

INTERNAL AUDIT REPORT

2021-05

Purchase Orders Under \$5,000

Purchasing Department

June 10, 2021

MUNICIPALITY OF ANCHORAGE
Internal Audit Department
632 W 6th Avenue, Suite 710
P.O. Box 196650
Anchorage, Alaska 99519-6650
www.muni.org/departments/internal_audit



INTERNAL AUDIT DEPARTMENT
Michael Chadwick, CIA, CICA
Director
Phone: (907) 343-4438

E-Mail: michael.chadwick@anchorageak.gov



Municipality of Anchorage

Austin Quinn-Davidson
Acting Mayor

Internal Audit

June 10, 2021

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2021-05, Purchase Orders Under \$5,000, Purchasing Department**. A brief summary of the report is presented below.

In accordance with the 2021 Audit Plan, we have completed an audit of Purchase Orders Under \$5,000. The objective of this audit was to determine whether there were sufficient internal controls in place for purchases under \$5,000 made with SAP-automated purchase orders. Our audit included a review of automated purchase orders processed by various departments in 2020. Specifically, we identified and reviewed purchases that may have been split to circumvent the \$5,000 limit. We also judgmentally selected transactions to ensure purchases were properly authorized, supported, and physically present for inspection if goods were procured. Since Municipal Light and Power was purchased by the Chugach Electric Association, Inc. in October 2020, we did not review their automated POs.

Based on our review, internal controls for purchases under \$5,000 made with SAP-automated purchase orders were sufficient. We did not include a finding regarding the lack of a written policy and procedure for using the SAP-automated purchase order function for purchases under \$5,000 since Purchasing developed and submitted a draft policy and procedure to the Office of Management and Budget in April 2021 for review.

There were no findings or recommendations in connection with this audit.

Michael Chadwick, CIA, CICA
Director, Internal Audit



Municipality of Anchorage

Austin Quinn-Davidson
Acting Mayor

Internal Audit

June 10, 2021

Internal Audit Report 2021-05 Purchase Orders Under \$5,000 Purchasing Department

Introduction. The Municipality of Anchorage's (Municipality) Purchasing Department (Purchasing) is responsible for the acquisition of supplies, services, and construction. In October 2017, the Municipality implemented a new financial system, SAP, which replaced PeopleSoft. With the implementation of SAP, the procurement process changed for purchases under \$5,000. These purchases no longer require Purchasing approval. Instead, municipal employees make these purchases by generating automated SAP purchase orders (POs). In 2020, municipal employees processed 2,476 automated POs totaling nearly \$3.9 million as shown in the table below.

2020 Automated POs Under \$5,000

<u>Department</u>	<u>Amount</u>	<u>Number of POs</u>	<u>Percent of POs</u>
Municipal Light and Power	\$ 963,136	764 ¹	31%
Anchorage Water and Wastewater Utility	776,162	536	22%
Public Works	710,070	380	15%
Anchorage Health Department	277,118	165	7%
Anchorage Fire Department	360,816	159	6%
General Government ²	159,103	109	4%
Economic & Community Development ³	186,289	105	4%
Port of Alaska	158,177	100	4%
Anchorage Police Department	181,710	92	4%
Public Transportation	60,626	34	1%
Solid Waste Services	40,392	17	1%
Merrill Field	<u>25,587</u>	<u>15</u>	<u>1%</u>
Totals	<u>\$3,899,186</u>	<u>2,476</u>	<u>100%</u>

¹ Municipal Light and Power was purchased by the Chugach Electric Association, Inc. in October 2020.

² General Government includes departments such as Risk Management, Human Resources, Finance, the Office of Information Technology, and the Office of the Municipal Attorney.

³ Economic & Community Development includes Parks and Recreation, Real Estate, Development Services, Planning, and the Anchorage Public Library.

Source: Auditor's analysis of SAP query provided by the Purchasing Department.

Objective and Scope. The objective of this audit was to determine whether there were sufficient internal controls in place for purchases under \$5,000 made with SAP-automated POs. Our audit included a review of automated POs processed by various departments in 2020. Specifically, we identified and reviewed purchases that may have been split to circumvent the \$5,000 limit. We also judgmentally selected transactions to ensure purchases were properly authorized, supported, and physically present for inspection if goods were procured. Since Municipal Light and Power was purchased by the Chugach Electric Association, Inc. in October 2020, we did not review their automated POs.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. 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 reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed during the period of April through May 2021. The audit was requested by the Administration.

Overall Evaluation. Internal controls for purchases under \$5,000 made with SAP-automated POs were sufficient. We did not include a finding regarding the lack of a written policy and procedure (P&P) for using the SAP-automated PO function for purchases under \$5,000 since Purchasing developed and submitted a draft P&P to the Office of Management and Budget in April 2021 for review.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on June 3, 2021.

Audit Staff:
Dalton Benson