



Lexington-Fayette Urban County Government  
OFFICE OF INTERNAL AUDIT

## **INTERNAL AUDIT REPORT**

DATE: February 24, 2012

TO: Jim Gray, Mayor

CC: Richard Moloney, CAO  
Jane Driskell, Commissioner of Finance & Administration  
Phyllis Cooper, Director of Accounting  
Brian Marcum, Director of Purchasing  
Mike Nugent, Director of Computer Services  
William O'Mara, Director of Revenue  
Susan Straub, Director of Communications  
Urban County Council  
Internal Audit Board

FROM: Bruce Sahli, Director of Internal Audit

RE: Accounts Payable Process Audit

### **Background**

The Division of Accounting's Accounts Payable function is responsible for ensuring that timely payments are made to vendors and suppliers for goods and services received by the LFUCG. Duties within that function include ensuring that such payments are properly approved and authorized and meet purchasing and budget specifications, related payments are accurate, timely, and properly recorded, and there is sufficient monitoring for duplicate payments or erroneous payments to vendors. Many of these accounts payable control functions are automated through the Accounts Payable Module of the PeopleSoft Financial System. Efficient and effective coordination and workflow between Accounts Payable and various LFUCG Departments and Divisions is also required, primarily between requisitioning personnel, the Division of Purchasing, and Accounts Payable.

In Fiscal Year 2011, 27,300 system checks were cut and processed by Accounts Payable totaling \$172,069,678.31 in payments for goods and services purchased during the year.

### **Scope and Objectives**

The general control objectives for the audit were to provide reasonable assurance that:

- Payments to vendors are properly processed for goods and services received
- Vouchers are properly authorized and correctly paid in a timely manner
- Controls exist to prevent or detect duplicate payments
- Check stock is properly secured
- Accounts payable accruals are accurate
- Vendors are set up, approved, and properly maintained on Vendor Master Files by authorized individuals
- Purchase requisitions and purchase orders are properly approved and processed according to LFUCG purchasing procedures
- Accounts Payable transactions are posted to the correct fund, cost center, and account

Audit results are based on observations, inquiries, transaction examinations, and the examination of other audit evidence and provide reasonable, but not absolute, assurance controls are in place and are effective. In addition, effective controls in place during an audit may subsequently become ineffective as a result of technology changes or reduced standards of performance on the part of management.

The scope of our audit included payment activity during FY 2011 through April 20, 2011.

### **Statement of Auditing Standards**

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

## **Audit Opinion**

In our opinion, the controls and procedures provided reasonable assurance that the general control objectives were being met. Opportunities to improve controls are included in the Summary of Audit Findings.

## **Priority Rating Process**

To assist management in its evaluation, the findings have been assigned a qualitative assessment of the need for corrective action. Each item is assessed a high, moderate, or low priority as follows:

High - Represents a finding requiring immediate action by management to mitigate risks and/or costs associated with the process being audited.

Moderate – Represents a finding requiring timely action by management to mitigate risks and/or costs associated with the process being audited.

Low - Represents a finding for consideration by management for correction or implementation associated with the process being audited.

## **SUMMARY OF AUDIT FINDINGS**

### **Finding #1: Accounts Payable Written Policies and Procedures Needed** **Priority Rating: High**

#### **Condition:**

Written procedures for the Accounts Payable function have not been developed and implemented. Written procedures are an important control that provides process instruction, performance standards, and a basis for measuring compliance with management expectations.

#### **Effect:**

The absence of written procedures could result in Accounts Payable personnel being inconsistent in following management's directions and in fulfilling management's expectations. The absence of these procedures also makes it more difficult to train employees and hold them accountable for their performance.

**Recommendation:**

Management should develop and implement standard operating procedures for the Accounts Payable function.

**Director of Accounting Response:**

A project is currently underway to create written policies and procedures for the Department of Finance.

**Commissioner of Finance & Administration Response:**

This project has received high priority in the annual finance work plan.

**Finding #2: Vendor Master File Changes Not Sufficiently Monitored**  
**Priority Rating: High**

**Condition:**

The PeopleSoft Financial Module does not journalize changes made to the Vendor Master File. As a result, changes to this File leave no audit trail and cannot be sufficiently monitored by management. Changes to vendor information contained within the Vendor Master File are entered by a designated Division of Purchasing employee and take immediate effect without any review or approval process on the part of Purchasing management. No reports are generated to document these changes for management's review.

**Effect:**

Unauthorized entries may be posted into the Vendor Master File without management detection or prevention.

**Recommendation:**

The Division of Purchasing should pursue the possibility of journaling changes made to the Vendor Master File with the Division of Enterprise Solutions. The most straightforward approach to this solution might be an exception report identifying changes made to the File so that management can detect and correct errors and irregularities in a timely manner.

**Director of Accounting Purchasing:**

Changes to the vendor file are typically made because of an e-mail request or a suggested vendor being added to a requisition through PeopleSoft.

E-mails received requesting vendor changes are now being archived for future review. The Division of Enterprise Solutions is working on a query to document actual changes to the vendor file, along with employee making change and date. This query is now in the test environment and will be added to the production environment upon completion.

The suggested vendor information attached to requisitions in PeopleSoft is only stored temporarily. After the vendor is created, added to the requisition, and the PO created, the suggested vendor information on the requisition is no longer accessible.

**Commissioner of Finance & Administration Response:**

As stated by the Director of Purchasing, steps have been taken to adopt this recommendation.

**Finding #3: Segregation of Duty Issues**  
**Priority Rating: High**

**Condition:**

The Accounts Payable Supervisor performs the Accounts Payable and General Ledger reconciliation. This employee also has System access rights to enter vouchers and process payments. We also noted that the Accounts Payable Administrative Specialist has System access rights to enter vouchers and process payments.

**Effect:**

Inadequate segregation of duties in an Accounts Payable environment could result in the failure to detect and correct incorrect or inappropriate payment activity.

**Recommendation:**

The Accounts Payable and General Ledger reconciliation should be performed by an Accounting or Accounts Payable employee who does not have System access rights to enter vouchers or process payments. In addition, access rights to enter vouchers and process payments are two incompatible duties which should not be assigned to the same employee.

**Director of Accounting Response:**

The Accounts Payable and General Ledger module reconciliation is completed by the Accounts Payable Supervisor because of the required skill set needed and the complexity of the reconciliation process. This reconciliation process requires extensive knowledge of the interaction between the Accounts Payable and General Ledger modules in order for vouchers and journal entries to be properly recorded in the PeopleSoft System.

Accounts Payable personnel – including the AP Admin Spec and AP Supervisor – do not **create** payments requests. AP **processes** the payment requests that have been created by end users in other LFUCG Divisions. The required approval for payment is made by the Division prior to sending the invoices to Accounts Payable for processing.

**Commissioner of Finance & Administration Response:**

The Finance Team is in the process of completing a plan for process and procedure review that will include a comprehensive review of segregation of duties and procedures throughout finance operations. In addition, this review will include appropriate access rights.

**Finding #4: Payment Processing Delays Identified**  
**Priority Rating: High**

**Condition:**

For most payments to be approved and processed in the PeopleSoft Financial Module, the receipt of goods or services from a vendor must be entered into PeopleSoft by end user departments and must then be matched to a properly approved Purchase Order and vendor invoice by Accounts Payable. If any one of these three items is missing, or if an item cannot be matched due to a quantity or pricing discrepancy, PeopleSoft will designate these as match exceptions. We noted that end user departments are often lax in entering goods and services received in a timely manner as more than 70% of match exceptions occurring during FY 2011 were due to the absence of related receipts. Accounts Payable personnel also informed us that as of May 5, 2011 there were 1,295 open receipts or receipts which could not be matched to a corresponding Purchase Order or invoice (a possible indicator receipts are being entered incorrectly by user departments). In addition, 42% of the invoices examined in our detail testing had first been sent by the vendor to the Department or Division that issued the requisition instead of being sent directly to Accounts Payable, in violation of LFUCG Purchasing Procedures.

**Effect:**

Each of these errors requires follow-up efforts by Accounts Payable personnel, thereby delaying the processing of payments to vendors. A systemic trend of late payments to a vendor could also result in stricter payment terms for the LFUCG.

**Recommendation:**

LFUCG senior management should convey to end user departments the importance of executing their purchasing responsibilities in a timely manner. As stated in the LFUCG Purchasing Procedures, "When all goods ordered have been received, the purchasing requester shall receive the items via the receiving component of the PeopleSoft system. Receiving of goods and/or services should be completed as soon as the goods and/or services are received. The only exception is if the item(s) is incorrect or defective. In that situation, receiving should not be completed until the correct or undamaged goods have been received."

LFUCG senior management should also remind all Divisions of the specific language of LFUCG Purchase Orders which states, “When all items have been shipped submit your invoice directly to the Division of Accounting, 200 East Main Street, Lexington, KY.” Per this requirement, Departments and Divisions should not be instructing vendors to send invoices to them, nor should the receiving Departments or Divisions delay in posting the receipt of goods or services in the PeopleSoft System.

**Director of Accounting Response:**

Accounts Payable personnel continually monitor open invoices with errors using two processes, match exceptions and open receipts, which identify exceptions that require either a receipt from the end user or a correction on the purchase order for incorrect quantity or amount. These outstanding errors require constant communication with the end users in order to validate the invoice in the AP module. All match exceptions and open receipts are cleared on an annual basis.

Several reminders are sent to the Divisions from the Department of Finance. Each Division Director should have ownership and accountability up to the Administrative level. This accountability should include possible penalties for noncompliance. The penalty could be loss of the Pro-card for a period of time.

**Commissioner of Finance & Administration Response:**

Finance strives to improve the information/training delivered to Divisions. This is evidenced in part by the recently established monthly meetings with Divisions. Divisions can bring to central finance any communication regarding outstanding issues or questions to be addressed regularly. This is just one step being taken to give Divisions better tools to manage financial functions.

**Finding #5: Check Stock Safeguards Need Improvement**

**Priority Rating: High**

**Condition:**

Accounts Payable checks are printed in the Division of Computer Services and then picked up by Accounts Payable personnel for distribution. Although the printed checks are held in a secured Computer Services operations room, excess check stock stored in this room is accessible to any Computer Services employees who can enter the operations room. We also noted that Accounts Payable usually stores the printed checks on top of an employee’s desk until distribution. This employee’s desk is located in an open office area near the entrance to Accounts Payable.

**Effect:**

Insufficient security of printed checks and check stock increases the risk of theft.

**Recommendation:**

Accounts Payable should secure printed checks in a locked file cabinet or desk until distribution. Computer Services should secure excess check stock in a locked storage area.

**Director of Accounting Response:**

Vendor checks are sorted for distribution and/or mailing. All checks held for distribution are now stored in a locked and secure cabinet in the AP area until the checks are picked up by the appropriate department contact person.

**Commissioner of Finance & Administration Response:**

The security of printed checks and check stock is of upmost importance to the operations of this government. The review of this issue is included in the process/procedure review previously mentioned.

**Finding #6: Accounting for Custody of Printed Checks Needs Improvement****Priority Rating: High****Condition:**

After checks are printed, Division of Computer Services personnel count the checks and verify that the count matches with the number of checks scheduled to be printed. However, Accounts Payable personnel do not perform a separate count when they pick up the checks for distribution.

**Effect:**

When Accounts Payable assumes control and custody of the printed checks they assume the risk and responsibility of lost or stolen checks due to the absence of their verification they have received the entire check run. If a missing check is then identified prior to distribution, the logical assignment of responsibility would therefore be to Accounts Payable personnel.

**Recommendation:**

Accounts Payable personnel should perform their own count of the number of printed checks received from Computer Services in the presence of Computer Services personnel to ensure the transfer of checks to Accounts Payable is complete. This will effectively assign responsibility and accountability for the printed checks up to the point of distribution.



**Director of Accounting Response:**

During the check run process the AP Supervisor communicates with both Computer Services personnel and the AP Administrative Specialist regarding the total check count plus beginning and ending check number for each check run. The AP Administrative Specialist now performs a physical count of the checks before assuming control and custody of the printed checks.

**Commissioner of Finance & Administration Response:**

The change outlined above provides an additional level of review and is appropriate.

**Finding #7: Accounts Payable Reconciliation Issue**

**Priority Rating: High**

**Condition:**

An Accounts Payable Module and a General Ledger Module exist on the PeopleSoft Financials System. When transactions are entered in the Accounts Payable Module, the PeopleSoft System automatically records the corresponding entries in the Accounts Payable liability account in the General Ledger Module. The Accounts Payable Module and Accounts Payable account balance in the GL Module should balance, but in fact do not. In May and June 2011, the difference between the two Modules was \$121,248.37. This appears to have been primarily related to a batch of Procurement Cards transactions that had not been cleared from the Accounts Payable Module.

**Effect:**

The reconciliation of the Sub-ledger (the Accounts Payable Module) to the General Ledger is a primary accounting control that should be completed on a monthly basis to detect and correct any discrepancies.

**Recommendation:**

The Accounts Payable sub-ledger should be fully reconciled each month to the General Ledger using the Accounts Payable Open Liability Report to ensure that all liabilities are properly recognized.

**Director of Accounting Response:**

The variance of \$121,248.37 was caused by a payment posting process involving procard transactions that did not complete successfully in March 2010, creating a difference between the Accounts Payable and General Ledger modules in PeopleSoft. This was manually corrected in the General Ledger module via a journal entry in March 2010.

The AP Supervisor is currently working with the Division of Enterprise Solutions and Accounting to resolve this PeopleSoft issue.

AP has implemented an additional comparison of the accounts payable liability balances posted in each module by fund. This reconciliation has been completed up through October 2011 and will be completed at least every quarter. The comparison creates an additional reconciliation between the modules at the fund level to ensure all transactions posted in the Accounts Payable module have posted correctly in the General Ledger module.

**Commissioner of Finance & Administration Response:**

The importance of timely reconciliation will continue to be elevated. The commitment to this issue is demonstrated by our progress to date.

**Finding #8: Computer Services Check Signature File Access Concerns**  
**Priority Rating: High**

**Condition:**

Two employees in the Division of Computer Services have access to the check signature file without a defined need.

**Effect:**

Allowing Computer Services employees access to the check signature file when there is no clearly defined need creates an unnecessary risk in the payment process.

**Recommendation:**

Access to the check signature file should be removed for these two employees.

**Director of Computer Services Response:**

Computer Services acknowledges the segregation of duties issue identified in the finding. However, these two employees must have Administrator Rights to the server that contains the Check Writing File for various system administration functions for the PeopleSoft application. In order to provide this level of separation an additional server would need to be acquired and then the current applications would need to be relocated from the existing server to the newly acquired server.

**Chief Administrative Officer Response:**

A consultant is reviewing our IT processes and this information will be provided to him.

**Finding #9: Accounting Adjustments to General Ledger Accounts Payable Should be Communicated to Accounts Payable Supervisor**  
**Priority Rating: High**

**Condition:**

Accounting personnel make occasional adjustments to General Ledger Accounts Payable. The Accounts Payable Supervisor becomes aware of these adjustments when she performs the monthly Accounts Payable reconciliation. However, there is no process to communicate explanations or provide supporting documentation regarding those adjustments to the Accounts Payable Supervisor.

**Effect:**

The Accounts Payable Supervisor is unable to confirm the validity of these adjustments during the reconciliation process. This creates the financial risk that incorrect or inappropriate adjustments to Accounts Payable might not be detected and corrected in a timely manner.

**Recommendation:**

Accounting personnel should promptly communicate the nature and purpose of Accounts Payable adjustments to the Accounts Payable Supervisor and provide sufficient supporting documentation as needed.

**Director of Accounting Response:**

All adjustments made to the accounts payable liability are communicated to the Accounts Payable Supervisor. Supporting documentation is electronically attached to each journal entry created.

**Commissioner of Finance & Administration Response:**

Improved communication is critical to the success of financial integrity. The finance management team now meets regularly to improve communication between and within the Department.

**Finding #10: Social Security Number Security Concern**  
**Priority Rating: High**

**Condition:**

The Division of Revenue is processing tax refund payments using the payee's Social Security Number as the invoice number being entered into PeopleSoft. These numbers therefore become available to any LFUCG employee who has access to invoice description fields in PeopleSoft, and are also printed on the check remittance advices sent to these payees.

**Effect:**

Social Security Numbers may be unnecessarily exposed to unauthorized personnel.

**Recommendation:**

The Division of Revenue should cease this practice in order to reduce the risk of inappropriate use of Social Security Numbers (e.g. identify theft).

**Director of Revenue Response:**

The Division of Revenue has reviewed the process of using the Social Security Number in the invoice for tax refunds. This practice was adopted within PeopleSoft to help prevent duplicate refunds from being issued. The challenge is to have a non repeating number which identifies the year of the refund as well as the taxpayer. Beginning in January 2012 we will use an alternate number plus year in the invoice.

**Commissioner of Finance & Administration Response:**

The change in process outlined above should address this concern.

**Finding #11: Use of Blanket Purchase Orders Appears Excessive**  
**Priority Rating: Moderate**

**Condition:**

We noted that 2,831 blanket purchase orders were created in FY 2011, including 904 (32%) that were for less than \$1,000. LFUCG Purchasing Procedures specifically state, “A blanket purchase order may be issued to a vendor when:

- Numerous or frequent purchases will be made from the vendor over a period of time.
- The purchase is for services that are to be provided over a period of time and for which partial or progress payments will be made.
- The purchase is for construction or repairs that will be performed over a period of time and for which partial or progress payments will be made.
- The purchase is for repairs, the precise extent of which cannot be determined in advance.”

Under these scenarios, a blanket purchase order improves procurement process efficiency by eliminating the need to create new purchase orders with each requisition. With these procedural stipulations in mind, the extent of blanket purchase orders under \$1,000 raises questions as to whether they are being properly used on a consistent basis.

**Effect:**

Blanket purchase orders reduce the level of purchase oversight by removing the day to day review of purchases that is conducted by the Division of Purchasing on standard purchase orders. Depending on the commitment controls set up in the various Divisions, they may also remove senior management review and authorization of repeat purchases charged against the blanket purchase order that would typically occur when a standard purchase order is created.

**Recommendation:**

The Division of Purchasing should reiterate to all Departments and Divisions the purpose of blanket purchase orders and the requirements for their use as stated in the Purchasing Procedures. In addition, LFUCG senior management should require that all invoices paid off of blanket purchase orders be scanned into the related voucher file to create an improved record of transactions charged to blanket purchase orders and to enhance their review for appropriateness. For example, invoices related to price contract purchases made via a blanket purchase order should be scanned into the voucher file so that the Division of Purchasing can review them to ensure such purchases are in fact covered by a price contract and that the correct price contract rate is being charged.

In addition, the creation of 904 blanket purchase orders under \$1,000 during FY 2011 indicates an opportunity for senior management to emphasize the use of Procurement Cards as an alternative purchasing source that will reduce processing costs.

**Director of Purchasing Response:**

The Division of Central Purchasing agrees with the recommendation and will issue a government wide email to Divisions requesting that blanket purchases orders be evaluated and only used as defined in the purchasing manual. In addition, we will also request that Divisions which are issuing blanket purchase orders under \$1000 will provide an explanation as to why procurement cards are not being used for these purchases.

**Commissioner of Finance & Administration Response:**

The Commissioner concurs with the above response.

**Finding #12: PeopleSoft Delivered Accounts Payable Reports Not Used****Priority Rating: Moderate****Condition:**

Several Accounts Payable reports currently available in the PeopleSoft Financial Module are not being used by Accounts Payable personnel in the performance of their duties. Instead, significant reliance is placed on customized queries developed internally by the PeopleSoft

implementation vendor Metaformers and the Division of Enterprise Solutions. While these customized queries may be sufficient for current Accounts Payable's processing needs, the exclusion of PeopleSoft delivered reports could result in the Accounts Payable process not being monitored and managed to the fullest extent possible.

Some of the delivered reports not being used include:

APY 1010 – Voucher Register  
 APY 1020 – Posted Voucher Listing Report  
 APY 1090 – Match Exception Report (a query has been developed in lieu of this report)  
 APY 1400 – AP/GL Open Liability Report  
 APY 1407 – Unrecorded Liability Report  
 APY 1410 & APY 1420- AP/GL Journal and Account Reconciliation Reports  
 APY 2030 – AP Trial Payment Register Report  
 APY 2050 – Payment History by Payment Method Report  
 APY 2000 – AP Aging Report

During the course of the audit, we brought the Open Liability Report and Aging Report to the attention of Account Payable personnel, who are now using these reports in their management of the payables process.

**Effect:**

Effective management of an accounts payable process includes the utilization of available reporting tools designed to provide comprehensive review and oversight capabilities. The underuse of such tools may impair the effectiveness of the review and oversight processes.

**Recommendation:**

Accounts Payable management should coordinate with the Division of Enterprise Solutions to determine that these PeopleSoft reports are reliable and then incorporate their use into the management of the accounts payable process.

**Director of Accounting Response:**

Accounts Payable monitors and manages the payables process to the fullest extent by utilizing several PeopleSoft delivered Reports along with numerous queries that have been specifically designed and customized for LFUCG's needs.

PeopleSoft generated reports may be helpful in some instances but do not contain relevant information needed for analysis. AP uses a modified query rather than the PeopleSoft delivered report for the Match Exception Report because the report does not identify the user ID associated with the transaction. The AP Match Exception Process must be

monitored and maintained at the end user level in order to correct errors and validate the invoice for payment.

Also, when reconciling large amounts of data, a customized query is required versus a delivered report because the data is extracted and downloaded to Excel for additional analysis. The query requires less production resources and increases efficiency. These reconciliations are saved in Excel format for ease of use and maintaining internal control documentation, and saved in an LFUCG directory. The files are located on a secure network.

**Commissioner of Finance & Administration Response:**

Enterprise Solutions will be a critical partner as we complete the procedure review.

**Finding #13: Vendor Master File Maintenance Needs Improvement**  
**Priority Rating: Moderate**

**Condition:**

The PeopleSoft Vendor Master File is maintained by the Division of Purchasing and contains over 20,000 vendors. Nearly one-half (9,608) of those vendors have been inactive for at least two years. We also noted numerous instances where multiple versions of the same vendor information existed within the Vendor Master File (i.e. duplicate vendors).

**Effect:**

The retention of inactive vendors in the Vendor Master File increases the risk for fraudulent payments. The existence of multiple vendor records for the same vendor may hamper the payment system's ability to identify duplicate payment activity.

**Recommendation:**

The Division of Purchasing should conduct a regularly scheduled review of the Vendor Master File and remove inactive and duplicate vendor records. During the audit we noted the existence of a Duplicate Vendor Report available on the PeopleSoft System, and suggest the report be used as an aid in implementing this recommendation.

**Director of Purchasing Response:**

Duplicate vendor records – there are instances where duplicate records are necessary, i.e., one company with many d/b/a companies with different Tax Identification Numbers (TINs), a particular company is a supplier and also an HCM vendor, etc. Purchasing designee will run the duplicate vendor report on a monthly basis, research and inactivate duplicates.

Removal of inactive vendors – this issue should be addressed with the Division of Enterprise Solutions. It is the understanding of the Purchasing Division that once a vendor record exists in PeopleSoft, it cannot be removed, only changed or inactivated. Once a vendor file is inactivated, it can no longer be viewed by requesters. If a requester suggests a vendor who has an inactive vendor file, that inactive file is re-activated by purchasing designee to prevent duplication of vendor records.

Also noteworthy is the fact that there are personnel in Revenue who have access to add/change vendor files.

**Commissioner of Finance & Administration Response:**

The Purchasing Division is committed to working with Enterprise Solutions and Revenue to address this recommendation.

**Finding #14: Vouchers Not Fully Reviewed Prior to Payment Processing**  
**Priority Rating: Low**

**Condition:**

Vouchers are typically selected for payment by Accounts Payable based on their due date. The PeopleSoft System automatically selects vouchers which meet the selected due date criteria and groups them for payment. Vouchers selected and grouped for payment are not subjected to a final individual review prior to being processed for payment.

**Effect:**

The absence of a final review could result in preventable payment errors.

**Recommendation:**

Accounts Payable should individually scan all vouchers selected for payment prior to their being processed for payment to provide further assurance all payments appear reasonable. This review can be accomplished via a trial payment report feature available in PeopleSoft.

**Director of Accounting Response:**

The AP Supervisor visually verifies all vouchers selected for payment by running a PeopleSoft generated report within the pay cycle process that provides a listing of selected payments. The report lists the vendor, voucher number, and amount of each voucher. This report is thoroughly checked and verified before the checks are printed. The AP Supervisor also verifies the available cash on hand with the Finance Department prior to each Check Run.



An AP trial payment register is also visually scanned during the check run process which verifies the vendor, amount, and the corresponding check number created.

**Commissioner of Finance & Administration Response:**

The response above clearly outlines the current process. The features in PeopleSoft will be reviewed as well.

**Finding #15: PeopleSoft Accounts Payable Document Control Totals Not Used**  
**Priority Rating: Low**

**Condition:**

The PeopleSoft Financial Module contains a data entry document control group feature that is designed to ensure all transactions for a processing period are correctly and completely entered. This control group feature is not being used by Accounts Payable when entering vouchers.

**Effect:**

Insufficient use of available data entry controls increases the possibility of vouchers being entered incorrectly or to being omitted in the data entry process.

**Recommendation:**

Accounts Payable should utilize the PeopleSoft control group feature to provide increased assurance that all vouchers available for processing are correctly entered in PeopleSoft.

**Director of Accounting Response:**

The control group feature counts the number of invoices processed by a particular AP employee during one PeopleSoft session. This control provides a count of invoices processed. AP utilizes several controls to ensure all valid invoices have been entered into PeopleSoft.

**Controls currently in place:**

Daily checks of match exceptions, budget errors, and voucher postings ensure all invoices have been entered correctly and have been properly charged to the correct line of accounting and departmental budget.

The Accounts Payable to General Ledger module monthly reconciliations verify all invoices posted correctly in each module and all invoices/vouchers have been posted to the proper accounting period.

Accounts Payable matches all invoices that have been paid on each check run against the actual check copy. The matching process ensures all check and invoice amounts are correct.

Accounts Payable also maintains follow-up procedures for invoices that cannot be processed (i.e. - invoice received without a PO Number or incorrect PO Number). AP follows up with Divisions and/or vendors until the issue has been resolved.

The strategic focus during these difficult economic times involves diligent cash flow management as well as prompt payment of invoices. The Finance Department communicates closely during the check run process to balance timely vendor payments with available cash. Adequate controls exist currently to verify valid invoices are entered into the system and paid in a timely manner while practicing sound cash flow policies.

**Commissioner of Finance & Administration Response:**

As noted, the A/P staff currently has several controls in place to validate invoices. However, these procedures will be reviewed and confirmed.