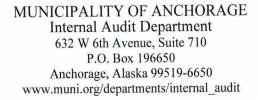
# INTERNAL AUDIT REPORT

2021-05

# Purchase Orders Under \$5,000

**Purchasing Department** 

June 10, 2021





INTERNAL AUDIT DEPARTMENT Michael Chadwick, CIA, CICA Director

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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



## 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	<b>POs</b>	Under	\$5,000
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<b>Department</b>	<b>Amount</b>	Number of POs	Percent of POs
Municipal Light and Power	\$ 963,136	764 <sup>1</sup>	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 <sup>2</sup>	159,103	109	4%
Economic & Community Development <sup>3</sup>	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	25,587	<u>15</u>	<u>_1%</u>
Totals	\$3,899,186	<u>2,476</u>	<u>100%</u>

<sup>&</sup>lt;sup>1</sup>Municipal Light and Power was purchased by the Chugach Electric Association, Inc. in October 2020.

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

<sup>&</sup>lt;sup>2</sup>General Government includes departments such as Risk Management, Human Resources, Finance, the Office of Information Technology, and the Office of the Municipal Attorney.

<sup>&</sup>lt;sup>3</sup>Economic & Community Development includes Parks and Recreation, Real Estate, Development Services, Planning, and the Anchorage Public Library.

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

June 10, 2021

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

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