

AUDIT COMMITTEE SUMMARY
Audit of Finance Accounts Payable
Report Issued September 29, 2021

Audit Objective

Determine if controls over the City's accounts payable process are adequate and effective.

Background

The Accounts Payable (AP) team within the Finance Department is responsible for processing financial payment transactions to trade vendors, customers, employees, third-party payroll, and other miscellaneous departmental accounts (petty cash, change funds, etc.). In fiscal years 2018 and 2019, AP processed \$1.8 billion and \$1.9 billion (excluding payroll payments), respectively.

Scope & Methodology

The audit scope included check, ACH and wire payments issued between October 2017 and September 2019.

We interviewed management and key staff to obtain an understanding of the accounts payable process. We also assessed internal controls relevant to the audit objective, including written policies and procedures and authorization practices. Testing criteria included the Local Government Code Chapter 2251 and City Administrative Directives.

Conclusions

We determined that the design of the City's accounts payable process is adequate. However, improvements are needed in the areas of monitoring and taking advantage of early payment discounts when allowed by vendors.

We found that \$395,000 in potential early payment discounts were not taken for FY2018 and FY2019 combined.

We recommend that the Deputy CFO reassess processes to ensure early payment discounts are taken when available. This may include developing procedures so that City department's fiscal support staff are monitoring the discounts available, discounts taken, and discounts missed. Additionally, department performance measures should be established and reported for early payment discount activity.

Finance management agreed with our observations and has developed a positive action plan to address them.