



OFFICE OF THE COUNTY AUDITOR

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To: Mr. Joseph Block, Acting Chairman
DuPage County Emergency Telephone System Board (ETSB)

ETSB Members

From: Bob Grogan, CPA, CFE *BG*
County Auditor

Subject: Internal Audit of Accounts Payable
#18-124

Date: December 7, 2018

The Office of the County Auditor has completed a limited scope internal audit of the transaction processing of ETSB invoices submitted for payment. The audit identified nine invoices totaling \$2,073,278.25 that required correction due to a coding error on the purchase order. The accounting unit coding error on the purchase order was corrected by the Procurement Division of the Finance Department and the Accounts Payable Division reversed the erroneous payments and reentered the invoices with the corrected information.

Because the corrections occurred in Fiscal Year 2019 and the invoices were paid from the Fiscal Year 2018 budget appropriation, additional journal entries were required. As of December 6, 2018, the Finance Department had prepared the Fiscal Year 2018 journal entry, but not the Fiscal Year 2019 journal entry resulting in a \$2,073,278.25 credit in Fiscal Year 2019. The Finance Department will be contacted to have this discrepancy corrected.

The invoices have been recommended for payment by the County Auditor. The results of the audit are presented below.

Results

My Office has performed voucher pre-audit procedures for the invoices submitted for approval by the ETSB at the December 11, 2018 Board Meeting. The invoices listed on the Bank Account Payment History Report dated November 30, 2018 have been examined by the Office of the DuPage County Auditor and are recommended for payment:

- FY2018 Wireline Fund (4000-5800) \$ 0.00
- FY2018 Wireless Fund (4000-5810) \$2,182,859.38
- FY2018 Equalization Fund (4000-5820) \$ 730,714.94

- FY2019 Equalization Fund (4000-5820) (\$2,073,278.25)

Audit procedures identified nine invoices totaling \$2,073,278.25 that required correction due to a coding error on the purchase order. The accounting unit coding error on the purchase order was corrected by the Procurement Division of the Finance Department and the Accounts Payable Division reversed the erroneous payments and reentered the invoices with the corrected information.

Because the corrections occurred in Fiscal Year 2019 and the invoices were paid from the Fiscal Year 2018 budget appropriation, additional journal entries were required. As of December 6, 2018, the Finance Department had prepared the Fiscal Year 2018 journal entry, but not the Fiscal Year 2019 journal entry resulting in a \$2,073,278.25 credit in Fiscal Year 2019. The Finance Department will be contacted to have this discrepancy corrected.

The invoices have been recommended for payment by the County Auditor.

Objective

The County Auditor will perform a series of procedures designed to evaluate the internal controls involved in the processing of transactions in the Enterprise Resource Planning (ERP) system and the MHC Image Express (MHC) system. The actual procedures performed will depend upon the County Auditor's assessment of risks associated with the transactions.

Background/Audit Scope

Invoices and the related supporting documentation are initially prepared and submitted for payment processing by County departments to the centralized accounts payable function administered by the Finance Department. The implementation of the ERP system has resulted in significant changes to the processing and reporting of transactions compared to the accounting systems formerly used by the County. One of the many benefits of the ERP system is the ability to reduce duplicate payments to vendors by requiring unique vendor invoice numbers.

The County Auditor performs audit procedures on the payment documentation after the information has been entered into the ERP system by the Finance Department's Accounts Payable staff. These procedures include reviewing the submitted documentation and comparing it to the information entered into the ERP system. Significant discrepancies noted between the supporting documentation and the information recorded in the ERP system are identified by County Auditor staff as exceptions. In these situations, the invoice recorded in

the ERP system is transferred by the County Auditor to a non-processing batch until the exception is resolved. The hard-copy invoice and supporting documentation are returned to the Finance Department with an exception notice.

The County Auditor also performs audit procedures on the payment documentation after the information has been entered into the MHC system. These procedures include reviewing the scanned images of the invoice and supporting documentation and comparing it to the information entered into the MHC system. As is the case with transactions entered into the ERP system, significant discrepancies noted between the supporting documentation and the information recorded in the MHC system are identified by County Auditor staff as exceptions. In these situations, the invoice image scanned in the MHC system is disapproved by the County Auditor and forwarded to the Accounts Payable Division of the Finance Department for correction.

Additionally, after the Bank Account Payment History Report has been generated by the Accounts Payable Division of the Finance Department, the County Auditor verifies that each of the recommended payments was properly posted to the County's General Ledger.

Audit procedures identified nine invoices totaling \$2,073,278.25 that required correction due to a coding error on the purchase order. The accounting unit coding error on the purchase order was corrected by the Procurement Division of the Finance Department and the Accounts Payable Division reversed the erroneous payments and reentered the invoices with the corrected information.

Because these corrections occurred in Fiscal Year 2019 and the invoices were paid from the Fiscal Year 2018 budget appropriation, additional journal entries were required. Audit procedures found that as of December 6, 2018, the Finance Department had prepared the Fiscal Year 2018 journal entry, but not the Fiscal Year 2019 journal entry resulting in a \$2,073,278.25 credit in Fiscal Year 2019 posted to the County's General Ledger. The Finance Department will be contacted to have this discrepancy corrected.

During the claims pre-audit process, the County Auditor reviewed 49 invoices scanned into the MHC system. Nine exceptions were noted.

The following nine invoices were paid from the wrong accounting unit due to a coding error on the purchase order:

1. Invoice number [REDACTED] for \$18,820.12 payable to AT&T;
2. Invoice number [REDACTED] for \$12,528.74 payable to AT&T;
3. Invoice number [REDACTED] for \$2,376.24 payable to AT&T;
4. Invoice number [REDACTED] for \$9,566.29 payable to AT&T;
5. Invoice number [REDACTED] for \$37,606.03 payable to AT&T;
6. Invoice number [REDACTED] for \$47,461.64 payable to AT&T;
7. Invoice number [REDACTED] for \$1,089,814.66 payable to AT&T;
8. Invoice number [REDACTED] for \$232,114.06 payable to AT&T; and,
9. Invoice number [REDACTED] for \$622,990.47 payable to AT&T.

A line in Vendor Agreement 2031-0001 SERV with AT&T was erroneously entered with the wrong accounting unit in the ERP Lawson system. As a result, nine invoices totaling \$2,073,278.25 were paid from accounting unit 5820 instead of 5810. The accounting unit coding error on the purchase order was corrected by the Procurement Division of the Finance Department and the Accounts Payable Division reversed the erroneous payments and reentered the invoices with the corrected information on December 5, 2018. Because the corrections occurred in Fiscal Year 2019 and the invoices were paid from the Fiscal Year 2018 budget appropriation, additional journal entries were required. As of December 6, 2018, the Finance Department had prepared the Fiscal Year 2018 journal entry, but not the Fiscal Year 2019 journal entry resulting in a \$2,073,278.25 credit in Fiscal Year 2019. The Finance Department will be contacted to have this discrepancy corrected.

Recommendations

The Finance Department should verify the accuracy of the data entered into the ERP and MHC systems prior to forwarding to the County Auditor for review and payment recommendation.

Departments should regularly review available ERP reports and real-time transaction information to monitor the progress of invoices submitted for payment to preclude the potential for duplicate or incorrect payments.

Thank you for your continued assistance.

cc: Linda Zerwin, Executive Director
Tom Cuculich, County Administrator
Paul Rafac, CFO