

Accounts Payable

Gap Analysis:

POS identifies the following Best Practices as efficient and effective control processes for the above risk. Listed for comparison are the controls currently in place, if applicable.

Best Practices:	Existing Control:	Control Gap:
<u>Purchasing</u>		
<i>Pervasive Controls</i>		
<ul style="list-style-type: none"> ▪ Purchase requisitions are required for all materials and supplies purchased. Requisitions are approved in accordance with management's specified authorization requirements and limits before purchase commitments are made. 		
<ul style="list-style-type: none"> ▪ If purchase order documents are used, they are prenumbered and the purchasing and accounting department accounts for all purchase order numbers. Copies of purchase orders are sent daily to the accounting and receiving departments. If purchase orders are electronic, purchase order numbers are assigned sequentially and the purchasing, receiving and accounting departments have on-line access to open and closed purchase orders. 		
<i>Detective Controls</i>		
<ul style="list-style-type: none"> ▪ Invoices and supporting documents are periodically audited by an individual who is independent of the purchasing, receiving and accounts payable departments. Quantities received, prices and terms are compared between purchase orders, receiving reports, freight bills and vendor invoices. Extensions, footings and the accounting distributions are also tested. 		
<ul style="list-style-type: none"> ▪ <i>Pervasive and Detective Controls</i> 		

<ul style="list-style-type: none"> The purchasing application system restricts the generation and approval of purchase orders to purchasing department personnel. If not controlled by the purchasing application system, access to purchase orders is restricted to purchasing department personnel. A list of approved purchase orders is distributed daily to each buyer and requisitioning department for their review. 		
<p>Receiving</p>		
<p>Pervasive Controls</p>		
<ul style="list-style-type: none"> All incoming materials and supplies pass through a central receiving department. Access to receiving and storage areas are restricted to authorized personnel. Receiving docks are locked when no deliveries are in process. 		
<ul style="list-style-type: none"> Numerically controlled receiving documents are used to record the actual receipt of materials and supplies in the proper period. Procedures exist for the receiving and accounting departments to account for all prenumbered documents. 		
<p>Detective Controls</p>		
<ul style="list-style-type: none"> The quantity and type of materials and supplies received are compared by receiving personnel to purchase orders. Authorization is obtained from the purchasing department for quantity variances in excess of limits specified on the purchase order prior to accepting the goods. Incoming goods are counted or weighed, and inspected and tested in accordance with management's supplier performance certification criteria (i.e., on a sample basis) to verify the accuracy of the supplier's shipments. 		
<ul style="list-style-type: none"> Purchase orders are closed when all items ordered have been received. Purchase orders that have been outstanding for unreasonable periods of time are investigated. 		

<ul style="list-style-type: none"> ▪ If the purchase order specifies that materials and supplies are to be inspected prior to receipt, the receiving application system will not permit the processing of a receiving transaction without the approval of an inspection department employee. 		
<p><u>Cash Disbursement</u></p>		
<p><i>Pervasive Controls</i></p>		
<ul style="list-style-type: none"> ▪ Cash disbursements are made using prenumbered checks and are printed on protected paper. 		
<ul style="list-style-type: none"> ▪ Access to check signing equipment, signature plates or cards and blank check stock is limited to persons with check preparation responsibilities. Authorized check signers do not have access to blank check stock. 		
<ul style="list-style-type: none"> ▪ Employees who prepare vouchers for payment or prepare checks do not have access to checks after they are signed. 		
<ul style="list-style-type: none"> ▪ Checks over a predetermined limit require two manual signatures to ensure appropriate review of the supporting documentation. 		
<ul style="list-style-type: none"> ▪ Checks received are deposited daily, by mail or courier if necessary. Each day's cash receipts are deposited intact and are not used for disbursements of any kind. The period-end cutoff of processing cash transactions is followed consistently period-to-period. All checks held as of period-end are identified and recorded in the general ledger to achieve an accurate cutoff. 		
<ul style="list-style-type: none"> ▪ Keys to operate check signing machines and keys to access signature plates or cards are held by a person who does not have access to blank checks nor prepares checks for payment. Network access to check printers is limited to accounts payable and payroll personnel who print checks. 		
<p><i>Detective Controls</i></p>		
<ul style="list-style-type: none"> ▪ Bank reconciliations are prepared by a person who has no cash receipts or disbursements responsibilities and who does not sign checks. 		
<ul style="list-style-type: none"> ▪ Bank statements are periodically reconciled to the general ledger and unreconciled differences are investigated on a timely basis. Completed bank reconciliations are reviewed and approved on a timely basis by supervisory personnel. 		

<ul style="list-style-type: none"> Check signers are knowledgeable of the business activities generating disbursements and/or review the propriety of supporting documents prior to signing checks. Check signers do not sign blank or incomplete checks or checks made payable to the check signer. 		
<p><i>Pervasive and Detective Controls</i></p>		
<ul style="list-style-type: none"> For checks issued, an individual that is independent of the accounts payable department maintains a log of check stock usage. Each entry in the log is signed by the individual maintaining the log and the accounts payable or payroll department employee printing checks. Each check that is mechanically signed or signed by a check printer is reconciled to the signature counter and the reconciliation is denoted in the check stock usage log. 		
<ul style="list-style-type: none"> Payments made to suppliers, employees and others by electronic funds transfer (i.e., cash transfers, direct payroll deposits, etc.) are authorized in writing by check signers with the same approval requirements as checks that are signed manually. The person preparing bank reconciliations reconciles written electronic funds transfer authorization forms to bank statements. 		
<p><u>Processing System Integrity</u></p>		
<p><i>Pervasive Controls</i></p>		
<ul style="list-style-type: none"> The accounts payable system uses the date inventory and supplies are received or services are provided to achieve an accurate cutoff. 		
<ul style="list-style-type: none"> The accounts payable application system does not permit the vouchering of a vendor invoice where invoice prices exceed purchase order prices over a pre-determined amount or where the vendor is not included in the vendor master file. The system requires the approval of a designated purchasing department employee for all invoice price exceptions. 		
<ul style="list-style-type: none"> If the purchasing department or the requisitioner selects the general ledger distribution codes in a purchasing application system, the accounting department approves the cost distribution prior to the time invoices are vouched to the accounts payable system. 		

<ul style="list-style-type: none"> ▪ The purchasing application system designates whether materials or supplies are to be received by the receiving department or if the purchase is a service item. The accounts payable application system will not vouch an invoice if the purchase order designates that the materials and supplies are to be received by the receiving department and receiving does not confirm receipt. All exceptions are resolved by purchasing department employees. 		
<ul style="list-style-type: none"> ▪ Purchasing and accounts payable department personnel are the only personnel that are able to modify existing supplier information in the vendor master file such as the remit-to address. Before each check run, the purchasing department approves all modifications to the vendor master file. The user ID initiating the change is designated on the vendor master file change report to facilitate this review. 		
<ul style="list-style-type: none"> ▪ The accounts payable system restricts the vouchering of vendor invoice transactions into the system to accounts payable employees. 		
<ul style="list-style-type: none"> ▪ The receiving application system does not permit the receipt of materials and supplies without a purchase order approved by the purchasing department. Purchasing department employees are the only employees that can process an exception. 		
<p>Detective Controls</p>		
<ul style="list-style-type: none"> ▪ The general ledger accounts payable balance is reconciled to the accounts payable subsidiary ledger and exceptions are investigated. 		
<ul style="list-style-type: none"> ▪ The accounts payable subsidiary ledger is reconciled to vendor statements. 		
<p>Pervasive and Detective Controls</p>		

<ul style="list-style-type: none"> ▪ New suppliers cannot be established without the approval of the appropriate level of management. Only the purchasing department can add/delete suppliers from the vendor master file. The vendor file is periodically reviewed for inactive vendors, related parties, etc. The system does not allow the processing of one time vendors/ temporary I.D. vendors that are not in the vendor master file. 		
<p><u>Analytical Review and Performance Measures</u></p>		
<p><i>Detective Controls</i></p>		
<ul style="list-style-type: none"> ▪ A periodic review of the aged accounts payable subsidiary ledger and supporting documentation is performed. The causes of debit balances and aged unpaid invoices are investigated. 		