



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: City Auditor's Office

CITY AUDITOR: Madison Rorschach

DATE: April 29, 2024

SUBJECT

Receive a report, hold a discussion, and take necessary action regarding the completion and closure of Audit Project 007 – Accounts Payable.

BACKGROUND

In accordance with the City of Denton Ordinance 21-2035, the Internal Audit Advisory Committee is responsible for providing oversight of the internal audit function, including monitoring follow-up on reported findings to assure corrective action is taken by management.

DISCUSSION

An audit project of the City's accounts payable processes was originally conducted and reported to the City Council in October 2019. This audit identified some risks related to the documentation of accounts payable procedures, information system controls, the potential for duplicate payments, and approval requirements for small purchases.

Since the issuance of this audit, several significant improvements have been made to the City's procurement process including:

- Implementation of a cash disbursements policy to provide additional guidance to Accounts Payable and department staff including formalizing standard for receiving documentation and improving controls over check processing;
- Removal of Accounts Payable Representatives ability to enter procurement requisitions and receipts;
- Implementation of a process to identify if payments made on a procurement card have also been paid by Accounts Payable; and
- Requiring payments issued by check valued under \$5,000 and about \$320,000 of office supply purchases to be approved by a supervisor.

Internal Audit generally evaluated these process improvements as part of the March 2021 and September 2023 follow-up reviews and believes that these improvements adequately address the recommendations issued as part of the original Audit of Accounts Payable with the exception of Recommendation 10 regarding encouraging the use of electronic payments, which appears to be in progress. Staff plans to reevaluate this operational efficiency risk as part of the upcoming vendor management audit project.

RECOMMENDATION

Staff recommends approval of the attached Audit Project Completion Form and final closure of Audit Project 007 – Accounts Payable. These processes will continue to be considered for review annually as part of the Annual Internal Audit Plan development process.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

Aug. 20, 2019: Audit/Finance Committee recommended forwarding the Audit to City Council

Oct. 8, 2019: Audit of Accounts Payable presented; Council directed Project 007 be closed till a follow-up review was conducted

Mar. 16, 2021: Audit of Accounts Payable: Follow-Up Review presented; Council directed Project 007 be closed till an additional follow-up review was conducted

Sep. 26, 2023: Audit of Accounts Payable: Second Follow-Up Review presented; Council agreed with Staff's direction to consider Project 007 complete

EXHIBITS

1. Agenda Information Sheet
2. Audit Project Completion Form – 007 Accounts Payable
3. Audit of Accounts Payable
4. Audit of Accounts Payable: Follow-Up Review
5. Audit of Accounts Payable: Second Follow-Up Review

Respectfully submitted:
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City Auditor