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Mary S. Schaeffer
Editorial Director & Publisher

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Stop Duplicate Payments in Their Tracks: A 13-Step Precautionary Plan of Attack

To quote Jimmy Buffett, everyone has them and no one knows what to do with them. While Buffett may have been talking about relationships, we're talking about duplicate payments and we know what to do with them—get rid of them. But how?

Background

Duplicate payments insidiously eat away at any organization's bottom line. They are the dirty little secret in corporate accounting and financial circles. Even those organizations that piously claim they never make a duplicate payment have them. There are just too many ways these payments can get made. Like the person who says they never make a mistake, this claim does not stand up under the harsh light of day.

The realistic goal of any accounts payable organization when it comes to duplicate payments should be threefold:

- ◆ Don't make any duplicate payments;
- ◆ Since we know that number one is unlikely, the secondary fallback position should be to identify duplicates and erroneous payments before they go out the door; and
- ◆ Should the secondary goal fail, as it occasionally will, identify the dupes after the fact and reclaim those funds.

Action Plan

Once you've taken the first step of recognizing that there is a problem you are ready to implement a comprehensive action plan to decimate it. What follows are a dozen steps you can take to accomplish this goal.

1. Use coding standards for both your master vendor file and invoice data entry to minimize the chance of an invoice slipping through a second time.

Continued on the following page

**Obliterate
Duplicate
Payments**

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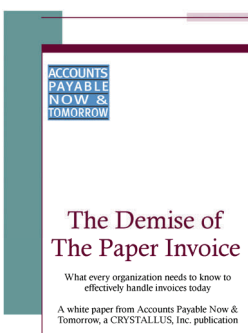
2. Eliminate duplicate vendors from your master vendor file. Once you've identified a duplicate vendor, make sure the data gets merged in with the file that will remain. You do not want to lose any supplier payment history.
3. Do everything possible to eliminate the need for the supplier to send a second invoice. This includes paying at or near term and keeping the vendor informed of any change to your standard terms.
4. Check records for any payment over \$50,000 before releasing the check. The \$50,000 number is not set in stone and should be adjusted to a level appropriate for each organization.
5. Before releasing checks, run a list of the dollar amounts of all checks issued in the prior 90 days and check for any duplicate amounts. If multiple invoices are paid with one check this approach is less likely to spot duplicates.
6. Keep track of every invoice that enters accounts payable, including disputed invoices. Never just send an invoice back to purchasing for reconciliation with a supplier without entering it in a log so you can answer any inquiries about it. This helps prevent the vendor from sending a second invoice.
7. Once you've located duplicate payments, keep track of the root causes. Periodically, perhaps quarterly, analyze all your potential duplicates and try to eliminate the problem areas generating the most duplicates.
8. Should your organization install a new accounting system, or even go through a system upgrade, take special care in searching for potential duplicates. Should an invoice show up for payment dated prior to the system switchover, make sure to check the old system to see if the payment was made.
9. Occasionally vendors will change the invoice number on second copies of invoices. This may be something as

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simple as adding a letter at the end of the invoice number or something more insidious. Whether this is done for a less than honest reason is irrelevant. It will wreck havoc with your duplicate payment tracking processes that depend on the invoice number as most do. Keep a list of such vendors and double check all their invoices when processing for payment.

10. Periodically cleanse your vendor file. Ideally this should be done quarterly but most organizations manage to get it done annually. Any vendor with no activity for the prior 12 months should be deactivated. Do not delete the vendor or you will lose the payment history. This can be important should the supplier claim non-payment.
11. Never pay from a statement unless an arrangement has been made with a supplier to only pay from statements. You might do this with vendors who submit many small-dollar invoices throughout the month. If you employ such a practice it should be an all-or-nothing affair. Also your system should be flagged to prevent the processing of invoices from this vendor.
12. At least once a year request statements from all vendors. The letter should categorically state that you want it to include all activity including open credits. A good portion of credits are duplicate payments. You can either request that a check be issued for those credits (my preference as it keeps a clean audit trail) or take those credits against future invoices. Also use

The Demise of The Paper Invoice White Paper



Without a doubt, the Accounts Payable world is changing rapidly. At every turn, traditional approaches are being challenged. The Demise of the Paper Invoice white paper is a 20-page \$29.95 report based on our research of the evolving invoice delivery practices. It is delivered electronically. Hence, we must have your e-mail address to send it to you.

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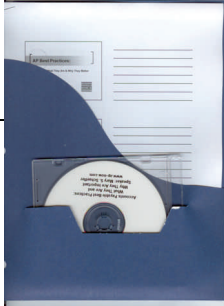
these statements to identify older invoices that have not made their way into accounts payable. Do not pay from the statement.

13. Periodically, say once a year, hire a duplicate payment audit firm to search for duplicates that managed to slip through your almost-iron-clad system.

Track the Data

Once you've implemented whichever of the action steps outlined above you found appropriate for your organization, you might want to keep track of the number of duplicate payments found in that thirteenth step. After several years, compare the amount the audit firms were finding before you stepped up your duplicate payment prevention program with afterwards. If the results are less favorable, it is time to reconnoiter and figure out what is going wrong. Once you've done that you can tighten the controls around the process that is letting money slip away.

However, in all likelihood, this will not be the case. Assuming the results are favorable for your group, report this in a detailed memo to management. What a great way to highlight the contributions your group is making to the organization's profitability!



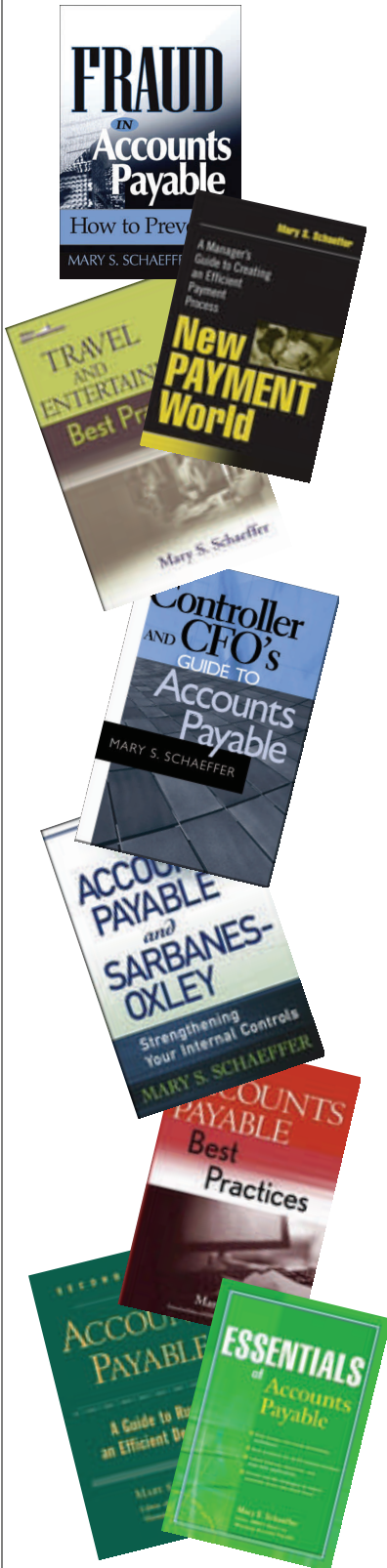
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<http://ap-now.com/webinar/duplicatepayWebinars.html>



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.. This article was written by our editorial director, Mary Schaeffer.

About Mary Schaeffer

Mary S. Schaeffer, editorial director Accounts Payable Now & Tomorrow, is author of over a dozen business books including, The Controller & CFOs Guide to Accounts Payable (2007; John Wiley & Sons). Some of her recent books are shown to the left. These books, as well as any other book published by John Wiley & Son, can be purchased at a 15% discount directly from the publisher by going to <http://ap-now.com/links.html> and clicking on the Wiley link on the bottom of that page.

First as a practitioner and now as a writer and consultant, Schaeffer has spent over 25 years in the finance and accounting community. Schaeffer has an MBA in finance and a BS in mathematics. With more time logged speaking and writing about accounts payable issues than any other professional, she's become known as America's leading accounts payable expert. **AP N&T**

Resources:

- 1) Top 100 Most Wanted Duplicate Payments
<http://ap-now.com/duplicatepayments.html>
- 2) Duplicate Payment Diagnostic Service
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***The newsletter for
professionals concerned
about payment issues***



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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**

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