



## Audit Follow Up Report

May 31, 2014

**To:** Pre Audit Sub Committee

**From:** Brian Bigger, Auditor General

### Re: Accounts Payable

Audit Report Released	May 2011
Original # Of Recommendations	19
# Of Action Plans Previously Completed	18
# Of Action Plans Now Completed	18
# Of Action Plans On Next Follow Up	1
Status As Of May 31, 2014	Some Delays

Recommendation and Summary Of Progress (Note: Self assessment conducted by the Finance Department)	Self-assessed Status
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Recommendation (g )	
<p>Invoices should reflect a Purchase Order (PO) generated within PeopleSoft. A PO system allows a three way match between invoice, PO and receipt of good. Therefore, all three must match in order to generate a payment. Once a match is made, the PO is closed and no further payments can be processed; thus preventing a duplicate payment. System based controls decrease the risk of an undesirable event, for example duplicate payments. Currently, most duplicate payments are being detected after the payment has been processed. From a control framework perspective, having preventative controls reduces the likelihood of the undesirable event occurring in the first place. Having system based controls rather than a manual check reduces the likelihood of an error, and can decrease processing time of invoices. This in turn, reducing the cost of processing an invoice, as the process becomes more automatic rather than manual. The PeopleSoft System was installed in 2001. Although, Finance is in the process of moving more PO's to PeopleSoft, it is understood that full implementation is still a few years away.</p>	<ul style="list-style-type: none"> <li>Partially Implemented</li> </ul>

### **Original Management Response**

The overall management response at the beginning of this report highlights the key controls in Accounts Payable. At the time that PeopleSoft was implemented, the business process that was established included using PeopleSoft POs for purchases greater than \$5,000 as well as blanket POs and contract numbers. For purchases less than \$5,000 legacy POs and contract numbers and blanket POs if appropriate were to be used. When purchases are made pursuant to a contract, blanket purchase number or legacy PO, the operating department approves the actual invoice for payment by the appropriate signing authority signing the invoice. The signature is evidence that the operating department has authorized the purchase, received the purchase and confirms that the invoice accurately charges for goods or services that were authorized and received and is in accordance with the contract, blanket order or legacy purchase order and is therefore authorized for payment. We do agree that there is a need to move more purchases to PeopleSoft POs and to this end a project was initiated in the fall of 2009 to review the purchasing and payables cycle. There are many recommendations that have stemmed from this review and staff continues to work to implement these recommendations. A key recommendation was to move more purchases to PeopleSoft POs. Changes to the purchasing cycle involve extensive changes to business processes as well as cultural change and consequently will take some time.

### **Actions Taken, Results and /or Actions Planned - As Of June 30, 2013**

Finance is encouraging the use of Peoplesoft Purchase orders, where efficient. Finance has implemented additional functionality such as procurement contracts to ease the process. In addition, Commitment Control has been implemented. The City will continue to increase the use of PeopleSoft purchase orders and this will be an on-going process.

### **Actions Taken, Results and /or Actions Planned - As Of May 31, 2014**

The City has made progress on the foundational pieces to improve the City's procure to pay cycle. These foundational pieces include: Purchasing By-Law, business process review / policy development, expansion of PeopleSoft functionality and integration with the new CityWorks MMMS system. Once the foundational pieces are complete, and resources are identified in operating departments, management plans to amend City policies to make the use of electronic purchase orders mandatory.

Managing the pace of change in the organization has been top of mind to the Chief Financial Officer, and Senior Management Team. The Finance Strategic plan outlined the required action items to achieve the goals, in a balanced approach, at a pace that the organization can manage with the resources it has.

In June, Finance has scheduled training for authorized employees, and we will take the opportunity to continue to encourage the use of PeopleSoft Purchase Orders, where efficient.

### **Update on Procurement Contract Functionality and Peoplesoft Purchasing Module**

The work on Procurement Contract functionality has been advancing at a slow pace, since challenges were discovered. As reported to City Council, Spyre Consultants was hired and performed a review of the City's use of the PeopleSoft Purchasing functionality. The recommendations from these reports are being reviewed and prioritized. Additional resources will be required to implement the recommendations and business process changes. Finance is in the process of hiring a temporary ERP Project Manager to assist with the implementation.



**Brian Bigger, CGA, CRMA**

Auditor General for the City of Greater Sudbury