

INTERNAL AUDIT REPORT

2015-03

Accounts Payable

Municipal Light and Power

April 2, 2015

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Mayor Dan Sullivan

April 2, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-03; Accounts Payable; Municipal Light and Power**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed an audit of Accounts Payable at Municipal Light and Power. The objective of this audit was to determine whether Municipal Light and Power vendor payments were properly approved, adequately supported with proper documentation, and timely made to legitimate, approved vendors. We judgmentally selected from the PeopleSoft records a sample of 66 accounts payable disbursements and traced them to the supporting documentation. We also tested the selected items for any indication of noncompliance with Policy and Procedure 24-19, *Processing Accounts Payable Documents in PeopleSoft*, and Policy and Procedure 24-23, *Disallowed Purchases*.

Based on our review, it is our opinion that all tested payments were properly approved, adequately supported with proper documentation, and made to legitimate, approved vendors. However, invoices were not always date stamped upon initial receipt at some ML&P locations. In addition, the invoice received date was not recorded in PeopleSoft for invoices processed by ML&P as required by Accounts Payable Summarized Procedures.

There was one finding in connection with this audit. Management was responsive to the finding and recommendation.

Peter Raiskums, CIA, CFE, CGFM
Director, Internal Audit

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Introduction. Vendor invoices are received by Municipal Light and Power (ML&P) for review, payment coding, approval, and input into PeopleSoft. The Municipality of Anchorage Accounts Payable Section creates checks based on the payment information entered by ML&P. The Treasury Division prints and disburses the checks. In 2014, ML&P's Accounts Payable Section processed about \$170,000,000 in payments. Accounts payable is governed by Policy and Procedure (P&P) 24-19, *Processing Accounts Payable Documents in PeopleSoft*.

Objective and Scope. The objective of this audit was to determine whether ML&P vendor payments were properly approved, adequately supported with proper documentation, and timely made to legitimate, approved vendors. We judgmentally selected from the PeopleSoft records a sample of 66 accounts payable disbursements and traced them to the supporting documentation. We also tested the selected items for any indication of noncompliance with P&P 24-19 and P&P 24-23, *Disallowed Purchases*.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed in January 2015.

Overall Evaluation. All tested payments were properly approved, adequately supported with proper documentation, and made to legitimate, approved vendors. However, invoices were not always date stamped upon initial receipt at some ML&P locations. In addition, the invoice received date was not recorded in PeopleSoft for invoices processed by ML&P as required by Accounts Payable Summarized Procedures.

FINDINGS AND RECOMMENDATIONS

1. Invoice Not Always Date Stamped at Time of Receipt.

- a. **Finding.** Invoices were not always date stamped upon initial receipt at some ML&P locations. These invoices were later date stamped by ML&P Accounts Payable and other ML&P locations in the normal course of invoice verification and approval. In addition, the invoice received date was not recorded in PeopleSoft for invoices processed by ML&P as required by Accounts Payable Summarized Procedures. Policy and Procedure 24-19 requires entering invoices into PeopleSoft within 10 days of receipt of the invoice. Policy and Procedure 24-19 also states, "It is the policy of the Municipality that bills from vendors should be paid within thirty (30) calendar days of receipt of the invoice by Accounts Payable or the ordering agency." If the initial invoice receipt dates are not captured and entered into PeopleSoft, the assessment of whether the invoices are getting paid in a timely manner cannot always be made.
- b. **Recommendation.** The Finance Division Manager should ensure that all invoices are properly date stamped and entered into PeopleSoft. In addition, the Finance Division Manager should request that vendors send invoices directly to ML&P Accounts Payable.
- c. **Management Comments.** Management concurred and stated, "Management of ML&P agrees with the findings as stated. On March 5, 2015 we disseminated a memo from ML&P Finance to all ML&P employees informing them that we are requiring all vendors to submit invoices directly to ML&P Accounts Payable either by mail or email. If invoices are received by other divisions within ML&P they are to be immediately sent to Accounts Payable."

“Accounts Payable clerks will stamp each invoice immediately upon receipt and record received date in PeopleSoft. They will track invoices throughout the process of review, approval and preparation of the disbursement.

“On March 16, 2015 ML&P Finance sent a letter to all current ML&P vendors directing them to submit invoices directly to ML&P Accounts Payable either by mail or email. We informed vendors that payment of invoices not sent directly to ML&P Accounts Payable could be delayed.

“We expect that it will take several months to get compliance from all of our vendors in using the correct address for invoices. However, we expect to be receiving virtually all of our vendor invoices in this way within six months, and will provide the payment information to new vendors and continue to follow up with any noncompliant vendors.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Municipal Officials. The results of this audit were discussed with appropriate Municipal officials on February 18, 2015.

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