

City of Austin



**A Report to the
Austin City Council**

Mayor
Lee Leffingwell

Mayor Pro Tem
Sheryl Cole

Council Members
Chris Riley
Mike Martinez
Kathie Tovo
Laura Morrison
Bill Spelman

**Office of the
City Auditor**

City Auditor
Kenneth J. Mory
CPA, CIA, CISA, CRMA

Deputy City Auditor
Corrie E. Stokes
CIA, CGAP, CFE

AUDIT REPORT

Procure to Pay Process Audit

November 2013



REPORT SUMMARY

Overall, controls over City procurement activities provide reasonable assurance that procure to pay transactions are processed in compliance with applicable key policies and procedures.

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GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance 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.

AUDIT TEAM

Walton Persons, CPA, CICA, Assistant City Auditor
Henry Katumwa, CGAP, CRMA, CICA, Auditor-in-Charge

Office of the City Auditor
Austin City Hall
phone: (512)974-2805
email: oca_auditor@austintexas.gov
website: <http://www.austintexas.gov/auditor>

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Audit Report Highlights

Why We Did This Audit

This audit was conducted as part of the Office of the City Auditor's (OCA) FY 2013 Strategic Audit Plan.

What We Recommend

Given our audit results, we do not have recommendations.



For more information on this or any of our reports, email oca_auditor@austintexas.gov

PROCURE TO PAY PROCESS AUDIT

Mayor and Council,

I am pleased to present this audit on the City's procure to pay process.

BACKGROUND

The procure to pay process refers to the full procurement cycle, from initial requisition to final payment, including necessary authorizations, acceptance of goods, processing of invoices and payments, and separation of duties.

During FY 2011 and FY 2012, the City spent approximately \$815 million and \$935 million, respectively, on procurements of goods and services. The Financial Services Department's Purchasing Office is responsible for administering the procurement of goods and services for the City of Austin. The Accounts Payable Division of the Controller's Office is responsible for processing accurate and timely payments to vendors.

OBJECTIVE AND SCOPE

The objective of the audit was to determine whether the procurement of goods and services is processed in compliance with the City's established procure to pay policies and procedures.

The audit scope included all purchasing activities of the City of Austin occurring within FY 2011 and FY 2012.

WHAT WE FOUND

The results of our examination of sampled transactions indicate that procurement transactions were within the approval dollar limits set forth in the City's financial delegation of authorities. In addition, the City processed procurements and payments to vendors in compliance with established procurement policies and procedures. For example, where applicable City staff:

- obtained appropriate approvals for the procurements;
- consistently followed the applicable solicitation and bidding methodologies, such as using informal or formal bidding, purchase orders, contracts or master agreements;
- properly encumbered contract budgets prior to award of the contracts;
- made payments to vendors in compliance with applicable payment procedures; and
- Posted procurement information in the City's financial system.

We appreciate the cooperation and assistance we received from the Purchasing Office and the Controller's Office management staff during this audit.


Kenneth J. Mory, City Auditor

BACKGROUND

The City of Austin procure to pay process includes the full procurement cycle from initial requisition to final payment including the necessary authorizations, generation or acceptance of a goods receipt, invoice processing, and payment processing.

The Financial Services Department's Purchasing Office administers the procurement of goods and services for City of Austin. The Accounts Payable section of the Controller's Office is responsible for authorizing and preparing payments for goods and services received.

During fiscal years 2011 and 2012, the City spent approximately \$815 million and \$935 million, respectively, on purchasing activities.

OBJECTIVE, SCOPE, AND METHODOLOGY

The Procure to Pay Audit was conducted as part of the Office of City Auditor's FY 2013 Strategic Audit Plan, as presented to the City Council Audit and Finance Committee.

Objective

The objective of this audit was to determine whether the City procures goods and services in compliance with established procure to pay policies and procedures.

Scope

The audit scope included all purchasing activities of the City of Austin occurring within fiscal years 2011 and 2012.

Methodology

To accomplish our audit objectives, we performed the following steps:

- reviewed the City of Austin's requirements relating to the procure to pay process;
- selected a statistically valid random sample of 60 procure to pay transactions that occurred during FYs 2011 and 2012
 - the sample was selected from a population of 1.2 million transactions using audit command language (ACL) with a confidence level of 95% and a precision of 5%;
- tested the sample to determine if the transactions were processed in compliance with applicable City policies and procedures, including the City's established:
 - requisition requirements,
 - financial delegation of authorities,
 - purchasing and contracting procedures, and
 - payment processing; and
- tested the accuracy of transaction data provided by the Controller's Office.

AUDIT RESULTS

Finding: Controls over City procurement activities provide reasonable assurance that procure to pay transactions are processed in compliance with applicable key policies and procedures.

The City has adopted policies and procedures to guide how procurements should be made including those relating to: procurement dollar thresholds, procurement authority levels, and necessary approvals; required procurement methods and procurement supporting documentation; and payment verification procedures.

The results of our examination of sampled transactions indicate that the City initiated, processed, and paid procurements in compliance with the City's established policies and procedures.

For a sample of 60 payment transactions, we found that the transactions were made within the approval dollar limits set forth in the City's financial delegation of authorities. In addition, procurements and payments to the vendors were processed in compliance with established procurement policies and procedures. For example, where applicable:

- Approvals were obtained in accordance with the City's purchasing policies and procedures.
- City staff consistently followed the applicable solicitation and bidding methodologies including as applicable:
 - informal or formal bidding,
 - purchase orders, or
 - contracts or master agreements.
- Procurements were processed in compliance with applicable policies. For example, contract budgets were properly encumbered prior to award of the contracts; staff consistently followed the applicable solicitation for bid process; and staff obtained necessary approvals.
- Payments to vendors were made in compliance with the City's established payment procedures. For example, approvals for payments were documented; a "three way match"¹ was performed prior to making a payment; and checks were processed for all matched payments.
- Payment information was posted in the City's financial system.

Given our audit results, recommendations are not applicable.

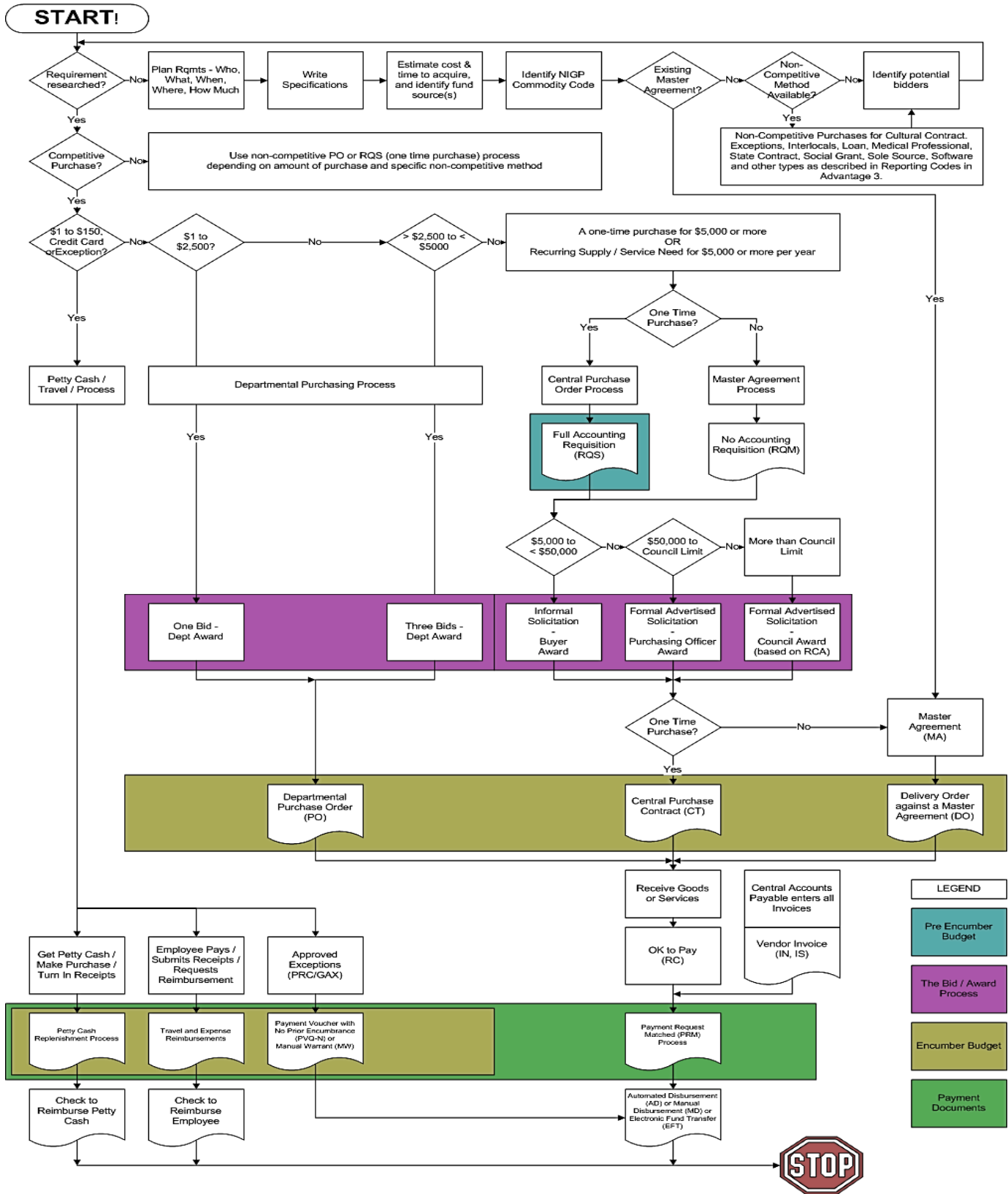
¹ This payment approval process involves matching the purchase order with the vendor invoice and the receiving document.

MANAGEMENT RESPONSE

Management reviewed and provided comments regarding drafts of this report. Since we did not issue recommendations, management is not required to provide an action plan.

Management concurred with the findings in this report and elected not to include a written response.

CITY OF AUSTIN PURCHASING PROCESS



SOURCE: Purchasing Office, October 2013