



OFFICE OF THE COUNTY AUDITOR

Bob Grogan, CPA, CFE
DuPage County Auditor

421 N. County Farm Road
Wheaton, Illinois 60187
(630) 407-6075
FAX: (630) 407-6076
www.dupageco.org/auditor

To: Hon. Sean Noonan, Chairman
DuPage County Emergency Telephone System Board (ETSB)

ETSB Members

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

Subject: Internal Audit of Accounts Payable
#19-02

Date: January 8, 2019

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 an exception in the processing of one invoice by the Finance Department which resulted in a \$2,182.70 expenditure imbalance in fiscal years 2018 and 2019.

All invoices submitted have been reviewed and released 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 January 15, 2019 Board Meeting. The invoices listed on the Bank Account Payment History Report dated January 4, 2019 have been examined and are recommended for payment. The total amount of the expenditures are:

- FY2018 Equalization Fund (4000-5820) \$ 928,699.00
- FY2019 Equalization Fund (4000-5820) \$ 577,229.60

An exception was identified by the County Auditor resulting from a limitation in the County's accounts payable system. A credit memo applied to an invoice resulted in the overstatement of expenditures in fiscal year 2018 and an understatement for fiscal year 2019. The ETSB should contact the Finance Department to correct this discrepancy.

Audit Objective

The County Auditor will perform a series of procedures designed to evaluate the internal controls involved in the processing of transactions in the accounts payable system. The actual procedures performed will depend upon the County Auditor's assessment of risks associated with the transactions.

Audit Procedures

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 County Auditor performs audit procedures on the payment documentation after the information has been entered into the accounts payable system by the Finance Department. These procedures include reviewing the scanned images of the invoice and supporting documentation and comparing it to the information entered into the system. Significant discrepancies noted between the supporting documentation and the information recorded in the system are identified by the County Auditor as exceptions. In these situations, the County Auditor notifies the Finance Department of the problem. When the discrepancies are resolved, the County Auditor approves the invoice.

A Bank Account Payment History Report is generated by the Finance Department after the invoices have been approved and the County Auditor verifies that each of the recommended payments was properly posted to the County's General Ledger.

Audit Findings

The County Auditor audited 66 invoices submitted for payment, one exception was identified. A properly authorized Motorola Solutions, Inc. invoice for parts in the amount of \$2,182.70 was entered into the accounts payable system by the Finance Department. The invoice was charged to the ETSB FY18 small value data processing equipment budget account (4000-5820-52100). This invoice was audited and approved by the County Auditor.

Several days later, the ETSB submitted a credit memo to the Finance Department from Motorola for \$526.00. In order to apply the credit memo to an outstanding invoice, the original approved invoice was deleted and a second entry for \$1,656.70, reflecting the invoice amount less the credit memo, was entered into the accounts payable system. This revised invoice with the credit was approved by the County Auditor.

The exception occurred due to limitations in the accounts payable system. When the originally entered invoice was deleted from the accounts payable system, the credit was applied to the ETSB's FY19 budget instead of FY18. This resulted in

the ETSB's FY18 expenditures being overstated by the original invoice amount of \$2,182.70 and the FY19 expenditures understated by the same amount.

It should be noted that a similar exception involving over \$2 million was identified by the County Auditor during the processing of the November ETSB payments. This exception was recently corrected by the Finance Department.

Recommendations

The ETSB should notify the Finance Department to process a journal entry to reduce the FY18 expenditures in the 4000-5820-52100 account by \$2,182.70. Accordingly, the FY19 expenditures should be adjusted by the same amount to remove the credit from the 4000-5820-52100 account.

The Finance Department needs to be aware of the system limitations and implications of applying credit memos to invoices which may affect two fiscal years.

Thank you for your continued assistance.

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