22-13 City of Colorado Springs Procure to Pay Project Implementation

May 2022

Purpose

The purpose of this control monitoring audit was to assess whether best practice internal controls were incorporated in the City Procure to Pay project implementation. We also reviewed to ensure that efficiency and effectiveness improvements identified by City Finance and Procurement in the project planning phase were addressed.

Highlights

Based on our review we concluded that the Procure to Pay implementation incorporated best practice internal controls and improvements identified in project planning. We identified one observation to strengthen internal controls. Please see page two of this report for observation details.

The Procure to Pay project objective was to better utilize available system functionality to gain efficiencies in requisitioning, purchasing, receiving, and payment for goods and services. Functionality improvements included approval limits within the system and workflow to circulate and approve requisitions and invoices. The system went live March 28, 2022.

We commend City Procurement for developed guidance and training to ensure requisitions submitted online have adequate support and comply with policy.

We would like to thank the City Procurement, Finance, and Information Technology staff for their assistance and support during this review.

Management Response

Management was in agreement with our recommendations.

Observation

1. City Finance should:

- Develop a formalized policy to inactivate vendor records on a periodic basis.

- Research the operational impacts and benefits of: one-time payment functionality and archiving vendor records.

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Observation 1

- A formalized policy was not in place to inactivate vendor records on a periodic basis. The Accounts Payable vendor master file included a significant number of vendor records for which payments had not been processed in several years.

- One-time payment functionality had not been implemented pending further research by City Finance.

Although mitigating controls were in place, risk of fraudulent or erroneous payments increased when vendor records were not regularly inactivated. City Finance was in the process of reviewing policy. During our audit, City Finance inactivated vendor records for which payment had not been made since December 31, 2019.

City Finance planned to research utilizing one-time payment functionality to provide additional controls over vendor master file records. Additionally, City Finance was to research the impacts of archiving vendor files.

Recommendation

City Finance should:

Develop a formalized policy to inactivate vendor records on a periodic basis.

Research the operational impacts and benefits of one-time payment functionality and archiving vendor records.

Management Response

City Finance (Accounts Payable) will add the vendor inactivation process to the year end processing schedule, to take place after 1099-MISC and 1099-NEC production. This has already been completed through December 31, 2019 and will be updated again in February of 2023.

City Finance will research applicability, if any, of utilization of one-time vendor set up within the Procure to Pay process by October 31, 2022.

City Finance will work with the I.T. Applications teams to archive vendors not used in the last seven years (to align with record retention requirements for Accounts Payable) by October 31, 2022.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.