8 Accounts Payable Anti-Fraud Controls to Implement Today

Every company will experience accounts payable fraud at some point. It doesn't matter the size of the business or the industry, there is only one thing that can truly predict whether or not a company will be a victim, and that's the anti-fraud controls they have in place.

Protect your company from AP fraud by implementing these eight anti-fraud controls today.

1

Verify the Company's Vendors

Establish mechanisms for approval of all new vendors added to the company's vendor files. This should be done by someone separate from the person who adds new vendors. Look for red flags and manually verify, by telephone, online or in-person, any questionable ones.

2

Reconcile Accounts

Match accounts payable entries with the company checkbook each month.

3

Review Transactions

Examine transactions to look for indicators of fraud. Check for red flags, such as round numbers, gaps in invoice numbers, unusual transactions, unusual frequencies or amounts.

4

Implement a Check Review Procedure

Have checks reviewed by someone who isn't involved in check issuing, and before checks are distributed. To be really safe, also implement a two-signature requirement for checks above a certain amount and scan the register for checks that fall just under this threshold.

5 Conduct Unscheduled Audits

Perform random audits of accounts payable files to check for red flags. Conduct regular vendor audits, too, to verify that all vendors are legitimate.

6 Rotate Employees Through Accounts Payable Functions

This will require cross-training, but will reduce the likelihood of employees conducting long-term AP fraud schemes or nurturing potentially dangerous relationships with vendors.

7 Implement Mandatory Vacations

Implementing a mandatory vacation policy is effective in detecting employee fraud and malicious activity.

8 Improve Company Culture

One of the best, most positive, ways to reduce fraud is to foster a company culture that discourages dishonesty and encourages open communication.