



## **INTERNAL AUDIT REPORT**

DATE: April 28, 2016

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer  
Glenn Brown, Deputy Chief Administrative Officer  
Aldona Valicenti, Chief Information Officer  
William O'Mara, Commissioner of Finance & Administration  
Phyllis Cooper, Director of Accounting  
Todd Slatin, Director of Purchasing  
Susan Straub, Director of Communications  
Urban County Council  
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit  
Chris Ensslin, CIA, CFE, Deputy Director of Internal Audit

RE: Accounts Payable Continuous Monitoring

The Office of Internal Audit designed tests using ACL audit software to examine selected financial activity to detect possible duplicate payments. Accounts payable applications have controls to alert a user about the existence of records in the same table with the same details. However, these warnings can be ignored and overridden by the user by simply changing the invoice date or invoice number. Identifying transactions that appear to be suspicious can detect the possibility of duplicate payments issued to vendors.

The objective of this analytic was to identify possible duplicate transactions in invoices. The analytic processed the data four different ways in order to identify four



possible circumstances for duplicating an invoice in the PeopleSoft system. Each test examined invoice data to identify possible duplicate invoices.

Test One identified invoices containing the same vendor number, same invoice amount, and the same invoice date. This particular test identified 616 records to investigate that were in the PeopleSoft System from December 1, 2015 through February 19, 2016. There were six duplicate billings. The duplicate billings were identified by Accounts Payable before the payment was made, indicating the internal controls were effective. The remaining records identified in this test were false positives, i.e. these were not duplicate payments. Most of the false positives were caused by blanket purchase orders and multi-line vouchers, which compounds the number of false positives.

Test Two identified invoices containing the same vendor number, same invoice number, same invoice date and the same invoice amount. This particular test identified zero records to investigate that were in the PeopleSoft System from December 1, 2015 through February 19, 2016.

Test Three identified invoices containing the same vendor number, same invoice number, and different invoice date. This particular test identified 2,074 records to investigate that were in the PeopleSoft System from December 1, 2015 through February 19, 2016. All of the records identified were false positives, i.e. these were not duplicate payments. Most of the false positives were caused by blanket purchase orders, using the account number as the invoice number (e.g. utilities, auto parts stores, internet service providers, etc.) and multi-line vouchers, which compounds the number of false positives.

Test Four identified invoices containing the same vendor number and similar amounts (amount differences within 0.05%). This particular test identified 6,232 records to investigate that were in the PeopleSoft System from December 1, 2015 through February 19, 2016. All of the identified records were false positives, i.e. these were not duplicate payments. Most of these were caused by blanket purchase orders, same vendor used in different divisions (e.g. utility companies), and multi-line vouchers, which compound the number of false positives.

In conclusion, during the time period examined no duplicate payments were found. The results of these tests, and the six duplicate billings identified by Accounts Payable prior to payment being made, provide reasonable assurance that internal controls are



in place to prevent or detect and correct duplicate billings under the four test scenarios for records that were in the PeopleSoft System from December 1, 2015 through February 19, 2016. The significant number of false positives noted during our testing are a function of the ACL test methodology and do not represent Accounts Payable control weaknesses. There are no recommendations for corrective action.

