



# **Purchasing**

**For the period 3/1/18 – 8/31/18**

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**City of Tulsa Internal Auditing**  
May 2020

## Description of Audit Project

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### ***Why we did this audit***

Implementation of the Munis financial system required extensive redesign of financial controls. The City Auditor's Office plans to review all financial modules to ensure financial controls remain strong. We selected the purchasing module to review first based on the importance, volume and dollar amount of the transactions in this module.

### **Scope:**

Evaluate automated and manual controls in the purchasing module. This project did not include purchases for materials and services in construction/capital projects. This will be addressed in a separate audit.

### **Objectives:**

- Assess the adequacy of purchasing internal controls
- Evaluate compliance with purchasing policies and procedures
- Determine whether purchasing activities are properly separated among purchasing initiation, approval, receiving and recordkeeping tasks

### **Audit Methodology**

- Selected a sample of requisitions and determined whether they were properly approved, processing tasks were segregated, and a three-way match occurred before payment. (Note: three-way match is not applicable to blanket purchase orders.)
- Reviewed invoices exceeding \$100,000 in the sample to determine adherence to ordinance requirements
- Reviewed compliance with vendor registration ordinance and policies
- Analyzed purchase order usage patterns to assess potential economies and fraud indicators

### **Significant Results:**

#### **1. System users must manually select three-way matching when entering requisitions**

The goal of three-way matching is to identify any differences in three important documents in the purchasing process: purchase order, invoice and receiving documents indicating acceptance of an item or service. Matching these three documents allows the City of Tulsa to prevent overspending or paying for something that was not received. If the user forgets to select three-way match, comparison of the three documents does not occur. The manual nature of this control and the volume of requisitions increase the risk of errors. In our sample of requisitions, there were 58 instances where three-way match was applicable, but the user did not select this option. We recommend evaluating whether the system can be modified for three-way match to be the default, and only requiring a manual change if three-way match is not required.

## **2. Purchase card transactions do not reduce blanket purchase order balance**

A blanket purchase order (BPO) is used when multiple purchases will be made from a single supplier. Using BPOs saves purchasing staff time because they write only one purchase order for multiple transactions instead of writing a separate purchase order each time there is a need for a product. City employees buy from the supplier using a p-card or asking the supplier to invoice the City. Keeping a running balance on each BPO allows employees to make sure they do not spend more than has been authorized.

The financial system deducts all purchases that are invoiced and paid by accounts payable staff from the BPO balance; however, the financial system is not programmed to deduct purchases made using a p-card. Department personnel are keeping records outside the financial system to track available BPO balance. This increases risk of employee error and overspending. We recommend the Finance Department create a report that each department can use to track BPO transactions and balances whether the payment is through invoice or p-card.