



Date: February 22, 2016
To: Thomas J. Bonfield, City Manager
From: Germaine Brewington, Director of Audit Services
Subject: Transmittal of Accounts Payable Performance Audit (January 2016)

Executive Summary

The Department of Audit Services completed the report on the Accounts Payable Performance Audit dated January 2016. The purpose of the audit was to determine if adequate controls existed over the Accounts Payable process administered by the City’s Finance Department.

Background

The primary objectives for the Accounts Payable function are to ensure that disbursements are properly authorized, invoices are processed in a timely manner, and vendor credit terms and operating cash are managed for maximum benefits. The City of Durham’s Accounts Payable process is centralized in the Finance Department. The Finance Department has five FTE’s (full-time equivalents) dedicated to the centralized payment function. Table 1 shows the activity carried out by the Accounts Payable staff for fiscal years 2015 and 2016 (through August 31).

Fiscal Year	Number of Invoices Processed	Amount of Invoices Processed
2015	61,836	\$ 288,660,823
2016 (August 31)	10,373	\$ 36,492,759

In order for the Accounts Payable staff to effectively carry out their duties, they have to collaborate with other departments including the Purchasing Division of the Finance Department. The tasks of vendor set-up and Vendor Master File maintenance primarily reside with the Purchasing Division with some overlap with the Accounts Payable staff. The Purchasing function is staffed with three FTEs.

Results in Brief

Overall adequate controls existed over the accounts payable process administered by the City’s Finance Department. The Accounts Payable staff were processing payables on a timely basis in accordance with their performance measures. Audit Services staff did not identify duplicate payments or unusual activity based on the extensive testing performed.

Opportunities for enhancement existed in the area of Vendor Master File maintenance and written standard operating procedures. In addition, opportunities for improvement existed in the area of segregation of duties.

Issues and Analysis

The attached report details the objectives, observations, and results of the Accounts Payable Performance Audit dated January 2016.

Recommendation

The Department of Audit Services recommends the City Council receive and accept the Accounts Payable Performance Audit dated January 2016 as presented and approved at the February 22, 2016 Audit Services Oversight Committee meeting.

Attachment