

Accidental Duplicate Payments

The Astonishing Weakness That's Losing
Millions for Medium to Large Organizations Of
All Kinds.

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Welcome - Agenda



- The Statistics
- Why on Increase?
- Why They Occur?
- Doesn't My ERP Do It?
- Growing Trends
- SOX Compliance
- Five Solutions



The Statistics

"... generally find that duplicate payments make up .05 percent to .1 percent of the annual invoice payments" (Institute of Internal Auditors)

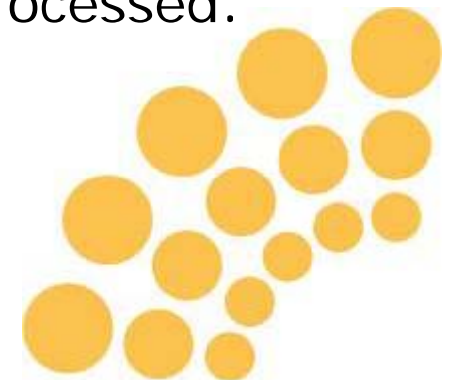
= 1 in 2000 to 1 in 1000



Direct Impact on Costs

	5 Year Annual invoice costs		
Percentage of invoices paid twice	\$10m	\$250m	\$1,000m
0.05% (IIA lower bracket)	\$25,000	\$625,000	\$2,500,000
0.1% (IIA & IAPP upper bracket)	\$50,000	\$1,250,000	\$5,000,000
0.5% (IOMA 'unacceptable')	\$250,000	\$6,250,000	\$25,000,000

Equates to a cost of **.10 to \$1.50** per invoice processed.



Why Duplicates Are on the Increase

- ▲ Increasing government legislation
- ▲ Accounts Payable are doing more
- ▲ With Same or Less Resources
- ▲ Increasing Temporary staff & turnover
- ▲ Old out of date systems
- ▲ Organization mergers
- ▲ Increase in centralizing AP & SSC's
- ▲ New Systems & upgrades



Overpayments

- Pricing errors
- Compliance errors
- Duplicate payments
 - Embarrassing
 - Senior management pressure



Why Duplicates Occur



Supplier Based Errors

- Input & Typographical Errors
- Process Controls
- Over Process
- Sometimes Fraud

Customer Based Errors

- Duplicate Supplier Records
- Input Error
- Process Controls
- Fraud



Doesn't My AP/ERP Do It?



- It does - basic checking & flagging
- Only the best system's & controls catch 70%

- Checks not sophisticated enough
- Forced Invoices
- Can't check human error
- Don't always cross-reference
- Multiple payments systems
- Across financial years



Duplicate Supplier Records

One supplier having multiple accounts

- Slightly different names i.e. Better Widgets, Inc. or BW Inc.
- Different addresses
- Duplicate supplier reference numbers



Typographical Errors



NASA Example

- Mixing zero **0** with letter **O**
- Confusing the number **5** with the letter **S**
- Confusing the no. **1** with lower case **L** or upper case **I**
- Mis-copying (or simply omitting) punctuation. (e.g. **hyphens, slashes**)
- Omitting leading or trailing **zeroes**
- There are 20 different input errors



New Systems



Changing or upgrading accounting systems can temporarily compromise controls due to :

1. Problems with moving historic data to the new system
2. Managers focus is very often distracted from day to day controls



Growing Trends



- Outsourcing
 - Staff Commitment Issues
 - Language Barriers
 - Lack of Internal Controls
- Scanning
 - Comparing .pdf and digital screens may miss other errors
 - Additional Safety Checks are required.



Sarbanes-Oxley Act

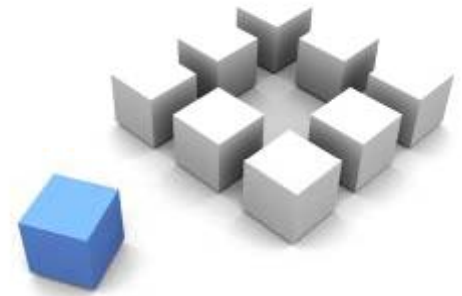


- Section 302 requires quarterly and annual certification
- Signing Officers must disclose any deficiencies and/ or weakness in internal controls
- Section 302 also requires officers to acknowledge within 90 days of report



5 Solutions

1. Leave it for 6 Months
2. Internal Process Improvements
3. Recovery Auditors
4. Build Internal Solution
5. Specialist Prevention Software



Leave It For 6 Months

Pro's

- Easy option
- No time required
- Out of sight

Cons

- Recovery probabilities rapidly reduce after 3 months
- Just deferring the time
- Not in control



Solution – Internal Process Review

1. Undertake internal AP Audit
2. Clean up your supplier account master file
3. Perform supplier statement reconciliations
4. Have a clear policy for invoices with no invoice number
5. Have a clear policy for handling punctuation, leading zeroes and trailing zeroes.



Smarter Solutions for Accounts Payable



Solution - Recovery Auditors

Pro's

- No win, no fee
- High incentive to find errors
- More experience in finding duplicates

Cons

- The fees can be large between 20-50% recovered
- Can be disruptive to team and suppliers
- Doesn't help improve processes
- Recovery is inefficient



Smarter Solutions for Accounts Payable



Solution – Internally Built



Pro's

- Increased control & a start
- Can run before payment run or every 3 months
- Flexibility & help with process improvement

Con's

- Can be costly in terms of time & effort
- Can be complex and not easy to use
- Doesn't catch all duplicates



Smarter Solutions for Accounts Payable



Specialist Software



Pro's

- Tested and proved
- More cost-effective than auditors
- Can be used by anyone
- Can highlight process improvement

Con's

- Need to allocate time to run it
- Need to recover from supplier
- Exporting data needs to be standardized

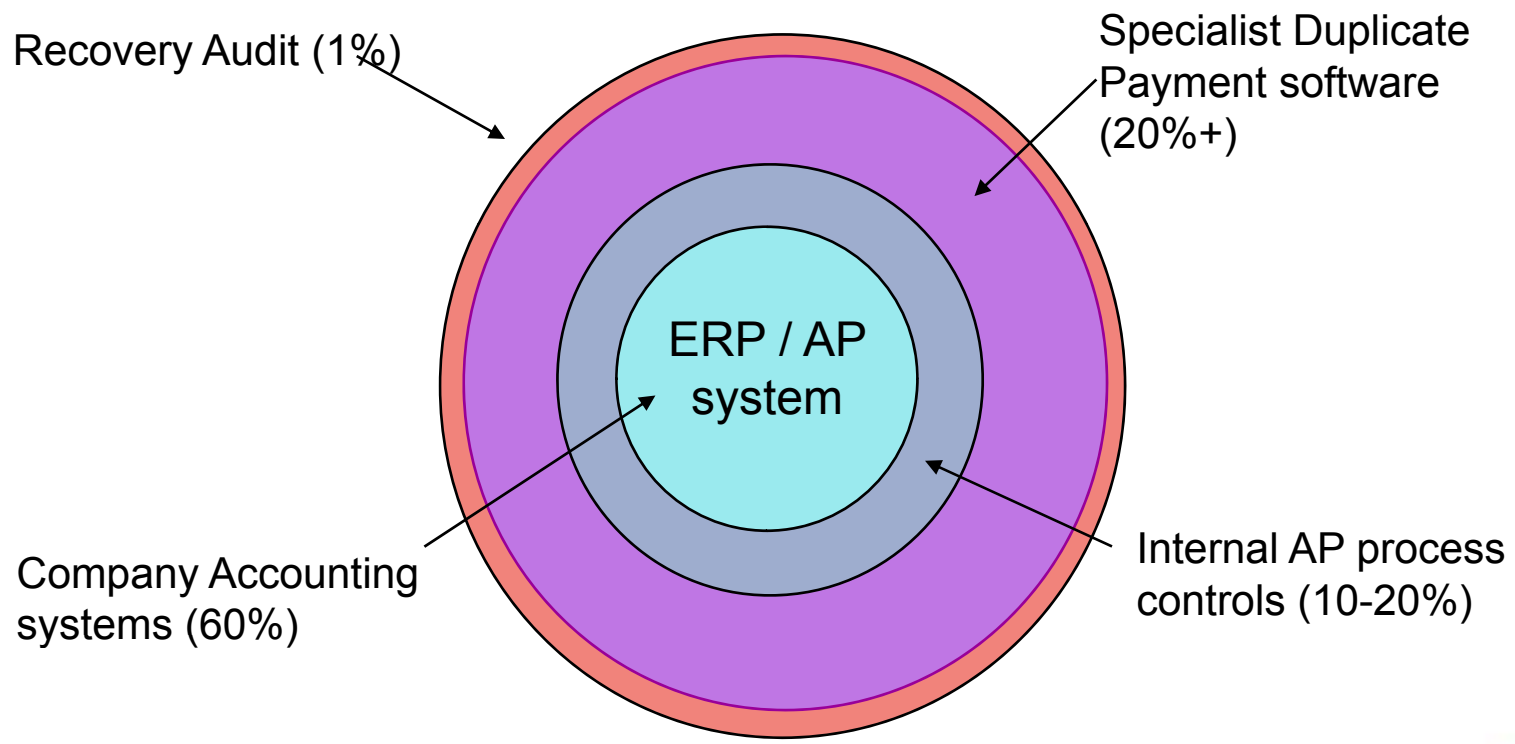


Typical Results

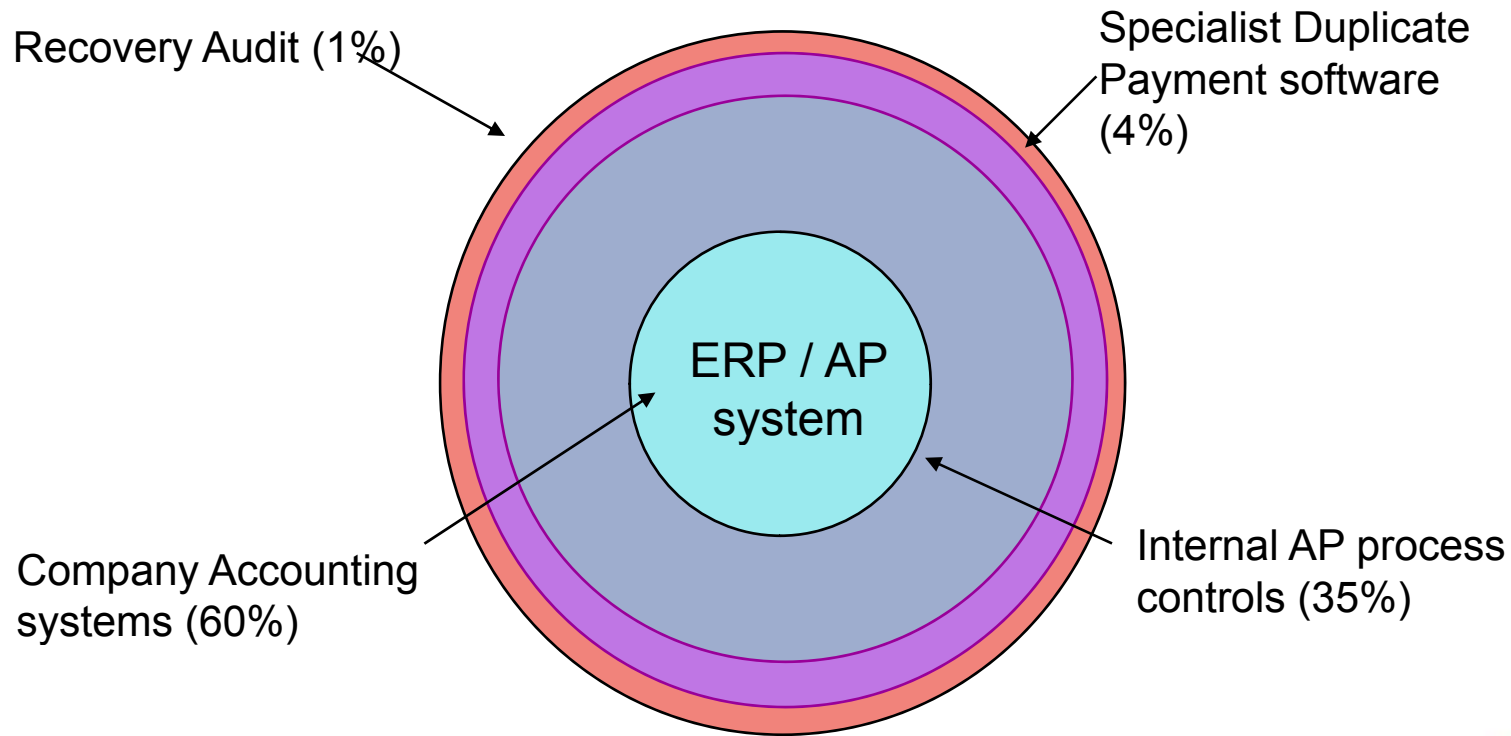
- ✓ Cost saving usually x10 times
- ✓ Savings used internally
- ✓ Process improvement initiative
- ✓ Internal Report
- ✓ New payment policies
- ✓ Reduction in future duplicates



First Year



After 3 Years Complete Audit Solution = 100%





Thank You!