



INTERNAL AUDIT REPORT

DATE: April 19, 2018

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
Aldona Valicenti, Chief Information Officer
William O'Mara, Commissioner of Finance & Administration
Phyllis Cooper, Director of Accounting
Todd Slatin, Director of Purchasing
Susan Straub, Director of Communications
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Chris Ensslin, CIA, CFE, CGAP, Deputy Director of Internal Audit

RE: Accounts Payable Continuous Monitoring

The Office of Internal Audit designed tests using ACL audit software to examine selected financial activity to detect possible duplicate payments. Accounts payable applications have controls to alert a user about the existence of records in the same table with the same details. However, these warnings can be ignored and overridden by the user by simply changing the invoice date or invoice number. Identifying transactions that appear to be suspicious can detect the possibility of duplicate payments issued to vendors.

The objective of this analytic was to identify possible duplicate transactions in invoices. The analytic processed the data four different ways in order to identify four



possible circumstances for duplicating an invoice in the PeopleSoft system. Each test examined invoice data to identify possible duplicate invoices.

Test One identified invoices containing the same vendor number, same invoice amount, and the same invoice date. This particular test identified 663 records to investigate that were in the PeopleSoft System from December 1, 2017 through February 28, 2018. All of the records identified were false positives, i.e. these were not duplicate payments. Most of the false positives were caused by blanket purchase orders and multi-line vouchers, which compounds the number of false positives.

Test Two identified invoices containing the same vendor number, same invoice number, same invoice date and the same invoice amount. This particular test identified zero records to investigate that were in the PeopleSoft System from December 1, 2017 through February 28, 2018.

Test Three identified invoices containing the same vendor number, same invoice number, and different invoice date. This particular test identified 2,304 records to investigate that were in the PeopleSoft System from December 1, 2017 through February 28, 2018. All of the records identified were false positives, i.e. these were not duplicate payments. Most of the false positives were caused by blanket purchase orders, using the account number as the invoice number (e.g. utilities, auto parts stores, internet service providers, etc.) and multi-line vouchers, which compounds the number of false positives.

Test Four identified invoices containing the same vendor number and similar amounts (amount differences within 0.05%). This particular test identified 6,277 records to investigate that were in the PeopleSoft System from December 1, 2017 through February 28, 2018. All of the identified records were false positives, i.e. these were not duplicate payments. Most of these were caused by blanket purchase orders, same vendor used in different divisions (e.g. utility companies), and multi-line vouchers, which compound the number of false positives.

In conclusion, during the time period examined no duplicate payments were found. The results of these tests provide reasonable assurance that internal controls are in place to prevent or detect and correct duplicate billings under the four test scenarios for records that were in the PeopleSoft System from December 1, 2017 through February 28, 2018. The significant number of false positives noted during our testing



are a function of the ACL test methodology and do not represent Accounts Payable control weaknesses. There are no recommendations for corrective action.

