Presented To:	Audit Committee
Presented:	Wednesday, May 04, 2011
Report Date	Thursday, Apr 28, 2011
Type:	Presentations
File Number:	2010FIN05

Request for Decision

Audit of Accounts Payable by the Auditor General's Office

Recommendation

 THAT the Audit Committee accept the report dated December 14, 2010, identifying audit observations, conclusions, and recommendations made by the Auditor General's Office through their audit of Accounts Payable.

(See attached report)

Signed By
Auditor General Brian Bigger Auditor General *Digitally Signed Apr 28, 11*

2010

AUDIT OF ACCOUNTS PAYABLE

Greater/Grand Sudbury

Office of the Auditor General
Bureau du vérificateur général

December 14, 2010   Report# 2010FIN05

This audit was performed by the Auditor General pursuant to section 223.19 (1.1) of the Municipal Act, 2001, S.O. 2001, c.25 in accordance with generally accepted government auditing standards (International Standards for the Professional Practice of Internal Auditing, as set by The U.S. Government Accountability Office).

Sudbury Greater/Grand
Office of the Auditor General
Bureau du vérificateur général

December 14, 2010

To: Jim Lister, Coordinator of Accounting

Subject: Accounts Payable - #2010FIN05

Attached is the audit report #2010FIN05 containing the results of our audit of Accounts Payable. This report evaluates the stewardship over public funds, identifying opportunities to improve various internal controls in accounts payable activities. The audit was conducted as a cross-functional audit from the approved annual audit plan which provides audit resources to review Payables and Receivables related activities.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our findings and conclusions are based on Accounts Payable data specifically extracted for this audit, and a comparison of the conditions, as they existed at the time the auditors initiated this audit on October 4, 2010, against pre-established audit criteria and as identified in the scope of the audit, for the audit period of January 1, 2008 to September 30, 2010.

We will follow-up with management on our recommendations, according to the time frame established for implementing the recommendations. The audit committee will be kept apprised of the status of the recommendations on a regular basis.

We wish to thank the Accounts Payable staff for the level of cooperation and teamwork that we have and experienced in the completion of this audit. Everyone recognizes that with today's demanding workloads and limited resources, there will always be opportunities for improvement or risks to be managed in any organization. How you choose to respond, makes all the difference. I believe that your business like approach, as well as the quality and sincerity of your management responses have greatly contributed to the confidence and trust that the public should have in reading and interpreting the opportunities and risks identified in this audit report.

Sincerely,

Brian Bigger
Auditor General

Audit Staff: Carolyn Jodouin, Senior Auditor
Melissa Dodge, Auditor

CC: Paddy Buchanan, Manager of Accounting
Lorella Hayes, Chief Financial Officer / City Treasurer
Doug Nadorozny, CAO

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INTRODUCTION

Attached is the audit report containing the results of our audit of Accounts Payable. This report evaluates the stewardship over public funds, identifying opportunities to improve various internal controls in accounts payable activities. The audit was conducted as a cross-functional audit from the approved annual audit plan which provides audit resources to review selected payment activities.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

BACKGROUND

The Accounts Payable department processes payments to vendors for the procurement of all goods and services for the City of Greater Sudbury. In addition, it is responsible for processing employee travel and expense reimbursements. In 2009, the Accounts Payable department made approximately 28,000 payments for 86,000 invoices with an approximate total value of $323 million.

The Accounts Payable department processes a high volume of invoices and therefore, strong internal controls are necessary in order to avoid or minimize the risk of financial losses through payment processing errors.

There are two types of controls that mitigate risk. They are preventative and detective controls. Preventative controls focus on preventing errors, while detective controls identify an exception after the event has occurred. Both these controls can either be system based (automated) or manual controls. In comparison to an automated invoice approval system, a manual system is often slower and can lack controls including signature verification and result in duplicate payments due to a vendor issuing a second invoice when payment is not received within established payment terms. The PeopleSoft System was installed in 2001. Currently, PeopleSoft purchase orders are not being consistently used throughout all departments.

To ensure invoices are for approved purchases, authorization is obtained at the department level. A listing of authorization levels for each department is available and is to be verified by Accounts Payable prior to processing. Progress payments are approved by the Financial Analyst and Manager of Support and Budgeting prior to payment. The majority of invoices are paid by cheque. Normal cheque runs are completed every Tuesday and Thursday by the Accounts

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Payable Lead.

Vendor records are set up within PeopleSoft. The responsibility to set up vendors rotates amongst various employees within the Accounts Payable department. Strong controls within Vendor Set Up and Vendor Record Maintenance processes directly impact operating efficiencies within Accounts Payable, and are imperative in order to decrease the risk of incorrect payments, duplicate payments, payments to incorrect vendors and exposure to fraud.

OBJECTIVES

The primary objectives of the audit were to evaluate the adequacy and effectiveness of internal controls related to accounts payable and vendor management. The audit included a review of the following:

- Supervision and authorization procedures;
- Segregation of duties within accounts payable;
- Analysis of payment transactions to identify potential payment errors;
- Vendor master file management.

SCOPE AND METHODOLOGY

The scope of the audit included a review of payment transactions from the period January 1, 2008 until September 30, 2010.

The audit methodology included the following:

- Using specialized audit software called ACL, analyzed 100% of the payment transactions from the period January 1, 2008 until September 30, 2010;
- Interviewed staff within Accounts Payable regarding accounts payable procedures and controls;
- Reviewed invoices processed for payments to identify any issue relating to approval and/or payment errors;
- Reviewed voided cheques for the sample period to identify the reasons for voided transactions;
- Reviewed other best practices for Accounts Payable;
- Reviewed and discussed findings with management.

SUMMARY OF TRANSACTIONS

The following table summarizes transactions reviewed for the period January 2008, to September 2010:

Payment Type	Amount	$%	Count	Count %
Progress Payments	$ 201,310,589	18%	1,087	0.47%
Receiver General	$ 115,896,069	10%	303	0.13%
Tax Levy	$ 64,230,173	6%	22	0.01%
Remittances	$ 70,872,139	6%	119	0.05%
Subsidy Payments	$ 21,917,835	2%	37	0.02%
Invoices, employee expenses, grants, payroll	$ 644,905,748	56%	227,229	98.63%
Total Payments	**$ 1,119,132,552**	**97.5%**	**228,797**	**99.31%**
Voided Payments	$ 29,223,379	2.5%	1,592	0.69%
Total ACL (January 1st, 2008-September 30th, 2010)	**$ 1,148,355,931**	**100.0%**	**230,389**	**100.00%**

KEY ISSUES

Recommendations relating to the following five areas of control were rated as high in the audit report. A rating of "High" infers that the auditors will follow-up on management's progress toward resolution of these key issues on a quarterly basis:

1. Policies and Procedures for Accounts Payable.
2. Vendor Management.
3. Duplicate Invoices and Voided Payments.
4. Access and Segregation of Duties.
5. Invoice Approval.

SUMMARY OF AUDIT FINDINGS & SEVERITY (MEASURE OF RESIDUAL RISK)

Category	Total Number of Findings	Number of Findings Considered			
		High (Red)	Medium (Yellow)	Low (Green)	Nominal
Policy and Procedures for Accounts Payable	1	1	0	0	0
Vendor Management	5	1	3	1	0
Duplicate Invoices and Voided Payments	6	2	0	2	2
Access and Segregation of Duties	3	3	0	0	0
Payment Terms	1	0	1	0	0
Low Dollar Transactions	2	0	2	0	0
Invoice Approval	1	1	0	0	0
Total	**19**	**8**	**6**	**3**	**2**

Audit findings are classified according to the following severity scale:

Severity	Details
High	**Operational Effects:** • Significant improvement/disruption in delivery of essential services, projects or processes • Significant cost savings/overruns in the delivery of services • Significant over/underachievement of service/service group activities **Operational and Financial Controls:** • Key control does not exist, is poorly designed or is not operating as intended • Indicates a serious business control weakness/deficiency requiring immediate action • May result in immediate or material loss/misuse of assets, legal/regulatory action, material financial statement misstatements, etc. • Serious non-compliance to policy or regulation **Damages and Liability** • Loss of significant physical asset • Major environmental damage • Serious injuries to public or staff **Reputation** • Significant gain/loss of public trust • Strong praise/criticism by the public, media, external audit, etc.
Medium	**Operational Effects:** • Moderate improvement/disruption in delivery of services, projects or processes • Moderate cost savings/overruns in the delivery of services • Some over/underachievement of service/service group activities **Operational and Financial Controls:** • Key controls are partially in place and/or are operating only somewhat effectively • Indicates a moderate business control weakness/deficiency requiring near-term action to be taken • Some non-compliance to policy or regulation • May negatively affect the efficiency and effectiveness of operations and/or financial reporting accuracy. **Damages and Liability** • Loss of large, but replaceable physical assets • Serious injuries to public or staff • Moderate environmental damage with moderate clean-up effort required, no permanent damage **Reputation** • Positive/negative media, public, etc. attention • Some gain/loss of public trust
Low	**Operational Effects:** • Minor improvement/disruption in services, projects or processes • Minor cost savings/overruns in delivery of services • Minor gain/setback in achievement of service objectives **Operational and Financial Controls:** • Key controls are in place, but procedures and/or operations could be enhanced. • Indicates a business control improvement opportunity for which longer-term action may be acceptable • Minor non-compliance to policy or regulation • May result in minor impact to operations and/or financial reporting accuracy. **Damages and Liability** • Limited loss of physical assets • Minor injuries • Minor, non-permanent environmental damage requiring very limited clean-up efforts **Reputation** • Minor gain/setback in building client trust • Some favorable/unfavorable media, public, etc. attention
Nominal	• Housekeeping

FOLLOW-UP

A summary of outstanding audit issues requiring follow up will be sent to the Coordinator of Accounting according to the timelines established below. The Coordinator of Accounting is accountable for ensuring management updates are made to the relevant status and the information is returned to the Auditor General's office within the two week timeframe. Follow-up of outstanding issues will be conducted as follows:

Severity of Finding	Timing of Follow-up
High	Quarterly
Medium	Semi Annually
Low	Annually
Nominal	Not Applicable

ACKNOWLEDGEMENT

We wish to express our appreciation for the cooperation and assistance provided to the audit team by all staff involved in this process.

OVERALL MANAGEMENT RESPONSE

We would like to thank the Auditor General for reinforcing key internal controls for Accounts Payable that are important for an organization as complex as the City of Greater Sudbury.

The City does have a strong system of internal controls for Accounts Payable and includes the following key controls:

- The Purchasing By-law sets out clear policies with respect to how procurement is done and the systems are designed to meet the requirements of the by-law.
- All purchases greater than $5,000, that are not purchased on the basis of a contract or a blanket purchase order, are made using a PeopleSoft purchase orders.
- Purchases greater than $5,000 may be made on the basis of a contract number or blanket purchase order and in these instances the invoice is approved for payment by an authorizing signatory and quotes the contract number or the blanket purchase order number. The signature and identification of the contract number or the blanket purchase order number is evidence that the operating department has authorized the purchase, received the purchase and confirms that the invoice charges for goods or services that were authorized and received in accordance with the contract or blanket order and is therefore authorized for payment.
- Purchases between $1,500 and $5,000 are made using a legacy purchase order, contract

number or blanket purchase order. These purchases are authorized by the appropriate signing authority signing the invoice. A signature on an invoice is evidence that the operating department has authorized the purchase, received the purchase and confirms that the invoice charges for goods or services that were authorized and received in accordance with the contract, blanket purchase order or legacy purchase order and is therefore authorized for payment.

- When goods and services are received they are received against the purchase order or contract. Receiving occurs in the operating department. When the invoice is received it is matched against the purchase order and receiving slip and this task is done in the operating department and in the case of PeopleSoft purchase orders in Accounts Payable. This ensures that only goods ordered and received are paid for.

- The Coordinator of Accounting reviews all cheques and corresponding back up for expenditures greater than $50,000 and the CFO/Treasurer approves all cheques and corresponding back up for expenditures greater than $100,000.

Systems also need to be monitored and enhanced and changed as technology and business needs change. Therefore, as outlined in Finance's 2010/2011 Business Plan, Finance staff have been engaged in a procure to pay process review and several recommendations (including many of those made by the Auditor General) that will strengthen internal controls and business processes have been tabled and are being implemented. These changes affect the whole organization and involve both procedural and cultural change. Details with respect to accomplishments already achieved and plans to address other issues are contained throughout the report in management's response.

By the very nature of an auditor's mandate, reports tend to highlight audit findings that focus on areas for improvement. Management would like to take this opportunity to note that a number of improvements have occurred over the past several months. Other improvements are highlighted throughout the report.

- Accounts Payable has implemented and increased the use of electronic funds transfer to pay suppliers thereby increasing both efficiency and cost effectiveness. Strategies to increase the use of electronic payment will continue to be pursued.

- Accounts Payable has implemented excel to general ledger upload which allows the upload of invoice information directly into PeopleSoft from spreadsheets and therefore decreases manual input time.

- There has been increased focus on vendor discounts and several vendor discounts have been added to the database.

- One-time vendor functionality has been implemented.

- General business processes and staffing improvements have been implemented. These changes have reduced the invoice back log in Accounts Payable and as a result improved the timeliness and accuracy of financial statements.

With the procure-to-pay review that was conducted and the implementation of resulting recommendations, significant progress has been made in Accounts Payable over the past several months. We recognize that there is still work to do. The Auditor General has identified that the lack of policies and procedures is a high risk area and the ability to address this risk will be challenging with existing resources. As well, segregating duties completely for vendor maintenance requires that we designate vendor maintenance to another staff person. While we will look for ways to accommodate this work within existing resources, it is possible that additional resources may be required.

APPENDIX A - DETAILED REPORT

1) ACCOUNTS PAYABLE POLICIES AND PROCEDURES MANUAL

There is a procedural manual for entering vendors and vouchers within PeopleSoft, however there are no formally documented policies and procedures for the Accounts Payable business processes. Having documented policies and procedures are a key part of a management control framework. Not having documented policies and procedures specific to the City of Greater Sudbury's Accounts Payable environment may result in inconsistent data entry which can lead to incorrect payment processing, duplicate payments, etc. Any changes to policies and procedure should be formally documented and available for review and/or reference.

RECOMMENDATION (HIGH)
Management needs to establish written policies and procedures that incorporate business processes in addition to existing directions on how to use the PeopleSoft system.

a) Management needs to establish written policies and procedures that incorporate business processes in addition to existing directions on how to use the PeopleSoft system. The manual should include policies and procedures regarding Vendor Setup and Management, Vendor Invoices (Invoice Processing Policy), Disbursements (Cheque disbursement policy and payment policy) and Month End Reporting requirements.

In addition to the PeopleSoft policies manual, specific standards for entering an invoice should be implemented. This should include standards for leading zeros, alpha-numeric characters, etc. Furthermore, a standard process for creating an invoice number where one does not exist should create the same unique number no matter who processes the invoice. If invoice numbers are entered in a standard convention, the PeopleSoft duplicate check would increase the likelihood that the duplicate invoice would be detected at the invoice entry stage, since the majority of duplicate errors were due to two variations of the same invoice number.

MANAGEMENT RESPONSE

Accounts Payable currently has procedures documented, and Accounts Payable can access these online, for:

- Invoice processing
- Vendor maintenance
- Invoice look-up
- EFT instructions
- Vendor look-up
- And many others including cheque runs, bank transfers, etc

Management agrees with the auditor's conclusion regarding the need to establish written policies and procedures that incorporate both business processes as well as PeopleSoft system processing procedures.

Management agrees with the auditor's comments regarding invoice entering and will ensure that the policies and procedures manual (as documented in 1 a) above will include specific standards for entering invoices.

Accounts Payable policies and procedures will be expanded to incorporate business processes as well as system processes. The policies and procedures are targeted to be updated by October 31, 2011.

2) VOIDED CHEQUES

During the audit, it was noted that $29.2 million of payments had been voided with errors having been identified after the cheques had been printed. In order to determine the reasons for these voids, the Auditors reviewed supporting documentation for $26.7 million of cheques (corrections) on file that were voided during the audit period, January 1, 2008 until September 31, 2010.

The process of voiding cheques and re-issuing a correct cheque is completed by the Bookkeeper and AP Lead, there is no regular supervisory review required or completed. See Exhibit 1, for a summary of the detailed review. This summary by reason was developed by the auditors in their review of summary explanations notated by the AP Lead in the Accounts Payable corrections binders, through discussions with the AP Lead as well as by reviewing a sample of the approved invoices.

To summarize the review, there was a low volume, but a high dollar value of cheques being voided due to the departments authorizing an incorrect amount for payment. There was a high volume of cheques that were voided due to payment to the wrong vendor or keyed incorrectly by AP. Having written policies and procedures that incorporate business processes in addition to the existing directions on how to use PeopleSoft as recommended above, may help reduce these types of voids. There was a high volume but overall low dollar value of cheques that were voided due to being a duplicate payment or at the request of the department. Many of the cheques that were voided at the request of the department were voided due to products/services not being received. For example, cheques were requested by employees in advance of actual training session dates. If the employees informed Accounts Payable that they did not attend, the cheque was then voided by Accounts Payable.

Exhibit 1: Summary of Voided Cheques

Reason	Amount	%	No. of Cheques	%
Cheques Not Reissued:				
Not required by department	$ 325,526	1.2%	83	9.5%
Product/Service not received	$ 52,502	0.2%	74	8.4%
Duplicate payment	$ 188,167	0.7%	107	12.2%
Payment also made on Visa/P-Card	$ 10,842	0.0%	16	1.8%
Tax department cheques (outside AP)	$ 41,360	0.2%	40	4.6%
Other Reasons - Cheques not reissued	$ 902,270	3.4%	127	14.5%
Subtotal of Cheques Not Reissued	$ 1,520,667		447	
Cheques Reissued:				
To correct payment to wrong vendor (keying issues)	$ 1,212,361	4.5%	98	11.2%
To correct vendor information	$ 595,115	2.2%	101	11.5%
Keyed incorrectly by AP	$ 7,302,566	27.3%	42	4.8%
Wrong amount authorized by department	$ 15,218,228	57.0%	41	4.7%
Stale dated/ Did not receive cheque	$ 461,462	1.7%	103	11.7%
Other Reasons - Cheques reissued	$ 408,729	1.5%	45	5.1%
Subtotal of Cheques Reissued	$ 25,198,461		430	
Detailed Review of Supporting Documentation	$ 26,719,128	100.0%	877	100.0%
Supporting Documentation Not Reviewed	$ 2,504,271			
Total Voids Relating to Payment Transactions From Jan 2008 to Sept 2010	$ 29,223,399			

Note 1: Total amount includes a cheque for $12 million (included in the "Wrong amount authorized by department" category) that was cancelled and reissued for a smaller amount. Error was detected immediately and cheque cancelled was not issued to vendor or funds transferred to bank.

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RECOMMENDATION (HIGH)
The Supervisor should review all voided cheques.

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b) The voided cheques within Accounts Payable should be reviewed by a supervisor on a regular basis. Therefore, the causes of these processing errors can be identified and rectified as required, on a timely basis. The auditors would also expect policies and procedures to be reiterated, or updated by management as required.

MANAGEMENT RESPONSE

The AG's recommendation has been implemented. A voided cheque report is prepared and reviewed monthly by the Coordinator of Accounting and this review is evidenced by an initial on the report. Processing problems that are causing cheques to be voided are being identified and procedures put in place to address. The related policies and procedures will be documented.

A void cheque is a cheque that has been cancelled and not cashed by the payee. Cheques are normally voided when an error is detected and it is prior to funds being drawn from the City's bank account. The fact that there are voided cheques demonstrates that internal controls are catching the majority of the errors prior to payment ultimately being made.

Voided cheques are a normal part of the business process of accounts payable and

can happen for a variety of reasons. In the AG's analysis, the voided cheques are approximately 0.7% of the total cheques issued and 1.5% of amounts processed through accounts payable (after removing the $12 M outlier). It is a business objective to minimize voided cheques and Accounts Payable will continue to analyze the voided cheques and make improvements in processes to minimize the number of voided cheques.

RECOMMENDATION (Low)
Consideration should be given to redesigning the cheque request form.

c) In reviewing the voided cheques, there is a low volume, but high dollar value of cheques that were voided because the wrong amount was authorized by the departments. The City does have a standard cheque request form, but consideration should be given to redesigning the form. At times, with using the current forms, it may be unclear as to the amount the department authorized to pay. One consideration in redesigning the form would be to have a separate box that highlights the total to be paid in order to reduce the chance of error.

MANAGEMENT RESPONSE

Accounts Payable has reviewed the cheque request form and as it is currently designed there is a clearly marked and delineated area labeled "Total Cheque Amount". See embedded excerpt from the cheque request form. The problem giving rise to incorrect amounts is not related to the design of the form but rather to how it is filled in. The form often comes with the "Total Cheque Amount" left blank. Accounts Payable will work with the operating departments to ensure the form is completed in its entirety. This will be on-going.

CAN or US $		
TOTAL CHEQUE AMOUNT		**$0.00**

_____   _____

      AUTHORIZED BY -   **DATE**

RECOMMENDATION (NOMINAL)
Consideration should be given to reimbursing employees for training after the training has been completed.

d) There was a high volume of cheques that were voided for reimbursement for training due to the employee requesting funds prior to attending an event, but then not attending. There is a

cost to the City for both processing the cheque request, following up on the travel advances, and also for voiding the printed cheque. Consideration should be given to reimbursing employees for training once the training has been completed, and not prior to the session.

MANAGEMENT RESPONSE

During the 33 months audited there were 70 cheques voided for this reason. Travel advances and travel reimbursement are administered in accordance with the most recently (April 1, 2010) approved Travel Policy. The Travel Policy encourages employees who do not have travel procurement cards to use personal credit cards to pay for expenses and then seek reimbursement after the travel has occurred. Where an employee does not wish to use a personal credit card, the City will provide a travel advance on the request and approval of the supervisor. Travel advances are not immediately expensed but reside as an asset (advance receivable) on the balance sheet awaiting completion of the course/conference and the filing of a travel expense claim form. Finance staff follow up on all travel advances to ensure they are properly removed from the balance sheet through cancellation of the cheque or through final expense claims.

3) DUPLICATE INVOICES

Using ACL, specialized data analysis software, the Auditors reviewed 100% of payments processed by Accounts Payable for the period January 1, 2008 until September 30, 2010. See Exhibit 2 for payment summary.

Exhibit 2: Payment Summary

Payment Type	Amount	$%	Count	Count %
Progress Payments	$ 201,310,589	18%	1,087	0.47%
Receiver General	$ 115,896,069	10%	303	0.13%
Tax Levy	$ 64,230,173	6%	22	0.01%
Remittances	$ 70,872,139	6%	119	0.05%
Subsidy Payments	$ 21,917,835	2%	37	0.02%
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Total Payments	**$ 1,119,132,552**	**97.5%**	**228,797**	**99.31%**
Voided Payments	$ 29,223,379	2.5%	1,592	0.69%
Total ACL (January 1st, 2008-September 30th, 2010)	**$ 1,148,355,931**	**100.0%**	**230,389**	**100.00%**

To determine the extent of duplicate payments the auditors completed various duplicate tests using ACL, reviewed Accounts Payable's duplicate report, as well as reviewed the voided cheques. See Exhibit 3 for summary of duplicates.

Exhibit 3: Duplicate Summary

Source	Amount	S%	Recovered
Duplicate Payments Identified By Auditors Testing	$ 17,143	5.2%	$ -
Duplicate Payments Identified By A/P Report	$ 59,943	18.0%	$ 59,943.00
Duplicate Payments Identified In The Voided Cheques	$ 188,167	56.5%	$188,167.00
Duplicate Payments Identified by Vendor	$ 67,619	20.3%	$ 67,619.31
Total	**$ 332,872**	**100.0%**	**$ 315,729**

For both voided and duplicate payments, the time and materials necessary to process the payment a second time and recover the duplicate amount reduces the efficiency and economy of the Accounts Payable operations.

DUPLICATE PAYMENTS IDENTIFIED BY A/P REPORT

In August 2009, Accounts Payable had implemented a process to complete a duplicate payment check on a quarterly basis. This duplicate payment report sorts invoice data by amount and then invoice ID, and the duplicate amounts are manually reviewed within the department. Any duplicates detected are followed up by the Accounts Payable Lead. The Auditors reviewed the Accounts Payable report and noted that CGS Accounts Payable staff had been successful in identifying and recovering $59,943 in duplicate payments.

DUPLICATE PAYMENTS IDENTIFIED BY AUDITORS TESTING

The auditors know from experience, that the success of system automated duplicates checks is dependent on "perfect matches" of data. Inconsistencies in the methods used for keying invoice numbers, invoice dates and vendor names are often the root cause of duplicate or incorrectly vendored payments being produced by Accounts Payable departments.

Using ACL, tests were completed on 100% of payments made between January 01, 2008 and September 30, 2010. The auditors looked at both perfect and imperfect matches to identify duplicate payments for the same invoice with incorrect invoice numbers, invoice dates and/or invoice amounts, as well as payments made to wrong vendors. From these tests, the auditors identified $17,143 of payments where a duplicate payment had occurred.

A list of all duplicate payments detected through the Auditors testing was reviewed with Accounts Payable staff to confirm that they were still outstanding. The auditor's list of potential duplicates was provided to Accounts Payable on November 29th, 2010 for recovery.

DUPLICATE PAYMENTS IDENTIFIED IN VOIDED CHEQUES

During the review of voided payments, it was determined that $188,167 of cheques were voided because a duplicate payment had been processed. That is, the same invoice had been approved for payment and processed by Accounts Payable twice. For the majority of these cheques, there was clear evidence (in the form of a letter or note from the vendor attached to the returned cheque) that the duplicate payment had been identified by the vendors, they notified Accounts Payable of the error and returned the cheque to the City.

DUPLICATE PAYMENTS RETURNED BY VENDOR

When a duplicate payment occurs, it is Accounts Payable's practice to use the original invoice number plus 'PD 2X' in the adjusting entry. Using ACL, all adjusting entries with the invoice ID containing the description 'PD 2X' were extracted. Any correcting entries resulting from the Accounts Payable duplicate report above were excluded. In total, $55,017 was identified as having a credit processed in order to correct a duplicate payment. In addition, there were $12,602 in payments where a duplicate payment had occurred but the vendors had notified the City. This amount has been included under 'Duplicate Payments Identified By Vendor' in Exhibit 3.[1]

RECOMMENDATION (NOMINAL)
Consider implementing more frequent detective controls to identify duplicate payments.

e) It is recommended that Management review the functionality of ACL and consider implementing this or similar detective controls in order to monitor transactions on a daily basis and identify duplicate payments.

MANAGEMENT RESPONSE

Accounts Payable does have both preventive and detective controls in place and the key controls are highlighted in the overall management response at the beginning of this report. There is a system control in PeopleSoft that will not allow an invoice to be processed if the invoice number has previously been processed. In addition, Accounts Payable does have a business process in place for identifying duplicate payments. Quarterly, a duplicate payment query from PeopleSoft is run and followed up. This query will be reviewed to determine if it can be expanded to pick up additional variables that would further refine and improve the identification of duplicate payments. Target date for completion is

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[1] $12,602 + $55,017 = $67,619

June, 2011.

If the PeopleSoft query cannot be expanded then the functionality of ACL will be reviewed and a cost/benefit of using ACL as an additional tool in AP will be undertaken.

Management appreciate the listing of potential unrecovered duplicate payments ($17,143) the auditor has provided and Accounts Payable has commenced collecting this amount and continue to review and collect the remaining amounts.

RECOMMENDATION (LOW)
Establish policies surrounding paying from copies of invoices.

f) Policies surrounding paying from copies of invoices should be created and enforced. Faxes or copies should receive enhanced scrutiny before payment. Furthermore, vendors should be officially informed that all invoices should be sent directly to Accounts Payable.

MANAGEMENT RESPONSE

Policies and procedures will be documented as part of the work done and described in 1 a) of this report. It should be noted that original invoices received by fax or email are stamped "Original invoice received by fax/email" to prevent confusion. Staff have been reminded to apply greater scrutiny to copies of invoices.

Management notes your comments on all invoices being sent to Accounts Payable. As Accounts Payable moves forward with functionality that will allow the City to scan and attach the invoice inside of PeopleSoft. Accounts Payable will ensure more vendors forward invoices directly to Accounts Payable. This was one of the recommendations from our internal procure to pay review. This review was discussed in the overall management response.

RECOMMENDATION (HIGH)
Finance should expedite the implementation of Purchase Orders in PeopleSoft.

g) 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.

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.

4) VENDOR MANAGEMENT

Using ACL, a review of the vendor master file was completed and for the 9,613 active vendors on record as of September 30, 2010, and the following was noted:

- 303 (3%) were duplicate vendors, with various variations in names and addresses;
- Only 1,310 (14%) of the vendors had phone numbers;
- 1,563 (16%) did not have payment terms entered. Default payment terms are net 30;

- 2,082 (22%) active vendors had not been used since October 2008.

The Auditors also found that when monthly payments such as the Elderly Tax Rebate were processed through Accounts Payable, the Information Technology department would send Accounts Payable a file which would automatically re-create a new vendor and the associated payment information within PeopleSoft each time. Payment would only be made to the newly created vendors once. From this process alone, there are an additional 4,373 active vendors in the master file.

Additional weaknesses surrounding the vendor management processes were noted:

- There is a lack of business processes surrounding vendor management including formal policies for making changes to vendor information.
- The responsibility for vendor maintenance is rotated amongst Accounts Payable staff. This results in a lack of segregation of duties as employees will have access to the vendor master file as well as be able to process invoices for payment.
- There is a lack of evidence of supporting documentation for changes made to the vendor master file. A sample of 10 vendors that had been modified after January 2009 were reviewed. There was no documentation on file to support the modification, nor proof that the changes were properly authorized.
- There is no supervisory review of the vendor management process.

There should be formal policies for managing the vendor master file. An effective vendor master file policy includes regular reports on activity, a consistent naming convention, rules governing vendor additions and deletions, as well as routine cleansing of old or duplicate entries. A lack of vendor master file management can cause a significant amount of payment errors and rework in the Accounts Payable department. Thus, having vendor management policies and controls in place can lead to cost avoidance for time and money of investigating errors and reprocessing invoices and also decrease the risk of fraud.

RECOMMENDATION (HIGH)
Accountability for vendor master file management should be clearly identified.

h) The owner of the vendor master file should be clearly identified. This individual should be someone with the process knowledge necessary to assume the responsibility for determining master vendor data requirements and standards. In addition, the responsibility should be with someone who does not have authority to process payments or set up purchase orders, ensuring system based segregation of duties. All Accounts Payable staff who are able to process invoices should be prohibited from making changes to the vendor master file.

MANAGEMENT RESPONSE

Accounts Payable was assigned responsibility for the vendor master file when PeopleSoft was implemented and is the current owner of the vendor master file. Accounts Payable will work with Supplies and Services to ensure that all pertinent information required for contacting suppliers will be available on the Vendor Master. Policies and procedures will ensure that the vendor data requirements and standards are appropriately documented.

As part of the work done and described in 1a) of this report, a policy and procedure for ensuring segregation of duties for vendor maintenance will be developed. The auditor's comments regarding accountability and responsibility will be incorporated in the policies and procedures. Target date for completion is October 2011.

RECOMMENDATION (MEDIUM)
Formally document changes to the vendor master file for vendor set up and maintenance.

i) Formal procedures for vendor setup including a new vendor application and vendor master file change request should be established. All completed forms should be maintained in a secure location. Therefore, all vendor master file changes will be supported by documentation which reduces the chance of fraud. In addition, the policy should outline the review requirements for changes to the vendor master file.

MANAGEMENT RESPONSE

The suggestions for a new vendor application and vendor master file change request form will be reviewed to determine if this is the most appropriate and efficient manner to capture documentation related to the creation of vendors and vendor changes.

Presently requests for changes to vendor files if received are retained and filed in one generic file. It is the case however that change like incorrect spelling of a vendor's name may be corrected without corresponding documentation. The current version of PeopleSoft does not have a document attach functionality but this is coming in the next upgrade so at that time we will be able to keep documentation for vendor changes as an electronic record in the specific vendor file. As we wait for this functionality we will continue to document requests for vendor file changes and improve the filing of the documentation. A formal policy and procedure as described in 1a) of this report will be completed by October 2011.

RECOMMENDATION (MEDIUM)
Critical data standards for vendor set up should be established.

j) Critical data required for vendor set up should be established by management. Vendor records should not be created without complete population of critical data and the required fields should be mandatory within PeopleSoft.

MANAGEMENT RESPONSE

In conjunction with Supplies and Services we will establish the data requirements for a vendor file and the data for existing vendors will be reviewed and updated to meet the data standards. Review and update to be complete by October 2011. This work will be done as part of the policy and procedure development described in 1a) of this report.

RECOMMENDATION (MEDIUM)
Management should establish a policy regarding maintenance of the vendor master file.

k) The complete listing of duplicate vendors and inactive vendors has been provided to Accounts Payable. Master files should be cleansed of inactive and duplicate vendors. Management should establish a policy as to when a vendor should become inactive. The vendor master file should be reviewed to remove duplicate vendors and inactivate unused vendors as required. Ideally, each vendor should appear in the vendor master file only once, with proper legal names and different remit to addresses as required.

MANAGEMENT RESPONSE

We noted this issue and in July, 2010 all vendors with no activity from January 1, 2008 were inactivated. This procedure has been implemented as an annual business practice. In January of 2011 we again inactivated all vendors with no activity from January 1, 2009. The no activity for 24 months was selected because the City has very diversified business activities. Even with the 24 months of inactivity we have had to reactivate a number of vendors.

The AG provided a list of potential duplicate vendors and these have been corrected in the system, where appropriate. In some cases the relevant invoice documentation will need to be reviewed to ensure that it is not just a case of two actual businesses sharing one location. We anticipate completion by April 30, 2011.

This policy and procedure will be documented with the work done in 1a) of this report.

RECOMMENDATION (LOW)
Establish policies surrounding one time vendors.

l) One time vendors should be managed separately to ensure that vendor master file records are not created for limited time vendors. In addition, the vendors set up for tax refunds should not remain active in the vendor master file.

MANAGEMENT RESPONSE

This recommendation had been partially implemented prior to the release of the Auditor's findings. Management noted this issue in the summer 2010 and has implemented a process to use the appropriate PeopleSoft functionality to ensure tax vendors and the like (election workers, etc.) will be in-activated immediately after they are paid. The use of this functionality for other potential one-time use vendors is being expanded. Testing of this will occur in April 2011.

Policy and procedures will be included with the work done in item 1a) of this report.

5) SEGREGATION OF DUTIES AND PEOPLESOFT ACCESS

An individual should only be able to access appropriate applications and information in order to perform their job functions. Failure to implement strong access controls in critical business applications can lead to an individual having inappropriate access and provides them with the ability to commit fraud. The risk of fraud arises when the same person can access the vendor master file and enter invoices for payment, since they are capable of creating fictitious suppliers and approving payment to them. In addition, one person should not be able to enter an invoice for payment and authorize the payment.

When an employee leaves the department or no longer requires a User ID, the department should notify Financial Information Services to revoke access. Lastly, every employee who is required to access a computer system must be provided a unique username and password. Having employees use their own unique User ID makes it easier to identify the transactions they create. Furthermore, it is the responsibility of each employee to secure and protect their password. One must never divulge or share their password with anyone.

SEGREGATION OF DUTIES

Within PeopleSoft, Accounts Payable staff can process invoices and have full access to vendor maintenance. No system based segregation of duties exists. Accounts Payable staff can create or modify a vendor and then process an invoice for this vendor. In addition, the Accounts Payable Lead is able to manually enter vouchers and post vouchers for payment.

Sudbury   Office of the Auditor General
Bureau du vérificateur général

RECOMMENDATION (HIGH)
Segregation of duties within accounts payable processing and vendor management needs to be reviewed by management.

m) It is recommended that vendor maintenance be completed by someone who does not have the authority to process payments or set up purchase orders. The Accounts Payable clerks that currently have access to both invoice processing and vendor maintenance should have their vendor maintenance access revoked immediately. In addition, the AP Lead's access to enter invoices manually should be revoked.

MANAGEMENT RESPONSE

It is agreed that there is currently a lack of segregation of duties with respect to vendor maintenance. The accounts payable group is small and thus separating tasks can be difficult without impacting service levels. Alternatives to achieve segregation of duties are being explored and a suitable strategy will be put into place by end of July 2011.

ACCESS

The audit identified active User ID's within PeopleSoft accounts payable and vendor management modules for employees no longer working in the Accounts Payable department. In addition, some Accounts Payable staff had more than one user ID from their previous positions within the City.

During the audit, PeopleSoft access was reviewed by the Financial Information Services (FIS) department and only active Accounts Payable employees now have access to the Accounts Payable and Vendor Maintenance modules.

RECOMMENDATION (HIGH)
PeopleSoft access should be reviewed regularly by all department managers. All changes should be sent to FIS for processing.

n) Access to PeopleSoft should be revoked within a reasonable time of the employee leaving the department. It has been noted that a 'PeopleSoft Finance Access Request' form is in the process of being implemented. This form is used to grant, modify and revoke PeopleSoft access. It is recommended that once this form is implemented, that it be used by all departments within the City. In addition, on a regular basis, FIS should provide department managers with a listing of employees with their current system access. Each manager should review the listing for appropriateness and notify FIS in writing of any required changes. All changes received by FIS should be made on a timely basis.

MANAGEMENT RESPONSE

Accounts Payable will work with FIS to develop forms and a reporting strategy.

SHARING USER ID'S

The User ID used to enter invoices for the airport is shared amongst the Accounts Payable clerks. In addition, it was noted during the audit that the Accounts Payable Lead shares her user ID with other Accounts Payable staff to enable EFT payment information to be entered in the vendor master file.

RECOMMENDATION (HIGH)
Unique User IDs and passwords should be assigned to each employee.

o) It is recommended that if an employee requires access to PeopleSoft a unique User ID and password should be provided. This ensures that all transactions are easily traced, protecting the employee and the City.

MANAGEMENT RESPONSE

The City's does have a policy with respect to system access and it is that each employee has a unique user identification and password and that these not be shared with other staff. We appreciate that the Auditor General has pointed out errors that have occurred relative to the policy. These errors have been corrected. All staff have unique user IDs and it has been reinforced with staff that they are not to share user IDs. We will work with FIS to ensure a periodic monitoring process is in place.

6) PAYMENT TERMS

Payment terms can be set up in PeopleSoft within each vendor's profile. If no payment terms are entered, the system will default to net 30 days. However, even if acceptable payment terms are set up within PeopleSoft, payment terms are often overridden to 'pay immediately' in order to accommodate a 'RUSH' cheque request.

The Auditors also noted that normal cheque runs are completed every Tuesday and Thursday by the Accounts Payable Lead. In order to offset the "twice a week" general cheque run strategy, current practice is to release cheques once they are within 5 days of (prior to), their actual

payment due date.

An analysis of the system based payment terms for all active vendors was completed using ACL. According to Exhibit 4, most vendors are set up as 'Due Immediately'. As a result, as soon as an invoice is entered, a payment is processed in the next cheque run.

Exhibit 4: Vendor Payment Terms

Type of Payment Terms Entered In PeopleSoft	Number Of Vendor Records	Percent Of Vendor Records
Due Immediately "RUSH Cheques"	6,860	71.36%
Not entered (default net 30)	1,563	16.26%
Net 30	1,151	11.97%
Other Net Terms	32	00.34%
Discount Terms Recognized	7	00.07%
Total	*9,613*	*100.00%*

There is an imputed cost to the City when invoices are paid prior to an established time frame. Establishing and negotiating city wide standards for payment terms (i.e. Net 30 days) optimizes cash through improving working capital. Monies used to pay invoices early could instead be used to fund other expenditures or invested to earn interest.

In the auditors opinion, payment terms should only be departed from for financial incentives (i.e. early payment discounts), or if a small enterprise will experience financial harm. Any departures from the standard payment terms should be approved by management. Any major departures or changes in terms would require the approval of the Council.

When formal payment terms have not been established, the vendor assumes a risk of delayed payment. The cost of a delayed payment may be reflected in negotiated or tendered costs. When money is owed to the City, Net 30 receivable terms are often provided.

RECOMMENDATION (MEDIUM)
Management should ensure invoice payments adhere to formal payment terms established in each PeopleSoft vendor record, and any departures from these terms should be authorized.

p) Management should ensure invoice payments adhere to formal payment terms established in each PeopleSoft vendor record, and any departures from these terms should be authorized.

MANAGEMENT RESPONSE

The City's established payment terms are net 30 days unless there is a specific business need to make an earlier payment as established by the operating department.

The City deviates from payment terms of 30 days for many types of payments including monthly transfer payments, Manulife and employee expense payments,

payroll remittances, other funding agencies etc. where the standard terms of 30 days are not appropriate. We also make payments to hundreds of citizens for tax refunds, tax overpayments and items such as leisure services refunds; all of which are paid immediately upon presentation at Accounts Payable. While we appreciate the suggestion that there should be very few deviations from standard payment terms of net 30 days, given the diversified nature of the City's business and its relationship to its taxpayers this is just not possible.

Accounts Payable staff scanned the listing of Vendors to determine if there were any obvious inappropriately coded vendors and none were identified. Since the vendor list is over 6,000 vendors, a scan has limited effectiveness so we also did a detailed review of a random block sample of 50 of the Vendors. Of the 50 vendors only 4 were actual City suppliers and they were one time suppliers and not regular recurring suppliers. The remaining vendors were citizen refunds, petty cash renewal, employee reimbursement, legal payments related to land transactions, etc.

Accounts Payable will expand the review of the vendors to determine if any changes are required. This will be complete by the end of September 2011. We would point out that the OMBI statistics show that the City pays only 43.9% of its invoices within 30 days and it ranks as the lowest municipality amongst the reported municipalities. The City continues to work to improve its performance relative to achieving it target payment terms of net 30 days.

7) LOW DOLLAR TRANSACTIONS

Accounts Payable is processing a significant amount of low dollar invoices which decreases the efficiency of Accounts Payable, and leads to backlogs and increased chance of errors.

Within the sample period, invoices submitted by a vendor with an average amount less than $350 contributed to 32% of the 72,697 invoices processed, but made up only 1.5% of the total amount of the total dollar value of invoices paid (excluding capital progress payments). There is a cost for processing small dollar invoices. According to a recent performance report, the operating cost to pay an invoice is $4.57. If the City were able to decrease the number of invoices under $350 by 10%, there would have been a potential cost saving of $33,223 for the sample period.

Exhibit 5: Number of invoices processed with an average amount less than $350

Average Invoice Amount	# Of Invoices
$0.00 - $49.99	8,114

$50.00 - $99.99	13,969
$100.00 - $149.99	11,807
$150.00 - $199.99	8,862
$200.00 - $249.99	7,152
$250.00 - $299.99	8,488
$300.00 - $350.00	14,305
Totals	**72,697**

A number of vendors are submitting a high volume of low dollar invoices. Savings can be achieved through the use of P-Cards or having these vendors submit consolidated invoices. For example, there were 3,851 invoices processed for Northern Uniform Service, with an average invoice amount of $42.47. Exhibit 6 is a sample of five vendors where Accounts Payable is processing a large amount of invoices with a small dollar amount.

Exhibit 6: Sample of vendors with low dollar but high volume invoices

Vendor ID	Name	# Of Invoices	Average Invoice Amount
0000001579	NORTHERN UNIFORM SERVICE	3,851	42.47
0000003380	PCO SERVICES INC	1,901	61.91
0000014973	RELIANCE HOME COMFORT	1,394	78.44
0000000591	CULLIGAN WATER TREATMENT	1,116	32.20
0000000780	EVANS HOMECARE BUILDING CENTRE	1,160	132.60
0000001953	2ND AVENUE HOME HARDWARE	786	42.34

RECOMMENDATION (MEDIUM)
Evaluate the opportunity to increase the use of P-Cards in order to decrease the number of small dollar invoices currently being processed in Accounts Payable.

q) The opportunity for cost savings through the increased use of P-Cards should be evaluated in order to attempt to decrease the number of small dollar invoices being processed in Accounts Payable.

MANAGEMENT RESPONSE

Accounts Payable is part of a cross-functional Finance team looking at improvements to the P-Card program and will continue to push for more use of P-Cards where appropriate.

RECOMMENDATION (MEDIUM)
Evaluate the opportunity to have vendors consolidate smaller dollar invoices into one larger dollar

r) The City should consider approaching vendors and have them submit consolidated invoices rather than separate invoices for each department. Smaller dollar transactions would be consolidated into one larger dollar invoice, which would reduce the volume of invoices currently being received in Accounts Payable.

MANAGEMENT RESPONSE

Accounts Payable had previously begun the work to consolidate billings. Where practical the City will continue to look to consolidate billings to reduce the number of invoices being processed. It does need to be noted however that consolidating billings is somewhat challenging because individual charges need to be charged to the correct general ledger expense account in the correct cost centres and this applies whether they are large or small charges. Consolidating the billings can jeopardize the accuracy of financial reporting. We continue to search for ways to reduce the number of invoices being manually processed.

There are other methods that can be utilized to reduce the number of invoices processed and in the past few months new functionality that allows for excel to AP upload has reduced the number of invoices keyed by approximately 4,000 per year. We will continue to work on many fronts to reduce the number of invoices being manually processed.

8) INVOICE APPROVAL

A manual invoice approval system is currently being used. Currently, all approved invoices go to Accounts Payable for processing. Accounts Payable personnel, especially those new to their positions, may be unfamiliar with individuals within all departments who have the authority to authorize invoices for payment. Consequently, an authority listing is needed as a reference to know who can approve invoices and what their limits are.

When using a manual invoice approval system, the authority listing should include authority limits and signatures of all approving employees. The list must be up to date, ensuring that employees are on the list only once and in the correct department. In addition, only active employees should be on the list. Payments should only be processed if the approving employee has the required authority to approve the invoice.

The authority listing used by the Accounts Payable department to verify employee's invoice approval limits is not up to date. Two cheque runs were reviewed to ensure invoices were approved by the correct person and within the person's approval authority. Although signatures

have been updated by Accounts Payable as required to identify the person approving the invoice, the following was noted:

- One invoice was approved outside the approving employees authorization limit.
- One invoice was approved by the same employee submitting the expense claim.
- One invoice with no associated PO did not have a signature of approval on the invoice.
- The signing authority list is not up to date.
- The signing authority list does not have signatures on file for every employee with invoice approval authority.

The auditors note that use of the approval matrix built into PeopleSoft would eliminate the time consuming process of manual invoice approvals and provide a system based control, thus reducing purchase of goods and services outside of an employee's authority and the likelihood payment errors. In the mean time, the City is reliant on a manual invoice approval system.

RECOMMENDATION (HIGH)
Accounts Payable needs to establish a policy for updating the authority listing.

s) Accounts Payable needs to establish a policy in regards to the frequency for updating the authority listing. Once policy is established, Accounts Payable should update the list to include only active employees. In addition, employees should only be listed once and within the correct department. The listing should include the signature of everyone approving invoices, allowing AP to verify the approval prior to payment.

MANAGEMENT RESPONSE

We agree that a more manageable purchasing authority procedure needs to be put into place and Finance has a new proposal in process. In the mean time, staff has deleted the known inactive employees and is continuing to monitor to ensure that the signing approval list is up to date. We will circulate the current list to departments and have them provide updates to correct. The projected completion date is the end of May 2011.