



Procure to Pay Process Audit

City of Minneapolis – Internal Audit Department
September 20, 2016



Contents	Page
• Background	3
• Objective, Scope and Methodology	5
• Audit Results and Recommendations	6
• Acknowledgements	13
• Appendix A: Root Cause Analysis of the Late Payment Observation	14
• Appendix B: Summary of City Vouchers by Amount	15
• Appendix C: Detailed Listing of Active Duplicate Vendors in COMET	16

Date: September 20, 2016

To: Mayor Betsy Hodges, City Council Members, Chief Financial Officer Mark Ruff, Chief Information Officer Otto Doll and City Coordinator Spencer Cronk

Re: Procure to Pay Process Audit

Background

The City's procure to pay process refers to the procurement cycle, from initial requisition, to final payment, including necessary authorization, acceptance of goods, processing of payments and segregation of duties.

Finance and Property Services (Finance) maintains the Vendor Master File in COMET (City of Minneapolis Enterprise Technology), the City's financial system. All supporting documentation on vendors is stored in the Enterprise Content Management System (ECMS), which includes City-issued vendor applications and IRS Form W-9's. Vendors include their Tax Identification Number (TIN) on the IRS Form W-9's. The TIN is a nine-digit number that the IRS assigns to each vendor. The IRS uses the number to identify taxpayers that are required to file various business tax returns. All vendors should have only one TIN for the same business entity.

The Vendor Master File is a foundational element of the procure to pay process and contains vital information about vendors the City does business with. The file includes information that the City needs to process payments and validate the vendor's IRS status. It is essential Finance effectively maintains this file in order to avoid unauthorized or inappropriate activity and reduce inefficiencies. Inaccurate, incomplete or unauthorized vendor records could have a negative effect on processing vendor payments and increases the risk of fraud.

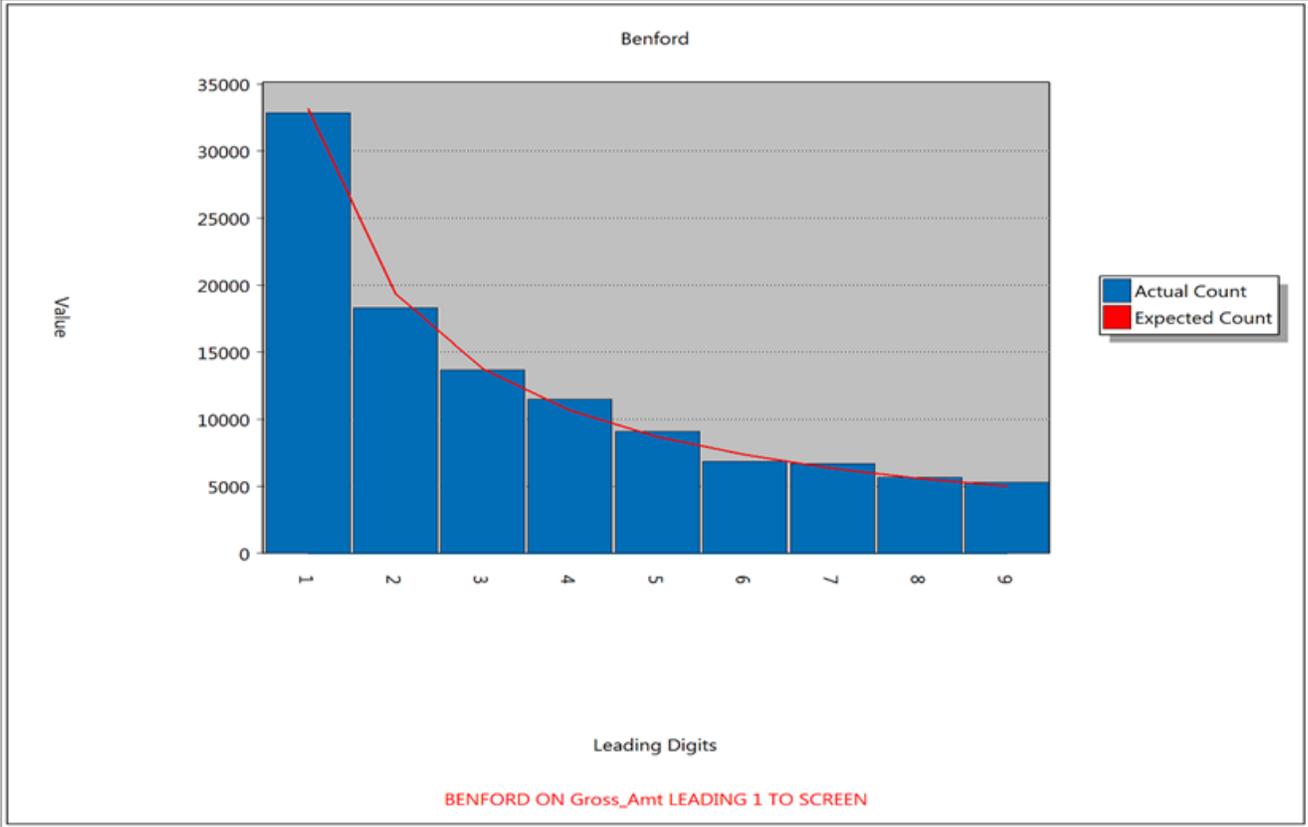
Finance also performs a 3-way match on the following prior to making a payment:

- A purchase order (exceptions include: single-pay refunds, Xcel and CenterPoint bills).
- Receipt, packing slip or department acknowledgement that goods or services were received (Receiver).
- A dated invoice with company name, amount due and payment terms (due date and potential discount terms for paying early).

As part of the audit, a common test for fraudulent payments was performed using the Benford's Law analysis. Benford's Law is based on the theoretical distribution of naturally occurring numbers, such as dollar amounts. When a sufficiently large sample of numbers is examined, Benford's Law states that the leading digit of that sample number will occur based on a theoretical distribution. For instance, a 1 will occur as the leading digit most often, 2 the second most often, 3 the third most, and continuing in that order, with 9 occurring the least often. This is indicative in comparing Benford's Law to the City's voucher payments in Exhibit A below, which

shows the bars as the actual numbers observed and the line as the theoretical distribution. If the two series match or are very close, as in the testing performed for this audit, it indicates that the actual numbers matched a naturally occurring pattern, as one would expect. If there was a mismatch it would show that the numbers are not following a naturally occurring pattern, a red flag that artificial, or fraudulent numbers are in the data.

**Exhibit A – Benford Test for City of Minneapolis voucher payments
January 2015 to March 2016**



Objective, Scope and Approach

This audit was conducted as part of the Internal Audit Department's Fiscal Year 2016 Annual Audit Plan, as presented to the Audit Committee.

Objective

The objective of the audit was to assess the effectiveness of how the City records receipts of the goods and services, records invoices and pays its vendors. Additionally, Internal Audit evaluated how the City uses COMET to ensure that it adequately facilitates the process, meets the needs of the users and appropriately safeguards data and records.

Scope

The timeframe of the audit was from January 1, 2015 to March 31, 2016. The audit scope included a review of:

- The maintenance of the Vendor Master File, including vendor set-up and changes.
- The requisition, purchase order (PO) and receiving processes.
- The issuance of payments to vendors by Treasury.
- The administrative access supporting the operating system and Database for in-scope applications.

Approach

To accomplish our audit objective, Internal Audit performed the following steps:

- Conducted interviews with Finance and Information Technology staff.
- Evaluated applicable state laws and city ordinances.
- Reviewed City policies and procedures.
- Tested a sample of users who had access to COMET and the level of access they were assigned.
- Tested a sample of POs, invoices and payments.
- Tested a sample of vendors from the Vendor Master File.
- Tested a sample of the 3-way match reports.

Audit Results and Recommendations

Finding 1: Vendor File Maintenance

The City had controls on the initial set up of vendors within COMET in the form of required fields; however, during testing the field for Tax Identification Number (TIN) was not set up as a required field. This resulted in active city vendors whose legitimacy may not have been verified with the IRS. Additionally, checks for existing vendors were not uniformly performed when setting up new vendors, which resulted in duplicate vendors being set up in COMET. Additionally, changes to the Vendor Master File in COMET were logged, however, during testing the changes to the Vendor Master File were found to not be monitored and documentation in ECMS on the changes proved to be inadequate.

Finding 1.1: Unauthorized Vendor File Changes

The City did have a policy in place to sample test vendor changes, however, the most recent test was performed at the end of the 4th quarter of 2014. Because of this, changes to the Vendor Master File were not monitored. In addition, modifications to the Vendor Master File were made by a Consultant during the upgrade to COMET and it is unclear as to what changes were made because of inadequate documentation.

The City's Vendor Master File could only be modified by specific employees; however, modifications did not need approval and documentation supporting Vendor Master File changes was not uniformly maintained. There was no process in place to review Vendor Master File changes and no clear guidance on documentation needed to support a change. As a result, changes to the Vendor Master File could have been made without the City being able to verify the validity of the change.

There were 8,835 vendor changes to the City's Vendor Master File from January 1, 2015 to March 31, 2016. Changes to the Vendor Master File were to be explained with a comment in COMET and adequate documentation was to be stored in ECMS to support the change. Of the 30 sampled items tested for adequate documentation to support the change to the Vendor Master File, 5 items were changes made by a Consultant who helped with the upgrade to COMET and it was unclear as to what changes were made because there was no documentation. The changes noted in the comments in COMET included changes to the City issued vendor applications and IRS Form W-9s, but there was no documentation in ECMS to support those changes.

The Vendor Master File is a critical aspect of the City's Accounts Payable (AP) process and an expectation would be that policies and procedures are in place to provide guidance on how to adequately document vendor changes. Insufficient documentation makes it challenging to detect fraud or to determine the purpose for the change. In addition, the lack of policies and procedures to adequately document changes to the Vendor Master File could lead to a lack of accountability or the addition of a fraudulent vendor.

Unauthorized Vendor File Changes Recommendations:

- Finance should develop a policy and procedures that provide guidance on how to adequately document changes to the Vendor Master File.
- Finance should monitor changes to the Vendor Master File in COMET and Finance should establish a periodic review process to ensure that adequate documentation to support the change is stored in ECMS for changes to the Vendor Master File.

Unauthorized Vendor File Changes Management Response: Finance

Finance agrees with the auditor's findings and recommendations regarding unauthorized vendor file changes. It is important to monitor the changes being made to vendor files. The most common

changes are address and contact changes, but there are also occasionally banking changes and names changes requested by the vendor. Since the audit was performed, Finance has now completed the internal vendor change audits through 9/30/15 with minimal findings.

One thing to note is that the report used to measure the amount of changes being made to vendor files records a change as something as simple as going into the vendor file and pressing the correct history button. There didn't have to be a physical change in the records to appear on the query. Finance believes this to be the case where the report mentions changes made by an outside consultant that helped with the upgrade. It is most likely that our consultant accessed some vendor records in COMET in a testing capacity only when validating and did not make any actual changes. Starting in September 2015, COMET now offers a supplier audit tool and requires certain vendor changes to have the staff person enter a reason for the change. The information is now reportable through the COMET system.

The following corrective actions will be taken:

- The current internal control audits will be performed every quarter and any appropriate follow-up will be taken.
- A quarterly report will be run out of COMET to capture and monitor the changes made and recorded with the supplier audit tool.
- A policy and procedure will be created providing guidance on how to adequately document changes to the Vendor Master File and determining which changes warrant documentation stored within the City's ECMS system.

Finding 1.2: Missing Tax Identification Number (TIN)

The Treasury Office Support Specialist is responsible for reviewing all vendor applications and IRS Form W-9s when creating the vendor profile in COMET, however, 145 active vendors were identified in COMET with no TIN. The field for TIN was not required within COMET upon setting a new vendor up or making changes to an existing vendor profile and no monitoring existed to ensure that all vendors had a TIN entered in COMET. There were instances that a missing TIN may be appropriate, for example, City departments can be set up as vendors for petty cash reimbursements.

Prior to the implementation of COMET, two previous systems known as Fiscal and Compass were used by the City to manage the Vendor Master File. Fiscal was used by the City until 2007 and Compass was used by the City from 2008 until August 31, 2015. Of the 145 vendors that did not have a TIN listed, 92 of those vendors were originally entered into Fiscal and 49 vendors were originally entered into Compass.

The City was to verify with the IRS that the information received by new vendors contains a correct match between the vendor name and the TIN. As a result of the City's 1099 reporting, the IRS can fine the City for incorrectly reporting TINs. If the same mismatch shows up on the 1099-MISC Report more than 3 years in a row, the IRS will fine the City \$100 per instance. In 2011 and 2012 the City was fined \$2,400 and \$10,700, respectively.

Missing Tax Identification Number (TIN) Recommendations:

- Finance should make the TIN field a required field in COMET. Additionally, Finance should implement a procedure that helps to ensure that each TIN is validated with the IRS.

- Finance should review the 145 vendors in COMET that do not have a TIN and determine if a TIN should be added. If no TIN is required because the vendor is a City Department, those should be documented within the Vendor Master File.

Missing Tax Identification Number (TIN) Management Response: Finance

Finance agrees with the auditor's findings and recommendations regarding the importance of requiring a Tax Identification Number for each City of Minneapolis vendor that is created. Validating the TIN upon the creation of every vendor is necessary to ensure that the City is doing business with a legitimate individual; or business entity. Starting in 2013, current practices require that the vendor's name and TIN are matched within the IRS TIN Matching Program prior to being entered into COMET. If there is not a match, the vendor will be contacted to send us the correct information. In addition, there is now a requirement in COMET for a TIN to be entered to be able to create a vendor.

The following corrective actions will be taken:

- For the active vendors missing a TIN, Finance will reach out to them to obtain a current TIN and record it in COMET.
- For the missing vendor TINs that are internal vendors, such as Petty Cash Reimbursements, Finance will come up with a numbering system to identify those vendors where TINs are not applicable.
- Finance will run a monthly query to check for missing TINs.

Finding 1.3: Duplicate Vendors

The setup of the Vendor Master File in COMET allowed for duplicate vendors. As part of the new vendor set up process, a search of the TIN in COMET checked to make sure there was not already an existing supplier ID for the entity. While a search of the TIN in COMET was performed for each new vendor, no search was performed to identify that an existing vendor under the same name already existed in COMET. Also, the TIN field was not a requirement so if a vendor did not have a TIN entered into COMET, no duplicate would show up if that same vendor was to be added into COMET, again.

During testing, 13 pairs of active duplicate vendors were found where the same vendor names were associated with multiple COMET assigned supplier IDs and multiple TINs. Since COMET prevents payments from being made to inactive vendors, Internal Audit focused on the duplicate vendors that were both active.

The only instance where active duplicate vendors were appropriate and were not considered as an exception was when the vendor was also paid via HR Benefits the vendor would have a duplicate with a different supplier ID.

For the 13 active duplicate vendors that were tested, 6 vendors had multiple COMET assigned supplier IDs when the vendors should have been listed under 1 supplier ID. In addition, six vendors had multiple TINs entered into COMET and three vendors had no TIN entered into COMET. Five of the active duplicate vendors had different supplier IDs and either different TINs or no TINs. Please see Appendix C for a detailed listing of the duplicate vendors in COMET and the noted exceptions.

In addition, two pairs of active duplicate vendors were found where different vendor names had duplicate TINs. For the two vendors that were identified as duplicates, the vendors had a variation of the same name, but were assigned different supplier IDs.

Due to the controls in place at the time of new vendor setup, duplicate vendors were able to be entered into COMET and this resulted in increased inefficiency in managing vendors. This could also result in fictitious vendors existing in COMET if changes to the Vendor Master File were not being monitored.

Duplicate Vendors Recommendations:

- Finance should review the 13 instances where active duplicate vendors were entered into the system. At least one of the vendors for each occurrence should be changed to an inactive vendor, unless the vendor is used by both HR Benefits and AP. Finance should also review the two instances where duplicate TINs were entered into the system for vendors with variations of the same name. At least one of the vendors for each occurrence should be changed to an inactive vendor.
- Finance should periodically review the Vendor Master File for vendors with duplicate vendor names and for different vendor names with duplicate TINs.
- Finance should establish a process that will prevent duplicate vendors from being entered into COMET.

Duplicate Vendors Management Response: Finance

Finance agrees with the auditor's findings and recommendations regarding duplicate TINs. As mentioned, there are some valid reasons for having two vendors set up with the same TIN such as for some Payroll and HR Benefit payments. There are requirements from Payroll and Benefits to have two vendors in COMET setup up differently so as to manage their payments correctly.

The following corrective actions will be taken:

- The list of 13 occurrences of duplicate Tax ID Numbers will be reviewed and one of the two vendors will be inactivated in all cases with the exception of the Payroll and HR Benefits vendors that have to remain to support business processes. Most of the 13 duplicates have already been inactivated in COMET.
- A monthly report will be run to look for duplicate TINs and Finance will follow-up and inactivate any vendors where appropriate.
- Finance will perform a search by name as well as by TIN at the time of creating a vendor to ensure that the vendor does not already exist in the system.

Timely Payments

The City continues to place importance on paying its vendors timely. Timely payments are a factor for two reasons: First, some vendors provide an opportunity to obtain a discount if invoices are paid early; second, State Statute 471.425 requires that the City must pay within 35 days of receiving an invoice. Invoices not paid within 35 days expose the City to the vendor charging interest at a rate of 1.5% per month or partial month.

Finding 2: Discount Potential on Early Payments

As of 12/31/15, the City was provided goods by 34 vendors that offer discounts for early payment. In 2015, the discount potential that the City was eligible for was \$23,927. The total amount of discounts the City took in 2015 was \$6,095, 25% of the available discounts. The remaining \$17,832 of potential discounts was not

taken because the payment was made past the discount terms. While these discounts were not significant, any money that the City can save by paying invoices timely could be used for additional resources. Currently, there was not an efficient way within COMET to track which discounts the City actually took advantage of, and the discounts that were taken were done manually.

Discount Potential on Early Payments Recommendation:

- Finance should take advantage of all discounts when possible. Taking advantage of discounts that certain vendors offer is dependent on each department providing the necessary information to Finance timely. As these discounts can be used for additional resources, Finance should work with COMET Support to identify a process to track and take discounts.
- Finance should include discount payment terms in the contracting process to establish more discount opportunities.

Discount Potential on Early Payments Management Response: Finance

Finance agrees with the finding and recommendations regarding discount potential on early payments. On 6/6/16, Finance implemented the early payment discount functionality within COMET in a pilot program. One vendor was initially tested to ensure the process was working properly for automating early pay discounts at that time. Since the process was running as intended, 5 more vendors were activated on 6/22/16 and all 34 vendors were set up to take early payment discounts on 7/13/16. Finance has been able to take over \$2,660 in early pay discounts since the start of the system functionality in June. As mentioned in the audit report, these early pay discounts are dependent on City departments approving their invoices timely and getting them back timely to be processed. Finance is making departments aware of these discounts so that they can try to prioritize them when possible.

The following corrective action will be taken:

- Finance will work with Procurement to ensure that discount payment terms are discussed in the contracting process to ensure more discount opportunities.

Observation: Late Payments

The City has had a finding in the State Auditor's Comprehensive Annual Financial Report (CAFR) on prompt payment of invoices since 2009. The State Auditor tested compliance with State Statute 471.425, which required payment of invoices within 35 days of receipt by the City. For the 2015 CAFR, 11 of the 128 invoices (9%) tested were not paid within 35 days. For the 2014, 2013 and 2012 CAFR, 10%, 20%, and 23% of invoices tested were not paid within 35 days, respectively.

The City's AP staff has worked with vendors and City staff to implement a number of changes to its processes that has significantly improved the timing of payment of invoices and this has been reflected in the number of instances that have been reported in the City's CAFR. In addition to working with Finance, Internal Audit inquired with four departments to better understand the root cause of the not paying invoices promptly, which can be found in Appendix A of this report.

Late Payments Recommendation:

- Finance should continue working with departments to understand why invoice approvals are delayed and use that information to affect change in other aspects of procuring goods and services from vendors.
- Finance should continue to work with departments that are not in compliance with State Statute 471.425. While, this State Auditor's finding may continue to exist, Finance and all City departments should continue to make every effort to pay invoices within the statutory time frame of 35 days.
- Finance should include language in their POs and contracts that all invoices must be sent to submitinvoices@minneapolismn.gov or mailed to PO Box 211208, Eagan, MN 55121.

Late Payments Management Response: Finance

Finance agrees with the auditor's recommendations regarding late payments within the City. As stated in the report, the main problem is getting invoices back to Finance to process timely. The actual time an invoice spends in Finance is an average 3-5 days. The remaining time, the invoice is out with departments waiting for review and approval. Progress has been made both in reducing the average days to pay an invoice city-wide and the percentage of invoices over 35 days old. The quarterly meetings with department managers has helped in getting awareness of the problem and being able to view individual department/division metrics, but there is still a lot of work to be done. Departmental trainings are in the works to attempt to get all City departments on the same page and to emphasize the importance of complying with the Prompt Payment Statute. Centralizing invoices in our electronic system in ECMS has been a key component to reducing processing times, but there is still not total compliance within the City departments to follow the guidelines.

Finding 3: Segregation of Duties

The American Institute of Certified Public Accountants (AICPA) recommends that activities relating to authorization, custody of assets and recording transactions be segregated in order to prevent unauthorized or inappropriate access or loss of data and assets. An analysis was performed at the role and user levels to note if there were any potential segregation of duties conflicts and the scenario below was identified within Purchasing.

The roles M_POBUYER and PO_BYR_CHGPO can create and approve their own POs. This established the potential risk of users authorizing purchases without appropriate approval. There were 75 noted user accounts within the COMET system that had these roles assigned to their profiles.

Segregation of Duties Recommendation:

- Information Technology should restrict access either via role re-design or workflow so that users no longer have the ability to approve their own PO. The risk from this segregation of duties conflict is partially mitigated as procedure requires a user to create a requisition that has to be approved before a PO can be created but they are not required to do so by any systematic enforcement.

Segregation of Duties Management Response: Information Technology

It is not a standard business practice for the City to create a Purchase Order without first creating a requisition. Once a requisition is created, segregated roles and workflow have been configured to route the requisition to the appropriate approver for the financial chart of accounts coding on the requisition. Once the requisition is approved a purchase order is created. When goods or services are received by the City, a Receiver is completed in the COMET system to confirm what the City actually received as compared to what was listed on the Purchase Order. When the invoice is received, this information will be matched against the information noted through the Receiver and payment is processed to that vendor. Due to established business practice, users would likely not be aware of their ability to create a purchase order and approve it; however, if this were to happen the Receiving and Payment steps in the three-way match process are performed by different staff than those who created and approved the original purchase order.

Recent changes have been made to the users assigned to these roles and the numbers of staff has been reduced to 11 who have the M_POBUYER role and 25 with PO_BYR_CHGPO role. For the remaining users with these roles, the City will re-design the role to separate access for creating and approving purchase orders. This will require approximately 12 months to create, test and implement the re-designed roles. During the interim, the City also will monitor through audit queries within the system.

General Recommendations

During the course of the Procure to Pay Process Audit, Internal Audit also observed some additional areas that could be improved. While these areas are not considered findings, some general recommendations are provided below.

General Recommendation 1: Closing Out Blanket POs at Year End

A blanket PO is a PO that the City will make with a supplier that contains multiple transactions or delivery dates over a period of time, often negotiated to take advantage of predetermined pricing. Blanket PO's are normally used when there is a recurring need for ordering goods. Blanket POs were also to be closed out at the end of the year. However, there was not a process in place to close out the blanket POs and there was not a policy in place that effectively addresses the use of blanket POs. If blanket POs are not closed out at year end, any spend that goes towards each blanket PO gets pulled from a prior budget year's funding and it can cause budgetary reporting to be incorrect. Internal Audit recommends that blanket POs are closed out at year end.

General Recommendation 2: 3-way Match and Exception Reporting

The City performed a 3-way match daily once all of the pertinent information was entered into COMET. The 3-way match was started manually, and matched the purchase order, receipt and invoice to ensure accurate payment. The possible outcomes of the 3-way match process were Match or Exception. Some payments could also be labeled as No Match and did not go through the 3-way match process, including: Workers Comp payments, Single Pay Vouchers (refunds), Northern States Power (Xcel Energy) and Centerpoint Energy payments, City Attorney Settlements, Petty Cash vouchers, Credits/returns and adjustment vouchers.

The Match Exception Report showed all exceptions and the rules that were broken for items that failed the 3-way match. However, for days where there were no exceptions, no Match Exception Report was generated. It is important for the system to generate a Match Exception Report for days when no exceptions were noted to provide assurance that the 3-way match was performed correctly, and to show evidence of an audit trail of the

process each day. Internal Audit recommends that Finance should enable COMET to create a Match Exception Report each time the 3-way match process is performed, even on days where no exceptions are found, or identify a similar process.

Additionally, once the Match Exception Report had been generated, the individual that processed the report had the ability to perform a Match Override that would automatically update and process the voucher that failed the 3-way match. However, the Match Override did not require an explanation for why the item was overridden. The lack of records supporting the reason for an override made it difficult to verify that a Match Override was the correct course of action. Internal Audit recommends that Finance should make it a requirement to include an adequate explanation in COMET to support the reason for manually overridden items.

General Recommendation 3: Invoice Approvals

The City should consider whether setting approval thresholds on invoices would be an appropriate way to better control high-dollar spending. During testing, any individual with the ability to approve invoices could do so for any dollar amount. See Appendix B for a summary of the number and dollar amount of vouchers process by the City. Internal Audit recommends that Finance consider developing written policies and procedures to adequately control who can approve invoices up to specific dollar amounts.

Acknowledgments

The City of Minneapolis Internal Audit team would like to acknowledge the time, effort and partnership put forth from Finance and from the Information Technology Department. Their enthusiasm and collaboration were very helpful in completing this audit. In addition, the Department Liaisons were also extremely helpful in providing information about their individual departments as well as being accommodating with meetings and timely with responses.

Appendix A: Root Cause Analysis of the Late Payment Observation

Departments at the City do not always get the approved invoice back to AP timely. Once AP receives the approved invoice, the turnaround to pay the vendor was fairly quick. There are multiple reasons for why approved invoices do not get back to AP timely from departments. In determining the root cause at the City for failure to comply with State Statute 471.425, Internal Audit had conversations with the Finance Department and four City departments. Based on these conversations, the following are the summarized reasons why approved invoices may not be paid within the statutory timeframe:

- Expired or Insufficiently-Funded Contracts

Departments are running into problems with expired contracts or contracts that don't have enough money left to pay an invoice, the process to re-new a contract or obtain an extension on the current contract takes time; meanwhile, the invoice will not be able to be paid until a new contract has been procured.

- Multiple Department's Spend Being Applied to a Single Contract

A department that entered into a contract with a vendor may assume that the contract amount will be just for their department. However, AP sometimes codes other department's purchases against that same contract. If the original department is not proactively reviewing the amount spent on their contract, the department may receive an invoice from the vendor and realize that the contract has been all spent. The department will then need to enter into a new contract in order to pay the invoice.

- Complicated Invoices

Invoices that contain many lines take longer to review and approve. As an example, a spec could include 1,000 to 1,500 lines. Each line needs to be reviewed to ensure that all of the parts were received.

- Vendors Sending Invoices to the Incorrect Location

Some vendors continue to send invoices directly to departments, or in some instances to the wrong department. All vendors have been told to either mail the invoice to: City of Minneapolis - Accounts Payable PO Box 211208, Eagan, MN 55121 or by email to submitinvoices@minneapolismn.gov. If the invoices are mailed directly to departments, invoices sometimes either get lost or invoices take a while to get re-routed to AP.

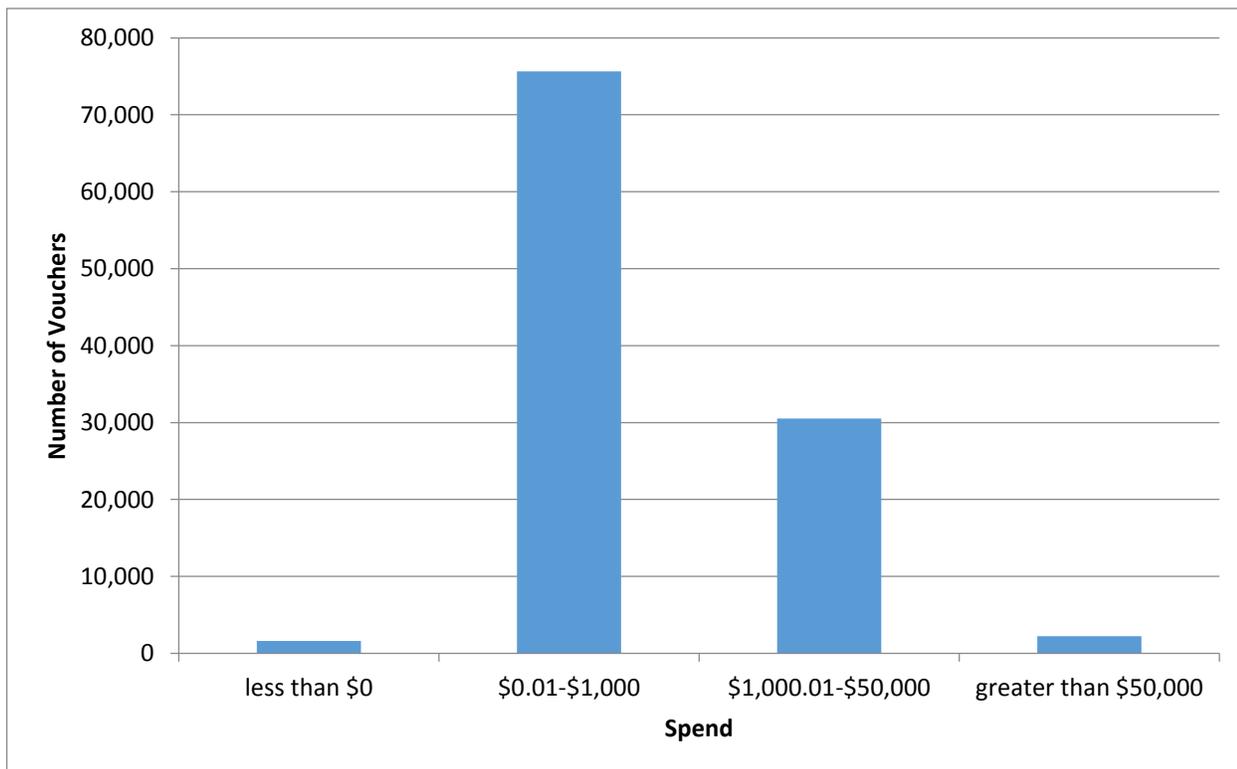
- Vendor is Not Set Up in COMET

There are instances that a department started to do business with a vendor that is not already entered into the City's Vendor Master File. In these instances, an invoice may be received from that vendor. Finance will then need to begin the process to create a new vendor and the vendor will have to submit the new vendor application. This process may take time and the invoice cannot be paid until the vendor has been approved.

Appendix B: Summary of City Vouchers by Amount

The City follows state law and city ordinances that define the City's procurement policies and procedures. Purchases must be from an existing contract or competitively bid, have a clearly defined public purpose, and conform to all city policies. The City's primary procurement situations are:

- Purchases from existing city, state and cooperative-agreement contracts ("pricing contracts").
- Goods and routine services purchased with no existing contracts (See the graph below for the number of vouchers from January 2015 to March 2016 that fall into each category below):
 - Under \$1,000 in one year ("small & miscellaneous items")
 - From \$1,000 to \$50,000 in one year ("informal bids")
 - Over \$50,000 in one year ("formal bids").
- Professional Services.
- P-Card purchases.
- Computer and IT purchases.
- Travel, food/beverages, and employee recognitions.



The audit covered 110,045 vouchers processed from January 2015 to March 2016. A voucher is a prenumbered form used in the AP department to standardize and enhance the City's internal control over payments to its vendors. A voucher is prepared after a vendor's invoice has been matched with the City's PO and receiver.

A majority (68.8%) of voucher payments were less than \$1,000 and were classified as small and miscellaneous items. The next largest category (27.7%) were for payments between \$1,000.01 and \$50,000, classified as informal bids. Items that were less than \$0 (1.5%) were classified as credits and returns. Finally, 2,248 (2.0%) were payments greater than \$50,000 and fell into the formal bids category.

Appendix C: Detailed Listing of Active Duplicate Vendors in COMET

Per Finding 1.3, the setup of the Vendor Master File in COMET allowed for duplicate vendors. For the 13 active duplicate vendors that were tested, 6 vendors (Number 1, 2, 6, 9, 12 and 13 below) had multiple COMET assigned supplier IDs when the vendors should have been listed under 1 supplier ID. In addition, six vendors (Number 1, 2, 3, 6, 7 and 9 below) had multiple TINs entered into COMET and three vendors (Number 8, 10 and 12 below) had no TIN entered into COMET. Five of the active duplicate vendors (1, 2, 6, 9 and 12 below) had different supplier IDs and either different TINs or no TINs.

The only instance where active duplicate vendors were appropriate and were not considered as an exception was when the vendor (Number 3, 4, 5, 7, 8, and 10 below) was also paid via HR Benefits the vendor would have a duplicate with a different supplier ID.

Below is a detailed listing of the 13 Active Duplicate Vendors in COMET and the noted exceptions.

Number	Vendor Name	Supplier ID	TIN
1a	American Society of Crime Laboratory	0000006233	XX-XXX3574
1b	American Society of Crime Laboratory	0000019070	XX-XXX0578
2a	AT and T	0000000147	XX-XXX4710
2b	AT and T	0000008915	XX-XXX9052
3a	Carpenters Local 322	0000012391	XX-XXX5244
3b	Carpenters Local 322	0000012393	XX-XXX1165
4a	Clark County Nevada	0000021105	XX-XXX0028
4b	Clark County Nevada	0000021112	
5a	Hennepin County	0000009354	XX-XXX5801
5b	Hennepin County	0000009355	
6a	Institute of Transportation Engineers	0000000871	XX-XXX2732
6b	Institute of Transportation Engineers	0000020571	XX-XXX8989
7a	Medica Insurance Company	0000017394	XX-XXX0988
7b	Medica Insurance Company	0000017455	XX-XXX1111
8a	Minneapolis Electrical	0000009401	
8b	Minneapolis Electrical	0000022805	
9a	Mount Olivet Lutheran Church	0000001634	XX-XXX4072
9b	Mount Olivet Lutheran Church	0000013241	XX-XXX3766
10a	Public Empl Rtrmt Assoc	0000009370	
10b	Public Empl Rtrmt Assoc	0000014245	
11a	RBA, Inc.	0000021795	XX-XXX4667
11b	RBA, Inc. (DBA Phoenix Distributors)	0000020411	XX-XXX6254
12a	Regents of the U of M	0000002334	
12b	Regents of the U of M	0000002377	
12c	Regents of the U of M	0000002378	
13a	Regents of the University of MN	0000000263	
13b	Regents of the University of MN	0000007505	XX-XXX7513