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Detecting Accounts Payable Fraud to Save Your Business Money

No matter how big or small a company, every dollar spent goes through accounts payable (AP). Because of this, AP is one of the areas of the business most vulnerable to internal and external fraud. Between vendors, suppliers, rent payments, and more, businesses need to be vigilant about monitoring their finances.

Vulnerabilities in AP have serious consequences. According to the 2016 [Report to the Nations on Occupational Fraud and Abuse](#) conducted by the Association of Certified Fraud Examiners (ACFE), AP fraud accounted for nearly half of all reported fraud

cases. Types of AP fraud include check tampering, billing and fraudulent expense

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To help accounting professionals perform this task, here are the top three ways to detect accounts payable fraud committed within an organization.

Look internally

While no one wants to be suspicious of their own employees, most AP fraud is committed by an employee hiding illegitimate transactions among thousands of legitimate ones. KPMG's 2016 [Global Profiles of the Fraudster](#) report found the typical fraud perpetrator is predominantly male, between the ages of 36 and 55, holds an executive or director level position and has been employed by the company for at least six years.

Given these facts, it's important to be mindful of your team. Give careful consideration to any employees who may be disgruntled over pay or other potential office-related issues, as they may feel justified in stealing. It's also important to understand what your employees may be going through – those who seem to be living beyond their means or having financial problems may feel the need to commit fraud if they're feeling desperate. Keep an eye out for signs of reckless behavior such as frequent expensive purchases and nights out on the town.

Know your vendors

It's essential to verify each of your vendors and review them regularly to detect AP fraud. To begin, examine every new vendor before they are added to your accounting system, confirming that you know why you're working with them and what the company does. If you see a vendor you don't recognize on your list, manually verify who they are and how you are using their services. You can do this simply by calling to make sure the number of the vendor is in service, and checking online to ensure the business information is legitimate.

Look out for other signs of fraud like vendor addresses that match employee home

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all red flags that something fraudulent can be occurring. Be sure to use a data mining tool to make the analyses easier.

If you do find any type of AP fraud within your business, you are not alone and you can be proactive to make sure it does not happen again. Set up a formal review system to monitor your list of checks before they are issued. For payments over a certain amount (depending on your business), it's also a good idea to require a second signature on checks.

According to the 2016 ACFE [report](#), check tampering, billing and expense reimbursement schemes last an average of two years before being detected. Consistent proactive monitoring and a strong awareness of who you're working with could help you from being a part of this statistic, and therefore keep needed money in the pocket of your business.

Jeramy Kaiman is Vice President at [Accounting Principals](#), a financial and accounting staffing firm.

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