



Office of the City Auditor

CONSENT CALENDAR
December 16, 2003

To: Honorable Mayor and
Members of the City Council

From: Ann-Marie Hogan, City Auditor

Subject: Accounts Payable Audit

RECOMMENDATION

That Council request the City Manager to report back on April 20, 2004, regarding the implementation status of each of the Auditor's recommendations in the attached report, and every six months thereafter, until all recommendations have been implemented.

SUMMARY

An Accounts Payable Audit was performed with the objective of identifying duplicate City payments made to vendors during fiscal year 2003. This audit was scheduled to be performed as part of the fiscal year 2004 audit plan. Audit work began July 25, 2003, and concluded on October 30, 2003.

The audit did not identify any significant loss of money from duplicate vendor payments, but did identify several causes for such payments. These causes should be resolved because they could allow much larger future duplicate payments to occur and go undetected.

The audit report includes 12 audit findings and 16 recommendations.

FISCAL IMPACTS OF RECOMMENDATION

Care was taken to make audit recommendations that appeared to be cost effective to implement. However, Finance has responded that two audit recommendations can not be implemented until vacant and frozen positions are filled.

CURRENT SITUATION AND ITS EFFECTS

Concerns identified during the audit include the following:

- Some City employees are submitting a significant number of invoices to Accounts Payable for payment that have already been paid.
- The Accounts Payable Unit is performing two functions that belong in the Purchasing Unit.

- The PI Module feature that prohibits Accounts Payable staff from paying an invoice a second time under the same P.O. was not working from October 2002 through the middle of December 2002 after a software upgrade.
- Some vendors have more than one vendor account number, increasing the risk that an invoice will be paid twice.
- The City's automated accounting system is not programmed to identify or prohibit duplicate payments involving vouchers.
- The automated accounting system feature that would allow the City to automatically take advantage of vendor discounts for timely payment is not being used.
- Departments sometimes put the wrong purchase order (P.O.) number on an invoice, and Accounts Payable staff sometimes do not catch this error, and use this incorrect P.O. to pay the wrong vendor.
- Sometimes Accounts Payable staff made a conscious decision to send vendors checks that erroneously included a payment for another vendor's invoice.
- Void check procedures are not adequate. There are no written policies and procedures for obtaining reimbursement from vendors for overpayments or processing vendor refund checks.

RATIONALE FOR RECOMMENDATIONS

The audit recommendations in the audit report are designed to reduce the risk of loss of City money.

CONTACT PERSON

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Approved:

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Office of the City Auditor