

16 Ways to Identify Fictitious Vendors

Billing schemes are among the most common types of employee fraud as they can often be easily hidden by those involved in the accounts payable function. One of the most lucrative billing schemes involves the creation of fictitious vendors from whom the dishonest employee pretends to purchase goods or services and creates payments.

Here's how to identify them in your accounts payable records:

1. Look for vendors whose mailing addresses are PO boxes.
2. Identify companies that are not on a list of approved vendors.
3. Look for invoices with even dollar amounts or no taxes added.
4. Flag invoices for vague services or services that don't seem necessary.
5. Look for payments without supporting documentation.
6. Compare names, addresses, bank account numbers and telephone numbers of vendors and employees.
7. Look for vendors who are also health or life beneficiaries of an employee.
8. Look for invoices created using Microsoft Excel or Word invoice templates.
9. Identify vendors with above-average revenues for investigation.
10. Look for invoices from the same vendor with consecutive invoice numbers.
11. Compare names of vendors with other similar vendor names and investigate whether payments have been diverted from one to the other.
12. Check names of accounts payable employees against Secretary of State records to determine whether they are principals or registered agents of a company that is a vendor.
13. Look for vendors without a taxpayer identification number or with an invalid one. A valid taxpayer ID number has nine digits with the first two digits separated by a hyphen.
14. Compare employer identification numbers, taxpayer identification numbers or DUNS numbers to see if more than one vendor has the same number.
15. Look for drastic changes in prices, services or products provided by a particular vendor.
16. Look for vendor names that consist only of initials and match those against employee initials.

In addition to standard fraud prevention best practices, such as segregating duties and enforced vacations, a periodic review of all vendor additions and changes to existing vendor contact information should be performed by someone not involved in the accounts payable function.

If you would like assistance with a review of your vendors and accounts payable process, Wessel & Company would be happy to help.

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