

**DOUGLAS COUNTY INTERNAL AUDIT DIVISION**



**ACCOUNTS PAYABLE TESTING  
REPORT ON INTERNAL CONTROLS  
FOR HAYES & ASSOCIATES  
FY 2009/2010 #04**



## DOUGLAS COUNTY INTERNAL AUDIT DIVISION

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To: Honorable Thomas Cavanaugh  
Douglas County Clerk/Comptroller

From: Carmen Harmon, Internal Audit Administrator  
Douglas County Internal Audit Division

Date: August 27, 2009

RE: Accounts Payable Testing

As part of the fiscal year audit plan, Douglas County Internal Audit Division (DCIAD) staff performs compliance and internal control testing for the Douglas County external audit firm, Hayes and Associates, LLC. The external auditor uses the test data provided by DCIAD to formulate a professional opinion, issued in the Comprehensive Annual Financial Report (CAFR), concerning financial reporting in Douglas County.

This special report describes the results of the compliance and audit testing of the Douglas County accounts payable process.

**Objective:**

Determine that the procurement process is operating appropriately according to Nebraska State Statute, Douglas County Purchasing policies and procedures and the Douglas County Clerk/Comptroller's Finance Division procedures. Assure these records are accurate, authorized, accounted for, and other internal controls are in place and functioning.

**Scope and Methodology**

In order to meet the objectives, Internal Audit evaluated controls over the acquisition, and accounting of accounts payable; and reviewed policies and procedures for compliance and completeness. Tests and procedures were conducted as considered necessary. Forty (40) accounts payable records, identified using check numbers, were randomly selected from the Oracle system Accounts Payable report for July 1, 2008 through June, 30, 2009. The auditor used a random selection technique to make the selection. This technique allows the auditor to randomly select items based on all records for the fiscal year. The test selection included items from various Douglas County departments. This is a limited selection of the total population of accounts payable that have been paid by Douglas County.

## **Audit Steps**

### ***Test Attributes:***

- Step 1: Check proper authorization (Invoice Overview)
- Step 2: Check Oracle Purchasing for PO and copy approval page, name, amount, etc.
- Step 3: Check finance docs verifying services rendered or materials received and computations are accurate.
- Step 4: If mileage is involved check mileage reimbursements. Get mileage info from finance on current rate or check IRS website.
- Step 5: Travel expense in excess of \$9.99 have original receipts attached (per Board resolution #466, 9-22-87)
- Step 6: Supplier on purchase order matches supplier on invoice or direct pay
- Step 7: Direct pay and invoice has been date stamped and signed by auditor. (finance)
- Step 8: Correct fund, organization, and account code are being charged
- Step 9: Sales tax and appropriate discounts have been deducted
- Step 10: If amount claimed exceeds \$10,000, proper bidding procedures, resolutions, lease, or contract that corresponds with the claim attached. (or DOC ID #)
- Step 11: Information on check (supplier and amount) corresponds with the invoice or direct pay information.
- Step 12: Check is properly endorsed
- Step 13: Trace transaction selected to detail ledger as follows (you can get this information off of the invoice/payment history and the cancelled check):
  - (a) date invoice batch created
  - (b) date payment batch created
  - (c) date check printed
  - (d) paid check to bank cleared date

**Exception 1 – An invoice from Young’s Service for a tow charge was classified under an expense account for inventory purchases.**

**Criteria:** Correct fund, organization, and account should be charged when an invoice is entered into Accounts Payable.

**Condition:** An invoice from Young’s Service for a tow service was put to Account # 46521, Inventory Purchase Garage.

**Cause:** Douglas County Garage Supervisor states account # 46521, Inventory Purchase Garage is used for all out sourced repairs.

**Effect:** Expenses of the DC Garage will not be accurately classified.

**Recommendation:** The tow charge should be listed as a service expense. Account # 42258 should be used to classify this expense.

**Response:** We will advise Purchasing to use the correct code, and advise our accounts payable auditors to review these more carefully.

**Exception 2 – One of the tested samples was for a reissue of an expired check. The finance file for the check reissue was available, however the Finance department was unable to locate the file for the original payment.**

**Criteria:** Checks issued by the Finance Department should have proper supporting documentation readily available.

**Condition:** The finance file for check # 181016, for jury fees was unable to be located.

**Cause:** The finance files are kept in a location where multiple people have access and there is no record of who has accessed any of the files. Finance files are listed in order by batch number. The file in question was not in its proper location.

**Effect:** While able to verify the reissued check was properly paid, inadequate documentation was available to validate the original check was accurate.

**Recommendation:** Placing the files in a location with limited access and keeping a log of who has accessed the finance files would increase accountability for missing files.

**Response:** All lektriers have been emptied while we are waiting for them to be replaced. The file is not “lost”, but until all those files are replaced in the new filing system, it is indeed difficult to find specific items from past years.

Cc: Honorable Thomas F. Cavanaugh, Douglas County Clerk/Comptroller  
Kathleen Hall, Chief Deputy, Douglas County Clerk/Comptroller  
Jerry Prazen, Finance Administrator, Douglas County Clerk/Comptroller  
Audit Committee Members<sup>1</sup>  
Mr. Frank Hayes C.P.A., Hayes and Associates, LLC

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<sup>1</sup> The audit committee members are: Honorable Chris Rodgers, Douglas County Commissioner; Mr. Ronald Bucher, Metropolitan Utilities District, Dr. Jack Armitage, Professor University of Nebraska at Omaha; Mr. T. Paul Tomoser, Creighton University; and Ms. Joanie Davis, Omaha Public Power District.

DCIAD staff participants in Report on Internal Controls for Hayes & Associates for  
FY 2009/10 #04:

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(signed)  
Ryan Taft, Internal Audit Analyst  
Primary Auditor

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(signed)  
Carmen Harmon, Internal Audit Administrator

**FY 2008-2009 Accounts Payable, Report on internal controls for  
Hayes & Associates FY 2009/2010 #04 was released on August 27, 2009.**