



City of Avondale

Audit Committee Meeting

Committee Members

Max White, Chair*

Aaron Cook, Vice Chair

Curtis Nielson, Committee Member*

Gloria Solorio, Committee Member*

Norma Pacheco, Committee Member

**The noted members are members of the Avondale City Council who have been selected to serve as committee members on the Audit Committee.*

Non-Voting Committee Members

Ron Corbin, City Manager

Renee Weatherless, Finance and Budget Director

City of Avondale Staff

Barbara Coppage, City Auditor

Emily Soria, City Clerk Specialist



Audit Committee Meeting Notice & Agenda Monday, February 23, 2026

SONORAN CONFERENCE ROOM | 11465 WEST CIVIC CENTER DRIVE | AVONDALE AZ, 85323

Request to Speak: Anyone wishing to speak regarding items listed on the agenda or under unscheduled public appearance should submit a Request to Speak online at <http://www.avondaleaz.gov/requesttospeak> prior to consideration of that agenda item.

REGULAR MEETING 10:00 AM

Physical access to the conference room will be available 30 minutes prior to the meeting.

1. CALL TO ORDER BY CHAIR

2. ROLL CALL BY THE STAFF LIAISON

3. UNSCHEDULED PUBLIC APPEARANCES (Time is limited per person. Please state your name.)

4. MINUTES

The Committee will consider the approval of the December 4, 2025 meeting minutes. The Committee will take appropriate action.

5. DISCUSSION OF AUDITS CLOSED THIS QUARTER

The City Auditor will present the projects from the FY2026 approved Audit Plan that were closed this quarter. This item is for discussion only.

6. AUDIT STATUS REPORT

The City Auditor will present an overview of ongoing projects from the FY2026 approved Audit Plan. Audit projects closed this quarter will be presented to the Audit Committee. This item is for discussion only.

7. EXTERNAL AUDITOR UPDATE

The City's external auditors for the Annual Consolidated Financial Report will provide an update. This item is for discussion only.

8. ADJOURNMENT

Individuals with special accessibility needs, including sight or hearing impaired, large print, or interpreter, should contact the City Clerk at 623-333-1000 or TDD 623-333-0010 at least two business days prior to the meeting.

Personas con necesidades especiales de accesibilidad, incluyendo personas con impedimentos de vista o oído, o con necesidad de impresión grande o intérprete, deben comunicarse con la Secretaria de la Ciudad al 623-333-1000 o TDD 623-333-0010 al mínimo dos días hábiles antes de la junta.

MINUTES OF THE AVONDALE AUDIT COMMITTEE
CITY OF AVONDALE, ARIZONA
SONORAN CONFERENCE ROOM
December 04, 2025

A **Regular Meeting** of the Audit Committee of the City of Avondale, Arizona was convened at 11465 West Civic Center Drive in open and public session at 2:30 p.m.

Voting Members Present: Chair White; Committee Member Nielson; Committee Member Solorio; Committee Member Cook; Committee Member Pacheco.

Non-Voting Members Present: Committee Member Corbin and Committee Member Fallstrom.

Members Absent: None.

Other Municipal Officials Present: Danee Garone, Attorney II; Marcella Sarmiento, City Clerk; Renee Weatherless, Finance & Budget Director; Barbara Coppage, City Auditor, and Emily Soria, City Clerk Specialist.

Audience: No members of the public were present.

1. ROLL CALL

2. INTRODUCTION / ICE BREAKER

Barbara Coppage, City Auditor guided committee members through an ice breaker exercise.

3. APPROVAL OF THE AUDIT COMMITTEE MINUTES

Committee Member Solorio moved to approve September 04, 2025 minutes; Committee Member Pacheco seconded the motion.

Upon vote, the motion was carried unanimously 5 to 0.

Chair White	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Cook	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Fallstrom	Non-Voting Member

4. EXTERNAL AUDITOR UPDATE

Jared Young, Heinfeld Meech, the City's external auditors, provided an update on the Annual Consolidated Financial Report. To date there have been no prior year audit findings that require follow up and no reportable findings were encountered during the 2025 audit. A big change was the implementation of the GASB 101 related to compensated absences. The \$4.2 million restatement for unused sick leave reported

in accordance with the City's Compensation and HR policies will reflect as a decrease to the opening balance of the City's 2025 financial reports.

The compliance supplement for the single audit was received last week. It is anticipated that the report will be finalized within the next two weeks. The Federal Transit Cluster was tested with a \$1 million grant to the City of Phoenix for the micro transit program. The City's Corona virus State and Fiscal Recovery Funds from fire fighters and was expended, no weaknesses or findings related to compliance or internal controls over compliance were encountered.

The audit is about 90 percent complete with draft statements previously provided for the City's ACFR. Last week, Ms. Williams reviewed the statements for compliance with the city's framework. A completed draft is expected to be provided early next week to the Finance and Budget office. The CFD report is being reviewed, and it is anticipated they will be released with the ACFR. The Single Audit Report should be reviewed in the next two weeks and issued in December or January. The Annual Expenditure Limitation Report will be completed in January or early February 2026.

In response to Chair White's question, Mr. Fallstrom explained the changes to GASB's guidance regarding how sick leave is accounted for, which the City is already doing. The City has sufficient resources to pay all accrued balances if necessary.

5. AUDIT STATUS REPORT

Barbara Coppage, City Auditor, presented an overview of ongoing projects from the FY2026 approved Audit Plan. This presentation began with a review of the status of seven audit projects, one has been finalized, and one will start in January 2026. The IT General Controls Audit and Facilities Maintenance Audit are contingent and intentionally done at the end of the fiscal year (FY).

The presentation moved to the Unscheduled Point of Sale Verification Audit. The audit does not only look at cash but ensures accuracy, follows the custody of city funds, internal controls and identifies areas for improvement to deter theft. This included in-person payments (cash, check, credit card) and online credit card payments that must be reconciled to the system, bank account, and Munis.

In response to Chair White's question, Ms. Coppage explained the amount shown for online card transactions is a cumulation from different sources that accept online payments.

At the Utility Billing Customer Service counter, a visual inspection was conducted covering cash counts, the work environment, and internal controls. This area manages significant sums of money and demonstrated several strong practices. The safe combination was observed and updated as required. Staff showed strong awareness of procedures, though the high volume of activity occasionally leads to minor oversights. Overall, the tone and support from the Finance Department were positive.

A review was conducted to assess the physical security of cash, including the location of the cash room, access controls, and safe placement. The environment was evaluated with a focus on restricting access through badge authorization in designated areas.

Segregation of duties was identified as a key internal control. While dual counting of drawers with a supervisor is a positive practice, concerns were raised about counts being performed at the cashier's desk and cashiers being informed in advance of expected balances. The recommendation was to discontinue the practice of notifying cashiers of the expected drawer totals, thereby strengthening the integrity of the count process.

The procedure for utility payment drop boxes requires two revenue staff members to jointly retrieve and log checks. This control was not consistently followed. Once back in the office, staff separated, and only one individual logged the payments. Additionally, Finance policy requires that checks be deposited within three days; however, deposits were delayed, with an average of 31 days for certain checks that required clarification. Five checks were identified as unresolved. The recommendation was to always enforce dual custody and ensure compliance with the three-day deposit requirement.

In response to Chair White's inquiry, Mr. Fallstrom explained the circumstances contributing to delays in depositing checks and outlined potential options to improve timely processing. The Committee emphasized the goal of processing deposits as quickly as possible. Mr. Corbin suggested that providing clearer return addresses on invoices may help ensure payments are directed to the correct location.

All recommendations were agreed upon and are currently being implemented. Chair White requested that these recommendations be in place prior to the Committee's next meeting in February, citing the high-risk nature of the issue. Mr. Corbin responded that the Finance Department will review the recommendations and implement what is feasible, noting that coordination with other departments is required. Mr. Fallstrom confirmed that many of the recommendations have already been implemented or are in progress.

The Parks and Recreation Department oversees the libraries, which handles both cash and cash equivalents. Observations included cash counting, reconciliation, and the tracking of non-cash equivalents. The Finance Department is collaborating with Parks and Recreation to strengthen basic internal controls in these areas. Items such as tickets, coupons, and donated goods are considered cash equivalents and require the same level of oversight and reconciliation as cash transactions.

A surprise cash count was performed at the library on cash drawers and coin towers. The balances of the four change funds did not reconcile with the Munis account records, and the coin towers were inaccessible at the time of inspection. It was recommended that authorizations for cash counts be tracked more closely to

determine whether discrepancies are due to inaccuracies within Munis or operational issues.

The Aquatic Center utilizes a change fund for providing customer change and cash drawers for ticket payments. It was observed that when a drawer was off balance, funds were taken from or added to the change fund to reconcile the drawer. Overages and shortages were not reported, and the change fund itself was not reconciled. Following a meeting with the supervisor, the Finance Department is now working with the Aquatic Center to implement proper controls.

The Aquatic Center currently provides only attendance figures, the number of coupons accepted, and the number of tokens accepted, followed by a drawer count to determine total receipts. Ms. Coppage noted that she intends to repeat this audit.

Badge access continues to be a recurring subject within audits. While an audit was completed a few years ago, a full reassessment is needed and has been tentatively scheduled for next year.

The Finance Department successfully reconciled the Development Services accounts, with no recommendations required. In reviewing refunds approved within Engineering and Development Services, one minor recommendation was made: to document policies and procedures for clarity and consistency.

Finance was asked to work with Munis to ensure a clear remittance address is added to invoices. This will help ensure payments are credited promptly and accurately to the proper accounts.

Reconciliation of Parks accounts, including refunds, was reviewed. No recommendations were necessary.

Concerns were noted in the Human Resources Department (HR) regarding one individual being responsible for all aspects of invoice processing and check receipts. It was recommended that HR's Risk Management coordinate with Finance so that invoices and checks are routed directly to Finance, thereby strengthening segregation of duties and reducing risk.

Neighborhood and Family Services donations received were reviewed. While the exact amounts cannot be independently verified, the controls in place appear to be as strong as possible under current circumstances. A recommendation was made to bolt down the department's safe, which was implemented immediately.

Compliance with minimum account standards was observed with the Courts. Suggestions for improvement were received by management.

The Police Department receives funds at the front counter and maintains a petty cash account. Discrepancies were noted in the amount of cash on hand compared to the

cash on hand documented in Munis. Finance verified that all funds were accounted for and made adjustments in Munis.

Overall, checks were found arriving through the mail addressed to various departments for different purposes. A good control practice would be for the City Clerk's Office to review incoming mail, remove checks, and forward them directly to Finance. This process would ensure timely awareness of incoming checks and strengthen cash-handling controls. The recommendation was the only one that management did not concur with.

Mr. Corbin explained that the City Clerk's Office does not have sufficient staff or budget capacity to meet the requirement of having two individuals present when opening mail. Given current resources, this is not a viable option. Management and the Committee discussed alternative ways to comply with the recommendation, including recommunicating the existing policy that all checks received should be forwarded directly to the Finance Department. This approach would maintain appropriate checks and balances while recognizing staffing limitations.

Ms. Coppage provided updates on several completed projects. She invited committee members and meeting attendees to participate in a customer survey to provide feedback on her performance. She also shared insights from a peer review conducted for the City of Fort Wayne, IN.

Ms. Coppage highlighted ongoing projects, including compliance with ADA web requirements. At present, an interim solution directs the public to obtain a copy of the audit plan from the City Clerk's Office until a fully compliant approach can be implemented. Chair White and City Manager Corbin discussed possible solutions, including the use of closed captioning, as part of efforts to meet accessibility standards.

Ms. Coppage provided a demonstration of how to access and use the Integrity Line via the city's website, reiterating that the tool is intended for internal use only.

A recap of the Fraud Awareness Week presentation was discussed, noting that 62 individuals attended. The program included a video presentation, team discussions, and an interactive Kahoot game. Staff were reminded not to worry about directing reports to the correct department, as management's priority is simply to receive the information; appropriate routing will be handled internally.

Chair White emphasized the importance of participation by the Police Department and Development Services in future training sessions. In response, Mr. Corbin advised that Ms. Coppage will attend Development Services' monthly meeting and the Police Department's weekly meeting to ensure engagement.

Mr. Corbin also highlighted ongoing collaboration between Development Services, Finance, and IT, underscoring the importance of cross-departmental coordination in strengthening internal controls and compliance practices.

6. INTEGRITY LINE UPDATE

Barbara Coppage, City Auditor provided an update on the Integrity Line. The last report was provided in 2023, and no issues were reported until October 2025 when three were received and November 2025 with four received. All issues were HR related, with four of them being related to the same incident. Investigations have been initiated into all issues and Mr. Corbin will notify Ms. Coppage when the matters are closed.

Mr. Corbin discussed the HR Integrity Line was debuted today via email to all employees.

7. CALENDAR

The next Audit Committee meeting is scheduled for Monday, February 23, 2026, at 10:00am.

8. ADJOURNMENT

There being no further business before the Committee, Committee Member Solorio moved to adjourn the Regular Meeting; Committee Member Cook seconded the motion.

Upon vote, the motion was carried unanimously 5 to 0.

Chair White	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Cook	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Fallstrom	Non-Voting Member

Meeting adjourned at 3:47 p.m.

EXECUTIVE SUMMARY

Vendor Master File and Accounts Payable

Date: ~~Revised~~ ~~at~~ ~~AGE~~ 2026 | Project Number: 12604-C

PURPOSE OF THIS AUDIT

As part of the City's Fiscal Year 2026 Audit Plan, UHY Advisors Mid-Atlantic, Inc. (UHY) conducted an internal audit to assess whether internal controls exist and are operating effectively over the procurement, vendor data management, and accounts payable (AP) functions. This included:

- Gaining an understanding of policies and procedures in place
- Identifying relevant risks and internal controls
- Evaluating control design
- Testing control operating effectiveness
- Analyzing vendor and payment data from Tyler Munis (Munis), the city's Enterprise Resource Planning (ERP) system

REPORT HIGHLIGHTS

Contract Management

- Missing expiration dates and expired contracts existed on the Contract Report. There is no validation control to ensure all required fields are complete in Munis.

Purchase Order Management

- In some circumstances, purchase orders with unused funds can remain open after a contract has expired. Although internal controls exist, they do not include documenting reasons for the delay of goods or services.

Payment Trend Analysis

- 89% of Finance payments were made by paper checks.
- Late fees and discount terms typically found in a vendor's contract are not entered into the vendor's Munis profile.

Vendor Data Management

- 86 non-procurement vendors were active in Munis but were currently not being used. At least 42 of these vendors were employees.
- 309 of 2541 vendor addresses were either incomplete or only had a post office box address.
- 694 vendors did not have a last invoice date in Munis and 1027 vendors had a last invoice date older than January 1, 2024, which indicates 1/1/2024.
- 86 invoices had an entry date in Munis before the date found on the invoice.

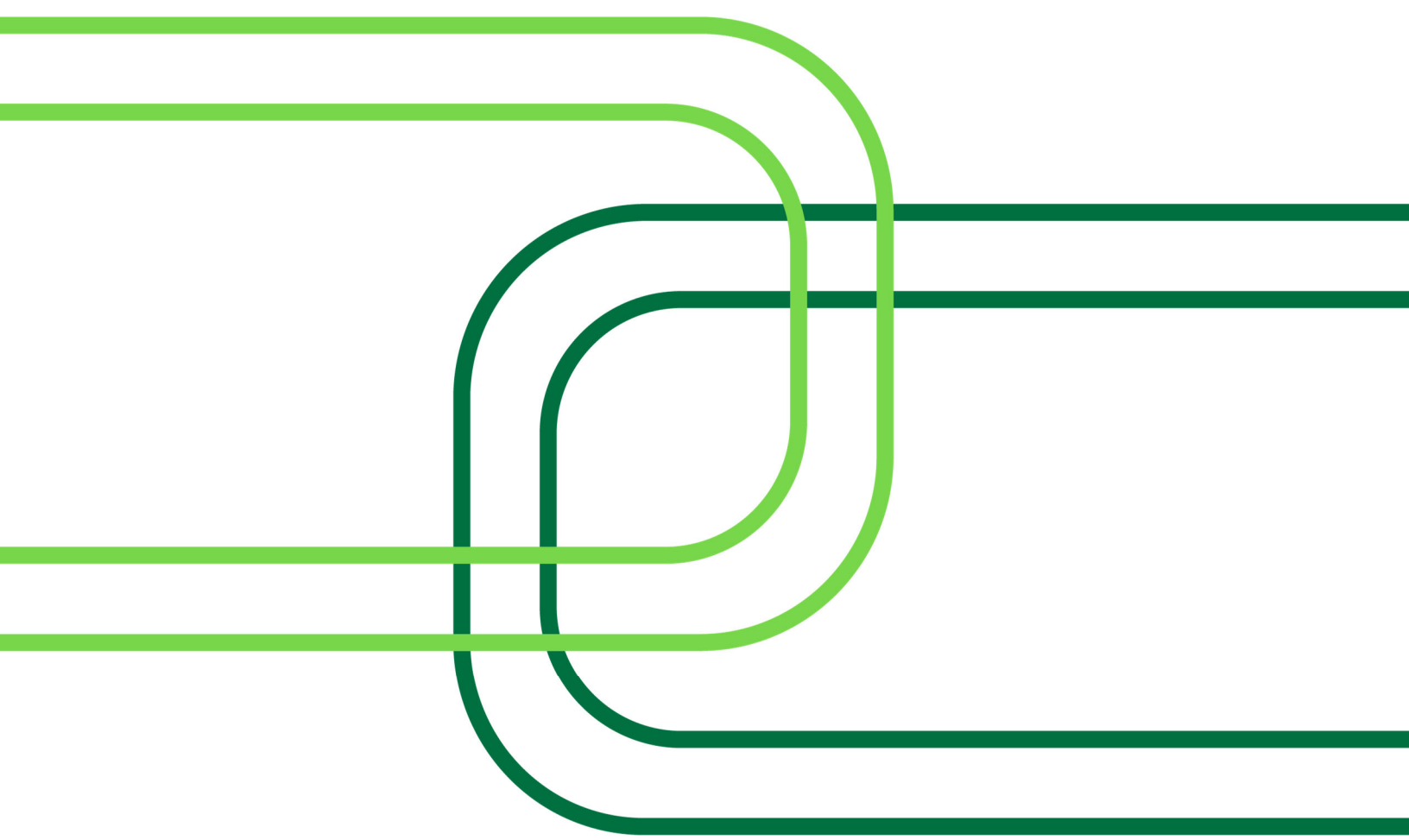
Recommendations made to address these areas are included in the detailed report.



uhy-us.com

City of Avondale
Vendor Master File and Accounts Payable
Internal Audit

January 20, 2026



January 20, 2026

City of Avondale Audit Committee:

We are pleased to present our internal audit report on the City of Avondale's vendor data management and accounts payable processes, as required by the city's FY2026 Audit Plan. The internal audit objective was to determine whether internal controls are in place over these processes and if they are working effectively.

We have reviewed the results of our work with the Finance Department's management and staff, and appreciate the courtesy extended to us by their staff during the audit.

Sincerely,

Jack Reagan
Managing Director
UHY Advisors Mid-Atlantic, Inc.

Reina Hernandez
Consulting Manager
UHY Advisors Mid-Atlantic, Inc.

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Executive Summary

Audit Objective

As part of Avondale’s Fiscal Year (FY) 2026 Audit Plan, UHY Advisors Mid-Atlantic, Inc. (UHY) conducted an internal audit to assess whether internal controls exist and are operating effectively over the procurement, vendor data management, and accounts payable (AP) functions. This included:

- Gaining an understanding of policies and procedures in place
- Identifying relevant risks and internal controls
- Evaluating control design
- Testing control operating effectiveness
- Analyzing vendor and payment data from Tyler Munis (Munis), the city’s Enterprise Resource Planning (ERP) system

Scope of Work

The scope of work included the procurement, vendor data management, and accounts payable functions. During the Planning Phase, it was determined that including the related procurement function would be pertinent to the audit, as it encompasses the steps that initiate vendor input and payments. Interviews were conducted with the Department of Finance (Finance) management to gain an overview of the procurement, vendor management, and AP processes, and to understand the roles and responsibilities of the various Finance staff. Walkthroughs were conducted with staff to identify operational, compliance, and financial risks, as well as internal controls and opportunities for improvement, and to determine the root causes of any inefficiencies identified. We reviewed the applicable written policies and procedures, as well as the relevant data sets maintained in the City’s accounting and operational records. The period reviewed for operational testing of controls ranged from July 1, 2024, through June 30, 2025 (fiscal year 2025).

Audit Results & Recommendations

We identified opportunities for Finance to strengthen internal controls over procurement, vendor data management, and accounts payable. Below are actionable recommendations that Finance should implement to address the observations cited.

A. Governance

Our review found that Finance has several documented policies and procedures, including Administrative Policy 23 (AP23), Administrative Policy 4 (AP4), AP4 Procedure Manual, Vendor Maintenance Desktop Procedure, Munis Contract Entry Desktop Procedure, and the 30 Accounts Payable procedures listed in Appendix A. However, Finance has not established and documented a formal vendor data management (VDM) policy, an accounts payable policy, and VDM procedures.

Although several documented policies and procedures exist, some key elements are missing, such as roles and responsibilities, contract and invoice approval workflows, control points, and Munis

touchpoints. Finance currently relies on informal practices and staff knowledge, which increases the risk of inconsistent process execution and inaccurate and incomplete vendor data management.

B. Procurement

The following summarizes the key observations identified during our review of procurement practices.

Procurement and Vendor Selection – All sampled solicitations complied with the procurement method requirements and contained evidence of proper approval. However, the absence of a conflict-of-interest form for a non-city employee participating in an evaluation committee for a formal solicitation revealed a control lapse that increases the risk of undisclosed evaluator conflicts and compromised procurement integrity.

Vendor Due Diligence – Onboarding documentation, such as W-9s and other tax identification, was maintained in vendor files; however, Procurement does not utilize a vendor registration checklist to ensure completeness of core company details (i.e. name, address), financial information (i.e. W-9, EIN, banking), compliance documents (i.e. insurance, licenses), and does not maintain a formal list to prevent the city from doing business with high-risk, prohibited, or non-compliant vendors.

Contract Management – Weekly Contracts Reports identified upcoming contract expirations; however, it also included expired contracts, and several contracts on the list did not have an expiration date. These issues reveal gaps in contract lifecycle controls, thereby increasing the likelihood of unintended contract renewals.

Vendor Performance Monitoring – Although departments documented and reported vendor performance issues to Procurement using the designated form, no Cure Letters were issued by the Contract Administrator. Remediation actions are not identified or formally tracked. This control weakness increases the risk of unresolved vendor issues, inconsistent enforcement of contract terms, and limited documentation for future procurement decisions.

C. Accounts Payable

Below are observations that we found related to vendor payments, disbursement methods, payment term management, and check reissuance processes.

Invoice Approval – While all sampled payments were properly supported, we observed that approval workflows varied among departments, resulting in some invoices being approved by only one individual and in other cases by multiple individuals. The City's current practice allows for one individual at the department to acknowledge that goods/services were received and approve the invoice for those goods/ services in Munis, however, there is no evidence that the goods or services were confirmed to have been received. An effective three-way matching invoice approval workflow consists of one individual comparing the purchase order, goods receipt, and vendor invoice, and another individual approving payment for the invoice. The current process presents the risk of payment for goods and services not received.

Payment Trend Analysis – The City relies primarily on paper checks, which represent approximately 88% of total payments. This approach is supported by established controls that help ensure accuracy and authorization. However, the limited use of electronic payment methods may reduce opportunities to further enhance efficiency, shorten payment cycles, and mitigate certain risks commonly associated with check processing.

Invoice Late Fees and Discounts – Finance does not enter discount terms into Munis due to the system reflecting the discount in the purchase order and encumbrance amount. This creates a risk of insufficient budget to pay invoices when the discount terms are not realized. However, without entering late fees and early-payment discount terms into Munis limits the system’s ability to flag potential penalties or opportunities for cost savings. Not tracking discount terms and late fees increases the risk of unnecessary late fees, missed cost-saving opportunities, and reduced visibility into the financial impact of payment timing.

D. Vendor Data Management

The following highlights significant control weaknesses in vendor data management, system access, and oversight of vendor usage.

- Finance does not use built-in application controls in Munis to ensure that vendor records are complete and accurate. Such built-in controls would require the vendor’s name, address, and banking information to be completed before the vendor could be set up. Another control would require a physical address for every vendor, versus just a P.O. box.
- Finance has not established a periodic review process to monitor vendors that may be paid only one or two times. This introduces the risk that vendor accounts meant to be used once may become permanent vendors, repeated use to avoid the normal procurement process, and fraudulent payments.

Recommendations

We have made several recommendations to address the issues identified above, which we’ve included in the detailed Audit Report below.

Audit Report

Background

Avondale’s Finance and Budget Department (Finance) includes the Procurement and Accounts Payable teams. Procurement is responsible for ensuring goods and services are acquired according to the procurement code and City policies. Procurement also manages vendor data, a process that involves collecting, centralizing, organizing, and governing all information about the city’s suppliers to ensure data accuracy and completeness. In turn, Accounts Payable is responsible for processing and paying the City’s vendor invoices. As part of Avondale’s FY26 Audit Plan, UHY Advisors Mid-Atlantic, Inc. (UHY) conducted an internal audit to assess whether internal controls exist and are working effectively over the procurement, vendor data management, and accounts payable (AP) functions.

Scope of Work

The original scope of work included the vendor data management and accounts payable processes. However, during the Planning Phase, it was determined that including the related procurement function would be pertinent to the audit, as it encompasses the steps that initiate vendor input and payments.

Interviews were conducted with Finance management to gain an overview of the procurement, vendor management, and AP processes, and to understand the role and responsibilities of the various Finance staff. Walkthroughs were conducted with staff to identify operational, compliance, and financial risks, as well as internal controls and opportunities for improvement, and to determine the root causes of inefficiencies. The period reviewed for operational testing of controls ranged from July 1, 2024, through June 30, 2025 (fiscal year 2025).

We reviewed an assortment of documentation, including but not limited to:

- Local and departmental policies and procedures
- Requisitions, bids, quotes, contracts
- Vendor documentation – W-9s, tax identification number
- Vendor Performance Forms
- Asset disposal documentation
- Purchase orders
- Vendor invoices and payments
- Munis vendor profiles

Methodology

We conducted our internal audit procedures using the Institute of Internal Auditors (IIA) Global Internal Audit Standards (“Red Book”) and generally accepted government auditing standards (GAGAS), commonly referred to as the “Yellow Book.” Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our audit results and

conclusions. We believe that the evidence obtained provides reasonable assurance of our audit results and conclusions based on the audit objective.

We conducted our internal audit procedures through the lens of the comprehensive Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, its five components, and 17 internal control principles. The COSO framework also divides internal control objectives into three categories: operations, reporting, and compliance. The COSO framework provides an applied risk management approach to internal controls and aims to help organizations reduce fraud.

Audit Results & Observations

Through interviews and a review of documentation, we observed that certain components of procurement, vendor data management, and accounts payable could be improved.

A. Governance

During our review of policies, we learned that Finance has a documented policy for procurement and property disposal; however, a formal vendor data management and accounts payable policy has not been established.

- Administrative Policy 23 (AP23) – provides guidelines for procuring supplies, materials, equipment, and services. It was last approved by the City Manager on June 11, 2025, after following the proper channels and approvals to be posted on the city’s official website.
- Administrative Policy 4 (AP4) – establishes guidelines for the proper disposal of surplus or obsolete property owned by the city. It was last approved by the City Manager on August 24, 2023.

Finance also has the standard operating procedures (SOPs) listed below; however, procedures surrounding vendor data management have not been fully documented.

- Vendor Maintenance Desktop Procedure – provides a step-by-step guide for validating vendor name, verifying of tax identification number, and confirming state and federal registration.
- AP4 Procedure Manual – details the processes for identifying, documenting, approving, and disposing of surplus or obsolete property.
- Munis Contract Entry Desktop Procedure – provides a step-by-step guide for entering a new contract into Munis.
- Refer to Appendix A for a full list of Accounts Payable procedures

We evaluated AP23 and AP4 to determine whether they were sufficient for governing procurement and property disposal activities. We found that Policy AP 23 contains essential and customary elements expected in a procurement policy, such as conflict of interest requirements, delegation of authority with approval hierarchies and procurement limits, vendor selection guidance, and guidelines for asset disposal. We found AP4 to have properly defined materials and property, outlined approval hierarchies, and procedures for the various disposal methods. We also determined that AP23 is aligned with Chapter 25 (Procurement Code) of the City’s Municipal Code.

Effective internal control standards and best practices for public sector entities recommend that policies be supported by clear and documented procedures. Established documented procedures should also be updated regularly to match current activities.

Although several documented policies and procedures exist, some key elements are missing, such as roles and responsibilities, contract and invoice approval workflows, control points, and Munis touchpoints. As a result, management places reliance on informal practices, staff knowledge, and verbal communication rather than documenting processes in writing. Without formal policies and procedures, there is an increased risk of inconsistent execution of procurement practices, vendor data management, and AP activities.

Risk Score: Low – Although current operations may function adequately due to staff knowledge and informal controls, reliance on undocumented processes creates exposure to errors, inadequate training, and gaps in vendor data.

A. Recommendation

We recommend that Finance develop and formally approve a vendor data management (VDM) policy, an accounts payable policy, and additional standard operating procedures that encompass all key aspects of vendor data management, accounts payable, and procurement. These policies and procedures should clearly define roles, responsibilities, contract and invoice workflows, approval requirements, control points, and Munis system touchpoints.

- At a minimum, the VDM policy should govern data collection during onboarding, data entry standards, validation of data accuracy, completeness of vendor profiles, and a vendor master file cleanup schedule. Strict data regulations are necessary for creating and maintaining an accurate and uniform vendor master file.
- The accounts payable policy should include the following key components: receipt of invoices through specified channels, required data, verification of goods received, payment processing schedules, and internal controls, such as segregation of duties and approvals.
- All documentation should be reviewed, approved, and updated at least annually to ensure it reflects the most current activities.
- Management should also ensure that all relevant staff are trained on the policies and procedures to promote consistency and compliance.

B. Procurement

Procurement & Vendor Selection

We examined documentation for a sample of three informal procurements (\$15,001 - \$100,000) and four formal procurements (\$100,000+) to validate that the appropriate procurement method and respective authorization thresholds were followed. This included quotes, bids, evaluation tabulations, conflict of interest forms, and final contracts. Purchases under \$15,000 were excluded, as there would be no evidence of verbal quotes obtained by the department. We found that all three informal procurements were approved by the Procurement Manager, and all four formal procurements were

approved by the City Council through the city’s annual budget and signed off by the Procurement Manager. Additionally, one of the formal procurements did not have a conflict-of-interest disclosure form completed by a member of the evaluation committee who was a non-city employee.

AP23, section 23.801, outlines procurement approval requirements by dollar value. The policy grants the Procurement Agent, or designated representative, the authority to procure, contract for, and execute agreements less than \$100,000. Any purchase exceeding \$100,000 is authorized by the City Council and shall be made using either a formal written Invitation for Bid, Request for Proposal, or Request for Qualifications. Additionally, Resolution No. 1033-0625 outlines that any contract awards approved by City Council during the annual city budget process may be signed off by the Procurement Agent or authorized designee, which is the Procurement Manager.

Dollar Limit	Purchase Authority; Competition Required
>\$100,000	City Council has Authority Formal Solicitations: Invitation for Bids (IFB), Request for Proposals (RFP), Request for Qualifications (RFQu)
\$15,001 - \$100,000	City Manager has Authority Informal Procurements: Request for Quotes (RFQ) - Written Quotes from 3 Vendors (See form AP23-P801)
\$5,001 - \$15,000	Department Director has Authority Informal Procurements: Request for Quotes (RFQ) - Verbal Quotes from 3 Vendors (See form AP23-P801B) Purchase Order Required
\$0 - \$5,000	Department Director has Authority Direct payment for items Peard Payment

Figure 1 Source: AP23, Sec 23.801

Evaluation committee members of formal solicitations are required to disclose any conflicts of interest before participating in a vendor selection process. The city’s Conflict of Interest Statement and Disclosure, below, applies to public officers, employees of a public agency, and their relatives.

Conflict of Interest Statement and Disclosure

Arizona Revised Statutes (A.R.S.) §38-503 requires that all public officers and employees of a public agency who have, or whose relatives have, a substantial interest in any decision, contract, sale, purchase, or service to that public agency to disclose that interest in the official records of that public agency and refrain from voting upon or otherwise participating in any manner as an officer or employee in such decision, contract, sale, purchase, or service.

The missing conflict-of-interest form for one of the formal solicitations occurred because Finance does not require the disclosure form to be completed by evaluation committee members who are not city employees. Not requiring conflict-of-interest disclosure forms from non-city employees increases the risk that undisclosed personal, financial, or professional interests could influence procurement decisions.

This gap reduces transparency, weakens the fairness and objectivity in the evaluation process, and may expose the City to challenges or reputational risk if procurement outcomes are questioned.

Risk Score: Low – Based on other samples, it appears that the involvement of non-city employees on evaluation committees is limited. Additionally, existing procurement safeguards, such as multiple evaluators, documented scoring, and approval by Procurement and City Council, help mitigate the potential for undue influence. As a result, the likelihood that an undisclosed conflict would materially impact procurement decisions or lead to reputational consequences is low.

B1. Recommendations

We recommend that Management perform the following:

- A. Require all evaluation committee members of formal procurements, regardless of employment status with the city, to complete the conflict-of-interest disclosure form prior to participating in the evaluation process.
- B. Update the AP23 policy to reflect current practices, such as the Procurement Manager's sign-off being acceptable for contracts awarded and approved by the City Council during the annual budget process, and the Purchase Authority table reflecting the Procurement Agent having authority to approve procurement amounts \$15,001 - \$100,000.

Vendor Due Diligence

We reviewed a sample of 10 vendor files to verify that typical information and documents, such as a W-9 form, were reviewed during onboarding and kept on file. We found no exceptions; a W-9 form and evidence of a tax identification number verification were on file for all 10 vendors. We also found that Finance staff does not utilize a vendor registration checklist to ensure completeness of core company details (i.e. name, address), financial information (i.e. W-9, EIN, banking), compliance documents (i.e. insurance, licenses), and does not maintain a formal debarment list to prevent the city from doing business with high-risk, prohibited, or non-compliant vendors.

When Procurement receives a request to enter a new vendor in Munis, the Contract Administrator reviews the vendor's W-9 form for completeness, verifies the entity's name and the vendor's tax identification number (TIN) using the IRS TIN Matching tool, and contacts the vendor to confirm remit address and contact information. If applicable, the vendor's status to do business with the federal government is also verified on the SAM.gov website.

Risk Score: Low – Although certain formal controls, such as a checklist and debarment list, are not in place, these gaps have not resulted in compliance issues, as the city currently does not have any vendors debarred.

Munis Workflow Approvals

AP23 outlines the authorization hierarchy for goods and services purchased at certain thresholds as mentioned in the Procurement and Vendor Selection section above. We reviewed a sample of seven contracts to verify that no one individual initiated, approved, and processed the goods and/or services in Munis. We confirmed that all seven contracts showed evidence of approval at each level in the workflow,

validating the existence of segregation of duties despite the ability for a single Munis user to create and approve a vendor in the system.

The Procurement Manager indicated that there are typically three steps in the procurement and contract approval workflow: 1) step 10-department, 2) step 30-senior buyers, and 3) step 40-procurement department.

Contract Management

Procurement buyers issue a weekly Contracts Report for departments to review contracts that are set to expire within the next 60 days. Contracts listed have two expiration dates: one is the contract's initial expiration date, and if applicable, a final expiration date that reflects possible renewal extensions. Contracts are ineligible for renewal after the final expiration date has been met. For a sample of 7 weeks, we reviewed Procurement's weekly Contracts Report to determine whether all vendor contracts set to expire were identified. We found that all reports identified upcoming expiring contracts; however, we observed that contracts that had met their final expiration date were still being included for review. In five of the sampled weeks, the reports also contained contracts that lacked an expiration date.

During follow up, Finance communicated that purchase orders may remain open and spending may occur after certain contract types have expired. Finance's year-end process allows for purchase orders with unused funds to be carried forward and remain open after a contract has expired. The process includes the Accounting Manager issuing a formal memo instructing departments to review open purchase orders and determine whether they need to be closed, cancelled, or left open for pending orders and open invoices. The list of purchase orders to be carried forward is also reviewed by Procurement; however, the review does not include documentation indicating the reason for the delay of good or service that would allow payment to be made and the purchase order to be closed on the expired contract.

Good contract management practices and internal control standards advise that:

- Contract tracking tools accurately reflect contract status, including final expiration dates.
- Expired contracts are removed from active review lists unless subject to renewal or extension procedures.
- All ordered goods or services are confirmed to have been delivered before a contract expires.

Contracts that had reached their final expiration date remained on the weekly Contract Report because Procurement's process does not include a formal step to remove or archive expired contracts from active monitoring. Missing expiration dates existed because there is no validation control to ensure all required fields are complete in Munis.

These issues may result in:

- Reduced reliability of Procurement's contract monitoring process.
- Errors in identifying upcoming expiring contracts.
- Delayed renegotiations or renewals.
- Unintended lapses in contractual coverage.

- Increased risk that vendors are being utilized beyond their final expiration date.

Risk Score: High – Contract reports that include expired contracts increase the likelihood of vendors being used beyond contract expiration, missed renewals, and unintended lapses in service, exposing the City to financial, legal, and compliance risks. These weaknesses also hinder effective contract oversight and continuity of services.

B2. Recommendations

Finance should implement the following to address the items identified:

- A. Enhance the current vendor onboarding process by including the use of a standardized vendor registration checklist to ensure completeness of required company, financial, and compliance information.
- B. Establish and maintain a debarment list to help prevent the City from engaging with prohibited, high-risk, or non-compliant vendors. Such a list should be reviewed and signed off on an annual basis by the Procurement Manager.
- C. Perform a one-time data clean-up of vendor contracts to populate missing expiration dates and validate existing expiration dates to ensure the accuracy of data reviewed in the Weekly Contracts Report.
- D. To strengthen the current purchase order carry forward process, include a documented review of vendor performance if there is a delay in providing goods and services within the documented expected timeframe.
- E. Work with IT to determine whether a mandatory field validation control can be implemented so that contracts cannot be entered or saved in Munis without an expiration date and/or final expiration date. If this is not possible, implement other compensating controls.
- F. Work with IT to configure Munis to automatically flag contracts that have surpassed their final expiration date so that they can be removed from the weekly Contracts Report. If that is not possible, integrate an additional step in the weekly review to ensure expired contracts are removed from the active database.

Vendor Performance Monitoring

We inspected the three vendor performance files available for FY2025 to determine whether a Cure Letter had been completed and whether remediation actions and deadlines had been met to address vendor performance issues. In all three instances, user departments provided written documentation or a vendor performance form to report instances where a vendor was not meeting expectations. However, the Contracts/Procurement Administrator determined that none of the issues warranted a Cure Letter. Based on the documentation provided by the user department regarding the vendor issues they were experiencing, we determined that a Cure Letter should have been issued to continue the formal documentation of the vendor performance process and remediation action(s) taken.

To initiate the escalation process when a vendor is not performing as expected, user departments submit a Vendor Performance Form to the Procurement team. Procurement then creates a Vendor Performance

file to document communication with the vendor once a Cure Letter is issued. The Letter summarizes issues, next steps, and remediation deadlines.

The existing policy does not clearly define the specific criteria or conditions under which a cure letter should be issued. The inclusion of vague language such as “if warranted” allows for subjective interpretation, resulting in inconsistent application of the policy.

The absence of consistently issued Cure Letters when vendor performance concerns are reported limits Procurement’s ability to formally document deficiencies, communicate expectations to vendors, and enforce remediation timelines. Without standardized use of Cure Letters, the City may experience delays in resolving vendor performance issues, reduced accountability for underperforming vendors, and an incomplete audit trail of corrective actions taken.

Risk Score: Medium – Unclear criteria for when to use Cure Letters creates a moderate risk of informal and undocumented resolution of vendor performance issues, resulting in reduced accountability.

B3. Recommendation

To strengthen the existing control, Finance should create a procedural document to supplement policy AP23 that defines explicit indicators and scenarios that require a Cure Letter. Examples or decision trees should be incorporated to ensure consistent interpretation. Additionally, require documentation of the rationale when a Cure Letter is not issued after a performance concern is reported.

Surplus Property

During our interviews, we were informed that the Finance team also handles the disposal of capital city assets. As a result, we requested an Asset Disposal Register for all assets disposed of by Finance in FY25. Finance maintains a capital asset listing in Munis; however, it does not include non-capital assets which are maintained by the departments. Once proceeds from the sale of any asset are received, Finance updates the Munis capital asset listing to reflect that the capital asset was disposed of. Finance compares surplus proceeds to the City’s bank statement. Departments are responsible for updating their non-capital asset listing when a disposal request is made. At the end of the year, departments report their non-capital inventory to Finance. Auditors did not validate the reconciliation process at the department level.

There were a total of 4 asset disposal folders in FY25, and we selected one item to determine whether the disposal was performed in accordance with policy. We found no exception with the disposal, which included a signed Asset Disposal Form and photo evidence. Since the disposal was completed as a donation, we selected two additional asset disposals to verify that their sale was properly recorded in Munis and found on the bank statement. We were able to verify that the check amounts received from the auction for these two sales were appropriately and accurately recorded in Munis and the city’s operating bank account.

The City’s Administrative Policy 4 (AP4) on Surplus or Obsolete Property Disposal outlines that city departments are to maintain a listing of expendable materials and provide it to Procurement. Disposing of supplies and expendable materials is to be completed by Finance. Expendable Materials are defined

as those consumable items and supplies with a unit value less than \$1,000. Departments must submit an approved Request Form for asset disposal to Procurement.

Risk Score: Low – The limited volume of disposals and Accounting’s year-end review helps mitigate the risk of material misstatement or loss.

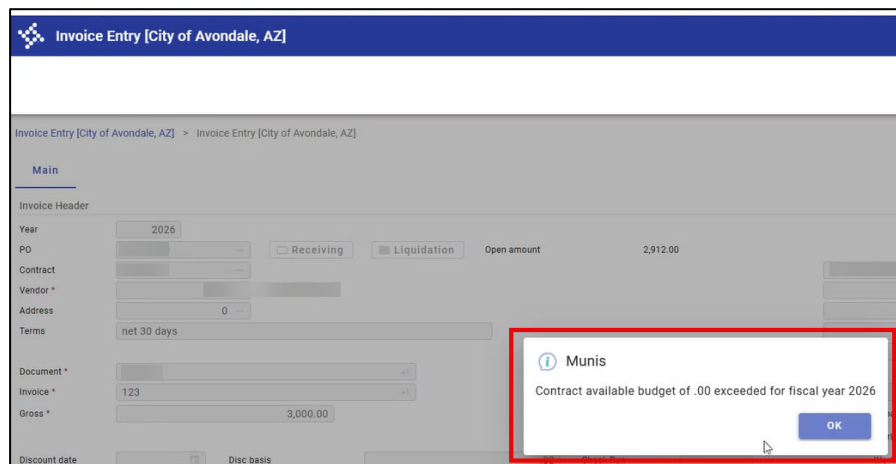
B4. Recommendation

To improve monitoring of asset management processes, Finance should conduct a formal quarterly reconciliation of the Asset Disposal Register, bank statements, and the general ledger. This reconciliation should verify that all capital disposal proceeds were deposited into the correct account and that the amounts recorded in the register match the amounts received.

C. Accounts Payable

Invoice Approval

We selected a sample of 66 vendor payments to determine if they were properly supported and approved in Munis. We found that all payments were supported by appropriate documentation based on the type of expenditure. During our testing of vendor payments, we observed that Munis approval workflows varied in the number of people who reviewed and approved an invoice before it was processed by Accounts Payable. Some workflows had a single individual who served as both the receiver of goods/services and the invoice approver, while other workflows had six approvers. Additionally, we observed that Munis has system controls in place that prevent duplicate invoices from being entered or an invoice amount from being entered that exceeds the active purchase order amount, thereby reducing duplicate payments and overpayment to vendors.



Finance has allowed each department to establish its own approval workflow, some of which may not require a second review and approval before being processed by Accounts Payable. Accounts Payable places reliance on the Purchaser and department to ensure goods and/or services are received in full and non-defective prior to processing payment. According to the Munis 101 guide, departments are required to approve invoice payments, validate that the good or service is received, validate prices on the invoice match the purchase order, and ensure funding is accurate on the invoice.

Although each department has established its own approval workflow, having only one reviewer increases the risk of poor oversight at the department level, as there is no secondary review to catch errors, omissions, or inappropriate payments, since Accounts Payable simply processes invoices submitted. Over time, this weakness may lead to financial loss, operational inefficiencies, and poor accountability across departments.

Risk Score: Low – While departments maintain their own approval processes and Finance processes invoices as submitted, the assumption that goods/services are received, combined with the absence of standardized oversight, increases exposure to financial risks over time without indicating immediate or systemic failure.

C1. Recommendations

To enhance the effectiveness of the current documentation and approval controls, we recommend that Finance take the following steps:

- A. Document the appropriate support required for vendor payments that are made through a method other than paper checks (e.g., vendor invoice).
- B. Review invoice approval workflows in Munis across all departments to standardize them, minimizing inconsistencies in control execution.

Payment Trend Analysis

We conducted a trend analysis to understand patterns in the city’s payment activity and identify improvement opportunities. Below, we determined the percentage and values of total payments made via checks, EFT, and wires in FY25. There was a total of 18,019 payments in FY25 for a total of \$375,790,596.

Payment Method	Count	Total Amount	% Total
Paper Check	15,979	\$252,581,306	88.68%
Direct Disbursement	1,234	\$33,022,837	6.85%
EFT	806	\$90,186,453	4.47%

The Government Finance Officers Association (GFOA) recommends that governments minimize paper check usage and adopt electronic means to make payments as often as possible. Automated clearing house (ACH) is best for high-volume, low-dollar transactions such as routine vendor payments, as the cost per transaction is low relative to other forms of electronic payment. Electronic accounts payable is also an option where a credit card transaction, without a physical card, allows governments to pay invoices electronically. GFOA also suggest that governments consider outsourcing the check writing function to a bank or other third-party provider.

Invoice Late Fees and Discounts

The late fees and discount terms typically found in a vendor’s contract are not entered into the vendor’s Munis profile. Contract terms should be entered by Procurement and fees assessed should be entered by Accounts Payable. As a result, we were unable to easily determine the amount of fees that can potentially be assessed or the amount of discount that can be applied if vendor payment is made early.

Finance provided an accounting report that included late fees incurred during FY25, totaling \$5,488.49, resulting from a one-time late charge for an LED lease.

When we compared the invoice due date to the check date for FY25 invoice data, we found 5,694 invoices that had been paid after the due date. The total expenditure for those invoices was \$40,523,179. To determine the potential financial impact of assessing a late fee on each of these invoices, we used the following industry late fee assumptions.

Late Fee Assumptions

Scenario	Rate	Estimated Costs
Low	1.0%	\$405,232
Average	1.5%	\$607,848
High	5.0%	\$2,026,159
Total Late Expenditures	\$40,523,179.06	
Total Late Invoices	5694	

Since discount-eligible invoices could not be identified and discount deadlines could not be evaluated, we estimated the potential savings to the city if early payment discount terms were to be utilized. For example, if 30% of all invoices in FY25 were eligible for a 0.50% discount, the city could have saved \$258,463 by making vendor payments within the discount window.

Early Payment Discount Assumptions

Scenario	Eligibility	Discount Rate	Estimated Savings
Low	30%	0.50%	\$258,463
Average	50%	1.00%	\$861,545
High	70%	2.00%	\$2,412,326
Total Expenitures	\$172,308,973.90		

Risk Score: Medium – Heavy reliance on check payments reduces efficiency, and the minimal tracking for late fees and discount terms limits visibility into potential cost savings or penalties. While payments are still being processed and obligations met, these gaps increase the risk of missed discounts, late fees, and weaker financial reporting over time rather than posing an immediate high-impact risk.

C2. Recommendations

Finance should perform the following:

- A. Perform a cost benefit analysis to determine which action is most feasible and reasonable to reduce reliance on internal paper checks. This could include: 1) requiring electronic payment as the default method for new vendors, 2) conducting targeted outreach to existing vendors to

encourage electronic enrollment, and 3) third-party check processing. The analysis findings and intended action steps should be communicated with City leadership and the City Auditor.

- B. Utilize the system’s early-payment discount tracking or another method to assess the potential cost savings of discount terms offered by vendors. Additionally, Finance should utilize a general ledger account specifically designated to capture only late fees incurred. This should enable report tracking of potential penalties and discounts to better assess missed opportunities of financial savings.

Reissued Checks

According to Finance, Munis does not have the capability to generate a report specifically listing reissued checks. As a result, we obtained a report of voided checks to manually identify those that had been properly voided and reissued. Accounts Payable maintains a manual folder of all voided checks, along with associated email documentation supporting stop payment requests. We identified 71 voided checks and validated that two checks had been properly voided prior to reissuance. Additionally, a monthly bank reconciliation is performed that would identify any potential duplicate payments.

When Accounts Payable receives a void request from the vendor or department, a visual review is performed to verify that payment has not already cleared. Reissued payments should be fully traceable, with documentation that demonstrates the reason for voiding, verifies that the original payment did not clear, and confirms that the reissue was processed accurately.

Check Stock Access

We requested a list of all personnel with access to the check stock to validate appropriateness. The Accounts Payable Manager confirmed that a formal list of personnel with access to check stock is not maintained. However, the risk of inappropriately using check stock is low, as the check stock is specifically designed blank paper with no bank information or pre-printed check numbers that can only be printed on using a MICR printer. Additionally, a payment would need to be processed and approved in Munis for a check to be printed.

We also inquired on when the safe combination was last changed and were informed that it was recently changed in November 2025 by the Revenue Manager and observed by the Avondale City Auditor.

D. Vendor Data Management

We reviewed vendor and accounts payable data from the city’s Tyler Munis ERP system to identify any abnormalities. We determined that Procurement would benefit from enhanced controls to ensure that vendor records are complete and accurate.

Vendor Records

Data analytics identified the following:

- Testing found that when the addresses in the vendor master file (VMF) are compared to those in the employee roster files, two matches were identified with the same street address and zip code. These vendors were classified as active “Non-Procurement Vendors”. The classification of

“Non-Procurement Vendors” was the method that Procurement previously used to tag payments made to employees.

A Munis report showed that there are 89 Non-Procurement Vendors in Munis, of which 86 are active. Procurement indicated that vendors classified as such were transferred into Munis from the prior city financial system and are currently not being used. Additional testing confirmed that neither of the two vendors has received payment since the implementation of Munis in 2020.

When we compared the vendor names found in the VMF to the city’s employee roster, we found 42 exact name matches. Further review found that these 42 were part of the Non-Procurement Vendor classification.

- We found that 309 address records of 2,541 vendors in the vendor master file were either incomplete or had a PO Box listed.

Vendor Address		
Complete Address	PO Box Address	Incomplete Address
2,232	300	9

- We observed that the State of Arizona vendor had the highest number of changes, 145, mainly due to address updates. Each department of the state should have its own vendor setup so that there aren’t constant changes made when payments are made to the various departments.
- We reviewed vendor names and IDs in the VMF and found three active duplicates. Maricopa County, Maricopa County Community College, and Josh West each had two active IDs. Additionally, we identified 43 vendor IDs with no vendor name or payment method on file.
- We reviewed the date of the last vendor invoice processed to identify when a vendor was last used and found that 694 vendors did not have a last invoice date on file, and 1,027 vendors had a last invoice date older than 1/1/2024. It appears that those 1,721 vendors have been inactive for at least two years since the Munis system was first implemented.

Purchase Orders

- During FY25, 4,438 invoices with amounts of \$5,000 or less were processed in Munis without a purchase order and in accordance with AP23 policy. An additional 462 invoices with amounts greater than \$5,000 that were processed without a purchase order were selected for testing. We found instances where purchase order documents were attached in the Munis imaging module, indicating that support for a purchase order may exist, but the information was not entered by staff in the Munis data field.

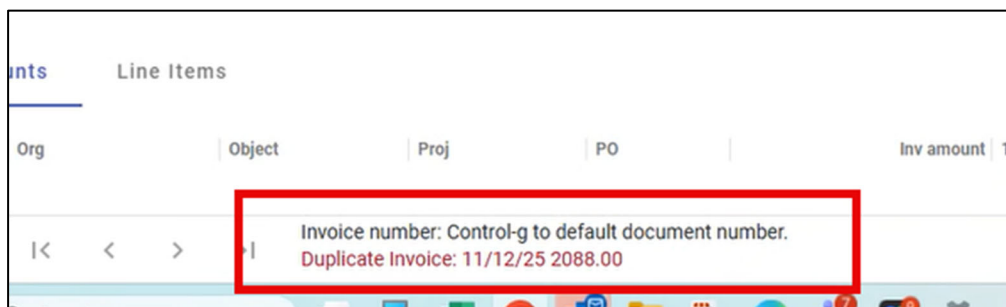
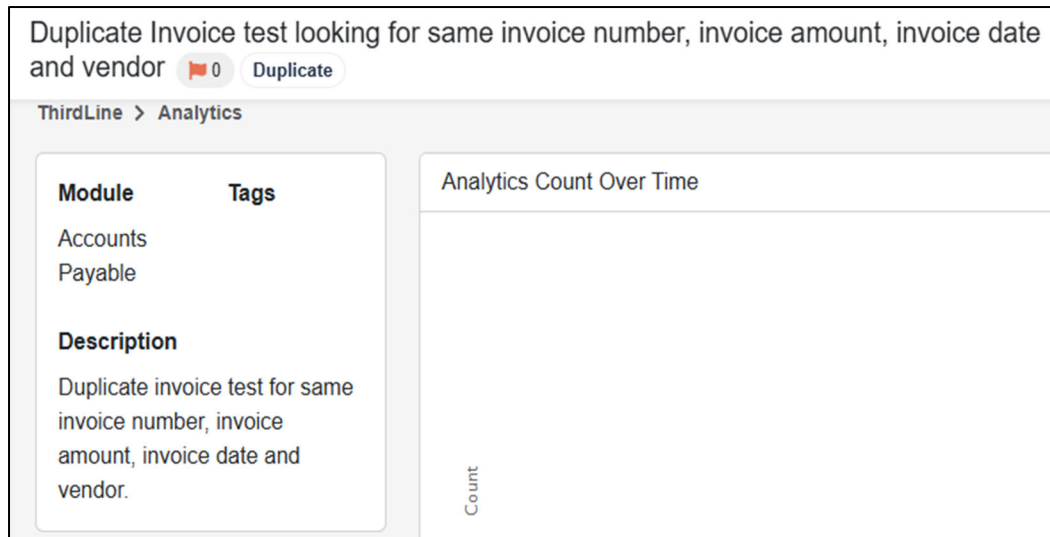
Below are the top vendors that had invoices without a purchase order number in Munis.

Vendor	Invoice Count	Invoices Total
Nationwide Retirement Solutions Inc.	166	\$2,956,187
AZ Public Safety Personnel Retirement System	50	\$3,566,713
Arizona Public Service Company	36	\$1,542,145
State of Arizona	33	\$3,265,170
Arizona State Retirement System	26	\$10,690,466
Internal City Management Association Retirement Company	26	\$189,021

Payment made to the vendors in the chart above were not for purchases of goods and services. These payments were for fees incurred; therefore, AP23 is not applicable and a purchase order would not be required.

Duplicate Invoices

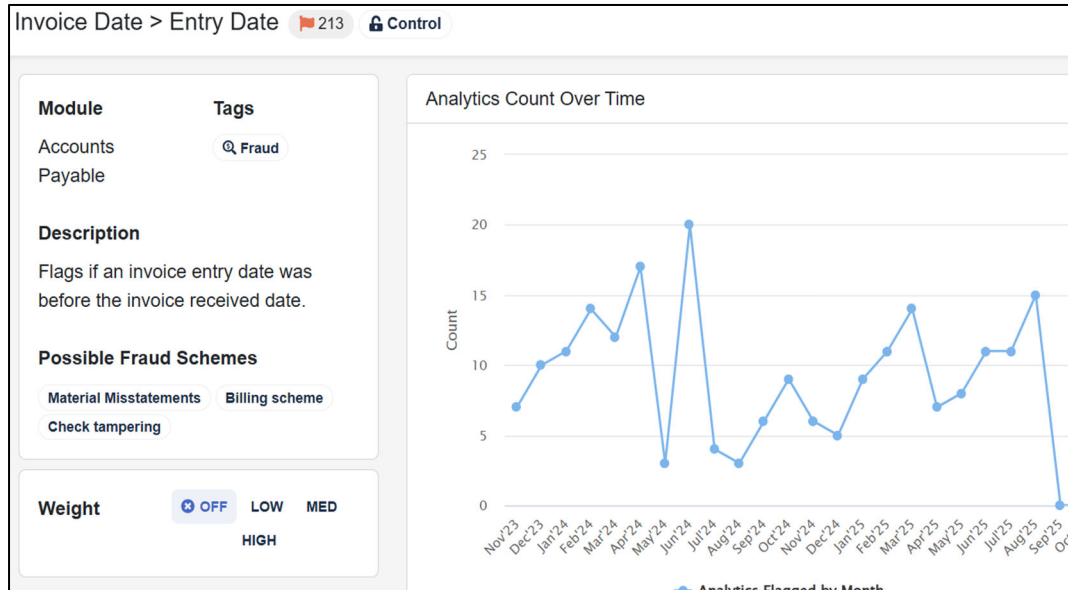
- There were no transactions that had the same vendor, invoice number, amount and date. Additionally, we validated Munis’ system control that prevents the same invoice number from being entered for the same vendor.



Invoice Entry

- During FY25, there were 86 invoices that had an entry date in Munis before the date found on the invoice. The dates entered into Munis are not always accurately recorded or validated. When

invoices show a system entry date earlier than the invoice date, it suggests that staff may be entering incorrect dates or a potential system error with journal entry postings. This undermines the reliability of the accounting records and may indicate weaknesses in invoice processing controls.



Segregation of Duties

- In FY25, there were 18 instances where a vendor address change occurred. We selected a sample of 3 to review the first invoice processed after that change and determine whether segregation of duties existed. In Munis, we inspected the Invoice Audit History and the Vendor Audit List and confirmed that the employee making the vendor address change did not process the subsequent invoice.
- We also found 35 stances where a vendor payment method change was made in FY25. For a different sample of 3, we also reviewed the Invoice Audit History and the Vendor Audit List in Munis and confirmed that the employee making the vendor payment method change did not also process the subsequent invoice.
- Although segregation of duties existed in the samples tested, the Munis roles for Procurement and Accounts Payable staff allow for users to access the following modules: contract management, requisition, purchase order, and accounts payable. We did not review the segregation of duties at the permission level, (i.e. what the user is able to do within the module) and a more detailed review in the future may be necessary.

Vendors Payments

Finance has not established controls over the use of vendors that have been used once to ensure these vendors are reviewed for limited use and monitored for repeat payments. We reviewed the data of vendor payments issued in FY25 and observed the following:

- Finance uses the name “One Time Pay Vendors” for four categories that include payment for utility billing, court, miscellaneous, and risk claims. Utility Billing payments are for utility deposit

refunds to customers; Misc payments are for non-utility customers such as permits, parks & recreation reservations; Court payments are restitution pass-through; Risk Claims payments are for risk management situations.

These vendors had a total of 3,252 checks issued in FY25 for a total of \$3,328,862.

Vendor Name	Payment Count	Payments Total
One Time Pay Vendors – Utility Billing	2,519	\$2,997,691
One Time Pay Vendors – Court	645	\$102,740
One Time Pay Vendors – Misc	87	\$222,581
One Time Pay Vendors – Risk Claims	1	\$5,850
Grand Total	3,252	\$3,328,862

- We also identified 488 vendors that had been issued one to two checks in FY25 for a total of \$11,518,764 and were still active in Munis.

Risk Score: High – Incomplete vendor data and inappropriate system access significantly increase the likelihood of payment errors, fraudulent activity, and segregation of duties conflicts. These deficiencies can result in financial loss, disruptions to procurement and accounts payable processes, and weakened oversight of vendor data management, potentially undermining the City’s ability to maintain effective internal controls and operational integrity.

D. Recommendations:

The following actions are recommended to remediate the observations identified above:

- Deactivate and/or remove vendors that have not been used for a specific amount of time, and update vendor profiles so that all critical fields, such as vendor name and addresses, are complete and valid.
- Establish a formal review process for regular vendors with a single payment made to ensure they are used only when necessary, reviewed for limited use, and monitored for repeat payments. After the vendor has been utilized, their profile should be deactivated in Munis.
- Perform a review of Finance staff’s Munis roles and permissions for appropriateness and validation that segregation of duties issues does not exist within the system.

Appendix A – Accounts Payable Procedures

- 1099-W9 INFO 2.14.2023: Outlines who should receive a 1099
- REF.1 – INSTRUCTIONS AP 1099 MANAGER IN MUNIS: Instructions to create and print vendor 1099 forms from Munis
- REF.2 – IRS INSTRUCTIONS : Treasury instructions for Forms 1099-MISC and 1099-NEC
- REF.3 -1. AP 1099 Manager Processing 2023: Procedures to create 1099 forms in Munis
- REF.3 -2. AP 1099 Manager Reconciliation 2023: Overview of 1099 reconciliation process
- REF.3 -3. AP 1099 Manager Correction Process 2023 : Procedures to create Accounts Payable 1099 corrections in Munis
- Approving Invoices in Munis
- Converting Request for Check to invoices
- Munis – Void Invoice Not Reissuing
- Creating a New Wire
- Munis – Processing an EFT Batch
- Check Register Instructions
- Invoice Processing Instructions
- Request for Checks (RFC) & Contract Progress Payments (CPP)
- X-Check Runs
- Positive Pay File Instructions
- Processing Outstanding Checks
- SRP Billing Spreadsheet Instructions
- Printing Check from Munis
- Processing UB refunds
- Unlocking check run errors
- Processing Court Checks
- Reissuing Checks
- Unlocking PO
- Outstanding Invoices Report for Depts
- RFC.pptx
- Vendor Check Pickup Policy
- Payroll – Travel Process
- Sending a Wire
- Wild Card Characters in Munis

Appendix B – Finance Management Responses

RE: Management’s Corrective Action Plan – Vendor Master File and Accounts Payable 12604-C

Recommendation(s)					
#	Description	Audit Report Page	Accept/ Decline	Responsible Department	Completion Date
A.1	<p>Policies and Procedures We recommend that Finance develop and formally approve a vendor data management (VDM) policy, an accounts payable policy, and additional standard operating procedures that encompass all key aspects of vendor data management, accounts payable, and procurement. These policies and procedures should clearly define roles, responsibilities, contract and invoice workflows, approval requirements, control points, and Munis system touchpoints.</p> <ul style="list-style-type: none"> • At a minimum, the VDM policy should govern data collection during onboarding, data entry standards, validation of data accuracy, completeness of vendor profiles, and a vendor master file cleanup schedule. Strict data regulations are necessary for creating and maintaining an accurate and uniform vendor master file. • The accounts payable policy should include the following key components: receipt of invoices through specified channels, required data, verification of goods received, payment processing schedules, and internal controls, such as segregation of duties and approvals. • All documentation should be reviewed, approved, and updated at least annually to ensure it reflects the most current activities. • Management should also ensure that all relevant staff are trained on 	9-10	<i>Accept</i>	Finance and Budget	06/30/2026

	the policies and procedures to promote consistency and compliance.				
Concurrence: The department will establish a vendor data management and an accounts payable policy with the items listed in the recommendation and document the vendor data management procedures.					
B1	Procurement Policy Updates A. Require all evaluation committee members of formal procurements, regardless of employment status with the city, to complete the conflict-of-interest disclosure form prior to participating in the evaluation process. B. Update the AP23 policy to reflect current practices, such as the Procurement Manager's sign-off being acceptable for contracts awarded and approved by the City Council during the annual budget process, and the Purchase Authority table reflecting the Procurement Agent having authority to approve procurement amounts \$15,001 - \$100,000.	10-12	<i>Accept</i>	Finance and Budget	06/30/2026
Concurrence: The department will update the procedure to require all evaluation committee members of formal procurements to complete the conflict-of-interest disclosure form and update AP23 as recommended.					
B2	Vendor Management Controls (A-D) A. Enhance the current vendor onboarding process by including the use of a standardized vendor registration checklist to ensure completeness of required company, financial, and compliance information. B. Establish and maintain a debarment list to help prevent the City from engaging with prohibited, high-risk, or non-compliant vendors. Such a list should be reviewed and signed off on an annual basis by the Procurement Manager. C. Perform a one-time data clean-up of vendor contracts to populate missing	13-14	<i>Accept</i>	Finance and Budget	08/31/2026

	<p>expiration dates and validate existing expiration dates to ensure the accuracy of data reviewed in the Weekly Contracts Report.</p> <p>D. To strengthen the current purchase order carry forward process, include a documented review of vendor performance if there is a delay in providing goods and services within the documented expected timeframe.</p> <p>E. Work with IT to determine whether a mandatory field validation control can be implemented so that contracts cannot be entered or saved in Munis without an expiration date and/or final expiration date. If this is not possible, implement other compensating controls.</p> <p>F. Work with IT to configure Munis to automatically flag contracts that have surpassed their final expiration date so that they can be removed from the weekly Contracts Report. If that is not possible, integrate an additional step in the weekly review to ensure expired contracts are removed from the active database.</p>				<p>06/30/2026</p>
<p>Concurrence:</p> <p>A-D: The department will enhance the vendor onboarding process to ensure vendor profiles are complete. It will also create a file for a debarment list (as noted, the City currently has no debarred vendors, so the list will be empty). The department will also review and clean up vendor contracts to ensure expiration dates are entered and accurate. Finally, the department will add a review of vendor performance for delayed goods or services as part of the purchase carry-forward process.</p> <p>E-F: The department will work with IT to determine if the expiration date fields can be required in Munis. The department will also work with IT to alter the Contract Report to remove contracts that have surpassed their final expiration date.</p>					

B3	Vendor Performance Monitoring To strengthen the existing control, Finance should create a procedural document to supplement policy AP23 that defines explicit indicators and scenarios that require a Cure Letter. Examples or decision trees should be incorporated to ensure consistent interpretation. Additionally, require documentation of the rationale when a Cure Letter is not issued after a performance concern is reported.	14-15	<i>Accept</i>	Finance and Budget	06/30/2026
Concurrence: The department will document guidelines for managing vendor performance, including when Cure Letters may be required. The department will also determine the best way to track and document responses to all vendor performance issues.					
B4	Surplus Property To improve the monitoring of asset management processes, Finance should perform a quarterly reconciliation process between the Asset Disposal Register, the bank statement, and the general ledger. This reconciliation should verify that all capital disposal proceeds were deposited into the correct account and that the amounts recorded in the register match the amounts received.	15-16	<i>Accept</i>	Finance and Budget	06/30/2026
Concurrence: The department will enhance the current reconciliation of capital assets to include the items recommended. Due to the year end process and resource constraints, this reconciliation is done three times per year. It is done as part of the year end process, in February, and in May.					
C1	Invoice Approval A. Document the appropriate support required for vendor payments that are made through a method other than paper checks (e.g., vendor invoice). B. Review invoice approval workflows in Munis across all departments to standardize them, minimizing inconsistencies in control execution.	16-17	<i>Accept</i>	Finance and Budget	06/30/2026
Concurrence: The department will draft procedures to record direct disbursement expenditures where no invoice is available. The Department will review invoice approval workflows.					

<p>C2</p>	<p>Payments, Late Fees, Discounts</p> <p>A. Perform a cost benefit analysis to determine which action is most feasible and reasonable to reduce reliance on internal paper checks. This could include: 1) requiring electronic payment as the default method for new vendors, 2) conducting targeted outreach to existing vendors to encourage electronic enrollment, and 3) third-party check processing. The analysis findings and intended action steps should be communicated with City leadership and the City Auditor.</p> <p>B. Utilize the system’s early-payment discount tracking or another method to assess the potential cost savings of discount terms offered by vendors. Additionally, Finance should utilize a general ledger account specifically designated to capture only late fees incurred. This should enable report tracking of potential penalties and discounts to better assess missed opportunities of financial savings.</p>	<p>17-18</p>	<p><i>Accept</i></p>	<p>Finance and Budget</p>	<p>06/30/2027</p>
<p>Concurrence: The department conducted a cost-benefit analysis to determine the action that is most feasible and reasonable to reduce reliance on internal paper checks. The department has requested the additional resources in FY2027 to outsource the printing and distribution of checks. While the City's cost will increase, it will improve the City's ability to perform this vital function in times of emergency.</p> <p>The department will also examine opportunities to realize discounts from vendors and designate a general ledger account to specifically capture late fees incurred.</p>					
<p>D</p>	<p>Vendor Data Management</p> <p>A. Deactivate and/or remove vendors that have not been used for a specific amount of time, and update vendor profiles so that all critical fields, such as vendor name and addresses, are complete and valid.</p> <p>B. Establish a formal review process for regular vendors with a single payment made to ensure they are used only when necessary, reviewed for limited</p>	<p>19-23</p>	<p><i>Accept</i></p>	<p>Finance and Budget</p>	<p>06/30/2026</p>

	<p>use, and monitored for repeat payments. After the vendor has been utilized, their profile should be deactivated in Munis.</p> <p>C. Perform a review of Finance staff's Munis roles and permissions for appropriateness and validation that segregation of duties issues does not exist within the system.</p>				
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Concurrence: The department recently implemented a vendor review process to inactivate vendors not used within the previous 18 months. This practice along with a review of single use vendors to ensure they are used only when necessary will be incorporated into a policy. The Department will review Finance staff's Munis roles and permissions.