

August 27, 2009

**Internal Audit Report 2009-11**  
**Accounts Payable Section**  
**Anchorage Water and Wastewater Utility**

**Introduction.** The Anchorage Water and Wastewater Utility's (AWWU) Accounts Payable Section (Accounts Payable) is responsible for functions such as preparing and maintaining an Accounts Payable User Guide and reviewing all payment documentation prior to paying the vendor. To process a payment, a vendor first sends an invoice to Accounts Payable or to the ordering entity. If delivered to Accounts Payable, a copy of the invoice is sent to the ordering entity for review and authorization. Accounts Payable reviews the authorization and prepares a check to the vendor. The checks are reviewed and approved by the Chief Fiscal Officer. In 2008, Accounts Payable processed over \$65 million in vendor payments.

**Objective and Scope.** The objective of this audit was to determine whether vendor payments were for valid Municipal purchases, supported by valid invoices, made to valid merchants, and were properly approved. To test the account payable process, we tested a random sample of 84 payments and a judgmental sample of 10 payments. We also reviewed applicable policies and procedures to ensure compliance.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of May through June 2009. The audit was requested by AWWU.

**Overall Evaluation.** Accounts Payable procedures were generally satisfactory. Vendor payments were valid and properly supported. However, we found that vendor payments were not always made timely. We found that 11 of 94 (11.7%) payments reviewed were made 33 to 400 days after the invoice was received.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Payments Not Made Timely.**

- a. Finding.** Vendor payments were not always made timely. We found that 11 of 94 (11.7 %) payments reviewed were made 33 to 400 days after the invoice was received. Specifically, we found six invoices were paid between 31 and 60 days, four invoices were paid between 61 and 120 days, and one invoice was paid 400 days after the invoice date. In some cases, it was difficult to determine whether the invoice was paid within 30 days because it was not date-stamped indicating the date it was received.

Reasons given for the payment delays ranged from lack of funding to delays in authorizing payment. For example, one invoice was paid 89 days after the invoice was received because the amount billed by the contractor exceeded the contract. In another case, the invoice was paid 400 days after the invoice date because of a dispute. However, supporting documentation of the dispute's details could not be located. AWWU P&P 30-19, *Processing Accounts Payable Documents*, states that "It is the Utility's policy that valid bills from vendors will be paid within a maximum of 30 calendar days of receipt of the invoice and supporting paperwork by the Finance Division (Accounts Payable)." The P&P also states that "The Ordering Entity prepares and authorizes the invoice or packing slip within ten work days of receipt."

- b. **Recommendation.** The AWWU General Manager should remind staff that AWWU P&P 30-19 requires vendors to be paid within 30 days unless valid extenuating circumstances exist.
- c. **Management Comments.** Management stated, “AWWU management will remind staff that AWWU P&P 30-19 requires vendors to be paid within 30 days unless valid extenuating circumstances exist.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

**Discussion With Responsible Officials.** The results of this audit were discussed with appropriate Municipal officials on July 16, 2009.

Audit Staff:

Scott Lee