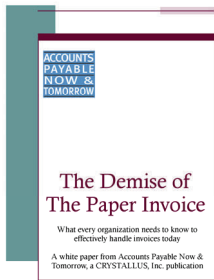
1) Begin by flow charting the process as it *should* work, including estimated time frames for each step in the transaction.

2) Then flow chart the process as it actually works including your estimates of the time actually spent on each task. Include in that second chart estimates for time spent on the various additional steps. This might include the issuing of rush checks, time spent on

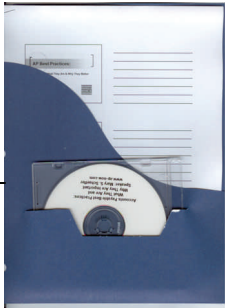
*Accounts Payable Now & Tomorrow* (ISSN: 1557-3567) is published monthly for \$329 per year by CRYSTALLUS, Inc., 171 Haut-Brion Ave., Newark, DE 19702. © 2008 Crystallus Inc. All rights reserved. A one-year subscription includes 12 monthly issues plus regular e-mail transmissions of news and updates. Periodicals postage paid at Newark, DE and additional mailing offices. Reproduction without permission is prohibited. *Accounts Payable Now & Tomorrow* does not render legal, accounting or other professional services. Legal and other expert assistance should be sought from competent professionals.



Get a 15% discount on John Wiley & Sons books, by clicking on the Wiley link on the bottom of [www.ap-now.com/links.html](http://www.ap-now.com/links.html)



\$29.95 . Details at [ap-now.com/special.html](http://ap-now.com/special.html)



calls from vendors either looking for their money or with an inquiry about a partial payment, etc.

### 3) Compare the two charts.

From your comparison you should be able to pinpoint two items.

1) By looking at those areas where the actual time spent was much longer than the ideal time you can identify those areas needing further investigation. Clearly something is going wrong and the process at that point needs to be reengineered or procedures need to be enforced.

2) Using the information gathered above estimate how much extra time is being spent on the payment process. Convert this into a dollar figure using the average salaries of the employees performing the tasks. Don't forget to include the cost for the time spent on extra tasks that the poor processes generate. Add to that any lost income (of lost discounts etc.).

As noted above, the source of the problem is often outside of accounts payable. This can make fixing the issue tricky especially if the root cause is a department or individual who is at odds with AP. Depending on where the breakdown is, you may need support from management in both your department and elsewhere.

Often the professionals handling payments know where the problem is and they really don't need to do the diagnostic suggested above. But there is a very good reason for doing it. The analysis will arm you with the data you need to enforce the necessary procedural changes to improve your payment processes. It will provide you with the metrics and ammunition to, at the very least, force a discussion if not the actual change itself. **AP N&T**

## Fabulous Fridays: Obliterate Duplicate Payments Webinars/CDs

- ◆ October 10: Preventing Duplicate Payments: A Best Practice Approach
- ◆ October 17: Using Excel to Find Duplicate Payments: A Step-by-Step Approach
- ◆ October 24: Getting the Most From A Duplicate Payment Audit Firm
- ◆ October 31: Finding Duplicate Payments Yourself: A 25-Step Low-Tech Guide

**Cost:** \$159 for each Webinar or CD; \$259 for both CD & Webinar; \$477 for all webinars or all CDs; \$777 for all webinars & CDs **Where:** Your office! **Time:** 2:00 p.m. EST

<http://ap-now.com/webinar/duplicatepayWebinars.html>

**Accounts Payable  
Now & Tomorrow**

CRYSTALLUS, Inc.  
Accounts Payable Now & Tomorrow  
560 Peoples Plaza #197  
Newark DE 19702

Phone: 302-836-0540  
Fax: 302-836-0541  
E-mail: customerservice@ap-now.com  
publisher@ap-now.com

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



CRYSTALLUS INC.

**Upcoming Webinar Schedule**

Oct. 16 **Independent Contractor or Employee?**

Nov. 5 **Special Low Cost webinar** (check web-site for topic and details)

Nov. 20 **1099 Getting Ready for Year End**

**Coming in December: Imaging webinar**  
(check website for details)

**Cost:** \$159 for each event or CD; \$259 for both  
**To register online:** ap-now.com/webinar.html  
**To request** an invoice or W-9 e-mail  
publisher@ap-now.com or call 302 836 0540

CDs available two weeks after each event

NASBA CPEs available for ALL events —including  
our special **Obliterate Duplicate Payment**  
series.

[www.ap-now.com/  
duplicatepaymentresources.html](http://www.ap-now.com/duplicatepaymentresources.html)

**Order Form**

**Accounts Payable Now & Tomorrow\***

	Price
<input type="checkbox"/> Accounts Payable Now & Tomorrow 1 year	\$329.00
<input type="checkbox"/> Accounts Payable Now & Tomorrow 2 years**	\$579.00
<input type="checkbox"/> Accounts Payable Now & Tomorrow 3 years**	\$869.00
<input type="checkbox"/> Unclaimed Property seminar _____ (fill in location)	\$495.00
<input type="checkbox"/> T&E Management Pack	\$297.00
<input type="checkbox"/> Webinar _____ (fill in name & date)	\$159.00
<input type="checkbox"/> CD _____ (fill in name )	\$159.00

Fax order to  
302 836 0541

Shipping \_\_\_\_\_  
Total: \_\_\_\_\_

Method of Payment

- Check made payable to  
CRYSTALLUS enclosed
- Visa
- MasterCard
- American Express

Mr./Ms.

Name \_\_\_\_\_

Company/title \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

E-mail Address \_\_\_\_\_

Credit Card # \_\_\_\_\_

Exp. date \_\_\_\_\_

Signature \_\_\_\_\_

\* by supplying your e-mail and fax information you agree to accept occasional solicitations from us

\*\* and get your copy of *The Future of Accounts Payable* at no extra cost

\*\*\*\$0.00 (it's on us)

DP Diag website

**Accounts Payable  
Now & Tomorrow**

560 Peoples Plaza #197  
Newark DE 19702