CHECKLIST

Accounts Payable Internal Control Checklist

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Are you managing accounts payable internal control to protect your company's assets and best interests?

Introduction

Accounts payable internal control is designed to help mitigate loss risk in the accounts payable function. Payables controls are broken down into three categories:

- The obligation to pay
- Entering the payables data into the system
- Paying suppliers and vendors

This checklist is designed to aid the auditor in reviewing accounts payable internal controls. It consists of controls and suggestions for items that should be documented in the organization.

Download this handy checklist as your quick reference guide to help you evaluate strong controls, proper processes, procedures, and regular audits for your organization.

An organization loses an estimated 5% of annual revenue to fraudsters, according to a recent report prepared by the Association of Certified Fraud Examiners (ACFE),2021.

Financial Fraud can be broken down into three categories:

Asset Misappropriation	**Corruption**	**Financial Statement Fraud**
Skimming, False Invoicing	Bribery, extortion, and conflicts of interest	Cooking the Books

To combat such activity, here is a checklist of the most common controls applied by small to medium-sized businesses:

Criteria		Comments (If any)
Organization Governance		
Are duties for key Accounts Payable employees of the organization defined?	☐	
Is there an organization chart, which sets forth the precise lines of responsibility for the Accounts Payable department?	☐	
Are written procedures maintained covering the recording of all invoice transactions?	☐	
Are written procedures maintained covering an Accounts Payable manual?	☐	
Do the procedures, chart of accounts payable, etc., provide for identifying receipts and payments of each invoice separately for each vendor?	☐	
Do the accounts payable system allow accumulating and recording payments by each category?	☐	
Does the organization maintain a policy manual covering: • Subsidiary records for accounts payable, accounts receivable, etc., balanced with control accounts regularly?	☐	
Does the organization maintain a policy manual covering: • Accrual accounts to provide adequate control over income and expense	☐	
Are duties separated so that no one individual has complete authority over an entire financial and accounts payable transaction?	☐	
Invoice Management		
There are procedures to ensure procurement at competitive prices.	☐	
Receiving slips are used to control the receipt of merchandise.	☐	
Is there a helpful review by a responsible official following the prescribed procedure for invoice coding, pricing, and extending vendors' invoices?	☐	
Invoices are matched with purchase orders and receiving slips.	☐	
When accrual accounting is required, the organization has adequate controls, such as checklists for statement-closing procedures, to ensure that open invoices and uninvolved amounts for goods and services received are properly accrued or recorded in the books or controlled through worksheet entries.	☐	
There is adequate segregation of duties in that different individuals are responsible for (a) purchase, (b) receipt of merchandise or services, and (c) vendor invoice matching, and approval.	☐	
Are there reports for cash flow projection to maintain the upcoming invoices?	☐	

Criteria		Comments (If any)
Procurement and Sourcing		
Are there procedures to obtain the best possible price for items not subject to competitive bidding requirements, such as approved vendor lists and supply item catalogs?	☐	
Are purchase orders required for purchasing all goods and services?	☐	
Are purchase orders controlled and accounted for by prenumbering and keeping a logbook?	☐	
Are purchase orders governed by user-specific limits?	☐	
Financial Data Integrity		
Do you use sequentially numbered business forms (checks, orders, invoices, etc.) to provide an invoice audit trail?	☐	
Is reconciliation of invoices performed regularly?	☐	
Do you carry out exception routines such as spot checks or reviews for invoices?	☐	
Accounts Payable		
Is control established over incoming vendor invoices?	☐	
Are receiving slips matched to the vendor invoices and purchase orders, and are all documents kept in accessible files?	☐	
Are charges for services required to be supported by evidence of performance by individuals other than those who incurred the obligations?	☐	
Are extensions on invoices and applicable freight charges checked by accounts payable personnel?	☐	
Are checks adequately cross-referenced to vouchers?	☐	
Are accrual accounts kept for items that are not invoiced or paid regularly?	☐	

Conclusion

Invoice and Accounts Payable fraud is on the rise. So the time to implement AP internal controls is now. If you haven't already, be sure to implement Aavenir Invoiceflow for internal control procedures and follow AP best practices for fraud prevention. Most of all, consider implementing AP automation.

AP automation has built-in fraud prevention. So your company will not only save time and money with AP automation. Instead, it gives you a full suite of internal controls to manage risk, including an insight into what is being processed and who is being paid promptly.

Procure-to-pay automation is the ultimate AP process internal control tool.



Are You Ready To Revolutionize AP?

Are you aware that your Accounts Payable team is wasting 24% of their workday on manual invoice processing?

Do you wish to make your AP teams strategic?

Schedule a Live Demo with Aavenir to know how to capture invoices efficiently, build smart invoice workflows, and automate 2-way/3-way validation.

If you're ready to experience the many benefits of invoice automation, give us a call at +1 408-554-2656 to learn how you can get started today.



About Aavenir

Aavenir revolutionizes age-old procurement processes with AI-enabled Source-to-Pay solutions, including RFPflow, Onboardingflow, Contractflow, Obligationflow, and Invoiceflow. Built on ServiceNow, Aavenir solutions streamline procurement, legal, and accounts payable work processes using the latest technologies such as AI, ML, and NLP to

Explore Aavenir Source-to-Pay Solutions on ServiceNow



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