March 8, 2017

Accounts Payable Data Analytics Audit

Background

The City processes a high volume of accounts payable transactions annually. In 2016, the City processed 80,970 invoices for a total value of $1.57 billion.

Prior to 2011, the City of Vancouver (COV) processed on average over 100,000 invoices each year in a decentralized environment. Departments received and entered invoices into SAP manually; invoices were either related to a purchase order or direct payments to vendors.

Centralized Accounts Payable Shared Services

Since the fall of 2011, COV centralized its Accounts Payable function. The Accounts Payable Shared Services (APSS) was established as one central department to capture all invoice payment requests, use automation to speed up the invoice processing and in turn support timely and accurate financial reporting. APSS aims to provide a more consistent service to vendors.

In the process, invoices are scanned into SAP and forwarded electronically to the authorized approver based on their spending limit. The approver codes and approves the item or enters a goods receipt/service entry and work-flows it back to APSS for payment. The item can also be rejected with the reason noted and work-flowed back to APSS (i.e. wrong PO #, wrong approver) for resolution.

Scope

Our audit objective was to provide reasonable independent assurance that the existing internal controls and business processes support appropriate, accurate, timely and efficient processing of the City's payables in accordance with City policies.

Data analysis was performed on SAP Accounts Payable data from January 1, 2016 to September 30, 2016. Our work included:

- Review of Accounts Payable processes and procedures;
- Review of purchase card transactions; and
- Data analysis and trending of SAP Accounts Payable information using a computer-assisted audit tool.

The review is not designed to detect fraud. Accordingly there should be no such reliance.

Conclusion

Improvements in the timeliness of invoice payment, review of purchasing card transaction and vendor activity updates would benefit the City in realizing potential savings and efficiencies.

The more significant findings and recommendations are:

- The GM, Finance, Risk & Supply Chain Management/CFO should ensure invoices are submitted and paid on a timely basis to meet the established target. This should start by July 2017.

- The GM of Finance, Risk & Supply Chain Management/CFO should ensure that a quarterly AP dashboard is shared with key stakeholders to highlight areas for improvement in ensuring invoices are paid on time. This should start by July 2017.

- The GM, Finance, Risk & Supply Chain Management/CFO should review the feasibility and cost benefit of setting up more vendors with discount terms in SAP and improving the process to realize discount terms. This should start by December 2017.

- The GM, Finance, Risk & Supply Chain Management/CFO should ensure that Accounts Payable processes are continuously monitored and follow up is

performed, specifically on: invoices exceeding the purchase order and potential lost discounts. This process should start by December 2017.

- The Director of Financial Services should ensure that approvals of purchase card purchases are completed, transaction descriptions are entered, repeat offenders are tracked, and an escalation process is implemented which could lead to card cancellations for repeat violations of the purchase card policy. This process should start by July 2017.

- The GM, Finance, Risk & Supply Chain Management/CFO should ensure the vendor master file is reviewed and updated to ensure no conflict of interests exist based on the data analytic results provided for: address match, phone number match and duplicate vendors. This process should start by July 2017.

Management is aware of these items and is proactively working on the issues.