



PRINCE WILLIAM COUNTY

Prince William County, Virginia Internal Audit Report: Accounts Payable

December 6, 2023



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TRANSMITTAL LETTER

December 6, 2023

The Board Audit Committee of
Prince William County, Virginia
1 County Complex Court
Prince William, Virginia 22192

Pursuant to the internal audit plan for calendar year ("CY") 2023 for Prince William County, Virginia ("County" / "PWC"), approved by the Board of County Supervisors ("BOCS"), we hereby present the internal audit of the County's accounts payable process. We will be presenting this report to the Board Audit Committee of Prince William County at the next scheduled meeting on January 16, 2024.

Our report is organized into the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our internal audit over the accounts payable process(es).
Background	This provides an overview of the function, as well as relevant background information.
Objectives and Approach	The internal audit objectives are expanded upon in this section, as well as a review of the various phases of our approach.
Observations Matrix	This section includes a description of the observations noted during our internal audit and recommended actions, as well as Management response, including responsible party, and estimated completion date.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

Internal Audit

EXECUTIVE SUMMARY

Background

The County's Payroll and Disbursements Services Division ("Division") within the Finance Department manages the County's financial commitments to its vendors and contractors, encompassing a spectrum of tasks from overseeing invoice processing to addressing payment discrepancies. The Division places a significant emphasis on efficient payment processing; however, the actual processing of invoices is largely decentralized. Individual departments handle their respective invoices, including verifying details, cross-checking with purchase orders ("POs") and receiving relevant documentation, and authorizing approval for payment. This decentralized approach not only validates transaction accuracy but also serves as a robust defense against unauthorized or potentially fraudulent activities. Once a department approves an invoice, the Division schedules and processes the payment, often batching it with other transactions and using various payment methods.

Within the Finance Department, Financial System Services plays a pivotal role in vendor management for the County. Financial System Services maintains a comprehensive vendor database and is responsible for the accuracy and completeness of vendor details. Financial System Services adheres to standardized procedures for onboarding new vendors and updating existing ones enabling the Division to make reliable and timely payments. Additionally, Financial System Services manages access to Mobius, the County's enterprise resource planning software, which includes modules for invoice processing, payment handling, and vendor management.

As of fiscal year ending ("FY") June 30, 2023, the County's active vendor database was comprised of 17,286 unique suppliers. Total expenditures to suppliers made in FY2023 amounted to \$561,895,295, including approximately 111,790 invoices processed.

Per the General Government Staffing Levels Assessment Internal Audit Report accepted by the BOCS in May of 2023, PWC had the lowest accounts payable ("AP") departmental expenditure per county employee of the jurisdictions for which data was available. PWC had the lowest AP employee-to-county employee ratio among national and Virginia localities with available data, with 0.09 AP employees to support every 100 county employees.

Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or 'brand' risk.

Objectives and Scope

The objective of this internal audit was to evaluate the design and control structure, including adherence to policies and procedures for the operating effectiveness of the County's accounts payable process. The accounts payable process includes the steps and procedures businesses use to manage short-term payment obligations to suppliers for goods and services.

As part of our internal audit, we performed the following:

- Determined the adequacy of existing accounts payable policies and standard operating procedures.
- Evaluated the design and control structure, including adherence to policies and procedures.
- Evaluated access controls and segregation of duties within the accounts payable function.
- Evaluated adherence to established payment processing timelines.
- Performed transactional testing to assess whether the system of internal controls over accounts payable is adequate and appropriate for subprocesses including invoice receipt and entry, invoice matching, compliance with required approval workflows, payment disbursement process, and vendor setup and maintenance.
- Performed analytics over accounts payable data to identify process permutations, bottlenecks, and potential exceptions.
- Developed recommendations for any identified control design gaps or non-compliance issues.

Where applicable, our audit period was July 1, 2022, through June 30, 2023. Fieldwork was performed during July 2023 through October 2023.

Summary of Observation Ratings

(See page 3 for risk rating definitions)

	High	Moderate	Low
Accounts Payable	2	1	2

We would like to thank all County team members who assisted us throughout this internal audit.

EXECUTIVE SUMMARY (CONTINUED)

Observations Summary

Below is a summary listing of the observations that were identified during this internal audit. Detailed observations are included in the observations matrix section of the report. In addition, improvement opportunities have been provided following the detailed observations section.

Summary of Observations	
Observations	Rating
1. Vendor Information Changes	High
2. User Access Review	High
3. Accounts Payable Procedures	Moderate
4. Invoice Processing – Completeness of Information	Low
5. Prompt Payment Processing	Low

Provided below are the observation risk rating definitions for the detailed observations.

Observation Risk Rating Definitions	
Rating	Definition
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals. Action should be taken within 12 months (if related to external financial reporting, must mitigate financial risk within two months unless otherwise agreed upon).
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be taken within nine months (if related to external financial reporting, must mitigate financial risk within two months).
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately, but in no case should implementation exceed six months (if related to external financial reporting, must mitigate financial risk within two months).

BACKGROUND

Overview

Accounts payable or AP refers to the current liability on the balance sheet for invoiced purchases of goods and services from suppliers made on credit terms, as well as the business unit or division responsible for managing the AP processes in an organization. The Division manages these financial obligations to vendors and suppliers; from processing vendor invoices and internal transfers to resolving payment issues, maintaining an efficient, accurate, and secure AP process is critical to an organization’s stability.

Depending on organizational structure, an AP function may be responsible for invoice processing, payment processing, and vendor management. The County’s Payroll and Disbursements Division within the Finance Department manages the County’s financial commitments to its vendors and contractors, encompassing a spectrum of tasks from overseeing invoice processing to addressing payment discrepancies. The Division is also responsible for preparing and transmitting all required tax reporting to state and federal agencies. The primary responsibility of the Division, as it relates to AP, is payment processing; invoice processing is decentralized amongst the different departments and divisions while vendor management is the responsibility of Financial Systems Services. Collectively, the different departments retain copies of invoices, payment receipts, and related correspondences to increase transparency, adhere to record-retention policies and best practices, and maintain an adequate audit trail. Any discrepancies or exceptions identified during the process prompt direct communication between the Division and the respective department(s).

The requesting department or division is responsible for processing invoices from vendors and service providers, checking the accuracy of billing details, inspecting that the goods or services have been received, and confirming that the invoice matches the purchase order (“PO”) or other procurement documentation. The invoices, matched with PO’s and receivers, are approved and paid by the Division when due, or earlier to take advantage of discounts. Before any payment is made, the AP department inspects transaction details for reasonableness, accuracy, and necessary approvals, a critical step to prevent unauthorized or fraudulent transactions. After performing the review, the Division schedules and processes payment, typically within a batch remittance that includes other transactions, and is executed through various methods such as check, electronic funds transfer (“EFT”), automated clearing house (“ACH”), and single-use account (“SUA”).

Financial Systems Services, another division within the Finance Department, is responsible for vendor management including maintaining and updating a database of vendors and monitoring that all vendor information is current and accurate including banking details, contact information and tax-related data. Financial Systems Services follows a standardized process when onboarding new vendors in the vendor management system and making subsequent changes to vendor information so that records are correct and current, and the Division can make timely and accurate payments to suppliers. Documentation and record-keeping, specifically surrounding vendor banking information and changes to vendor information, are essential functions of Financial Systems Services’ role in the AP process. The Department of Information Technology (“DoIT”) is responsible for provisioning internal user access to the County’s enterprise resource planning software, Mobius, which includes modules for invoice processing, payment processing, and vendor management.

Staffing Levels

For FY2024, the adopted budget allocated 14 Full-Time Equivalents (“FTEs”) to Payroll and Disbursements Services, representing approximately 7% of the total budgeted FTEs in the Finance department. The table below illustrates the historical staffing levels in Payroll and Disbursements over the past five fiscal years. The increased staffing level within the FY2024 Adopted Budget table below is within the payroll function rather than the accounts payable disbursement function.

Payroll and Disbursement Services FTE				
FY2020 Actuals	FY2021 Actuals	FY2022 Actuals	FY2023 Adopted	FY2024 Adopted
12	12	12	12	14

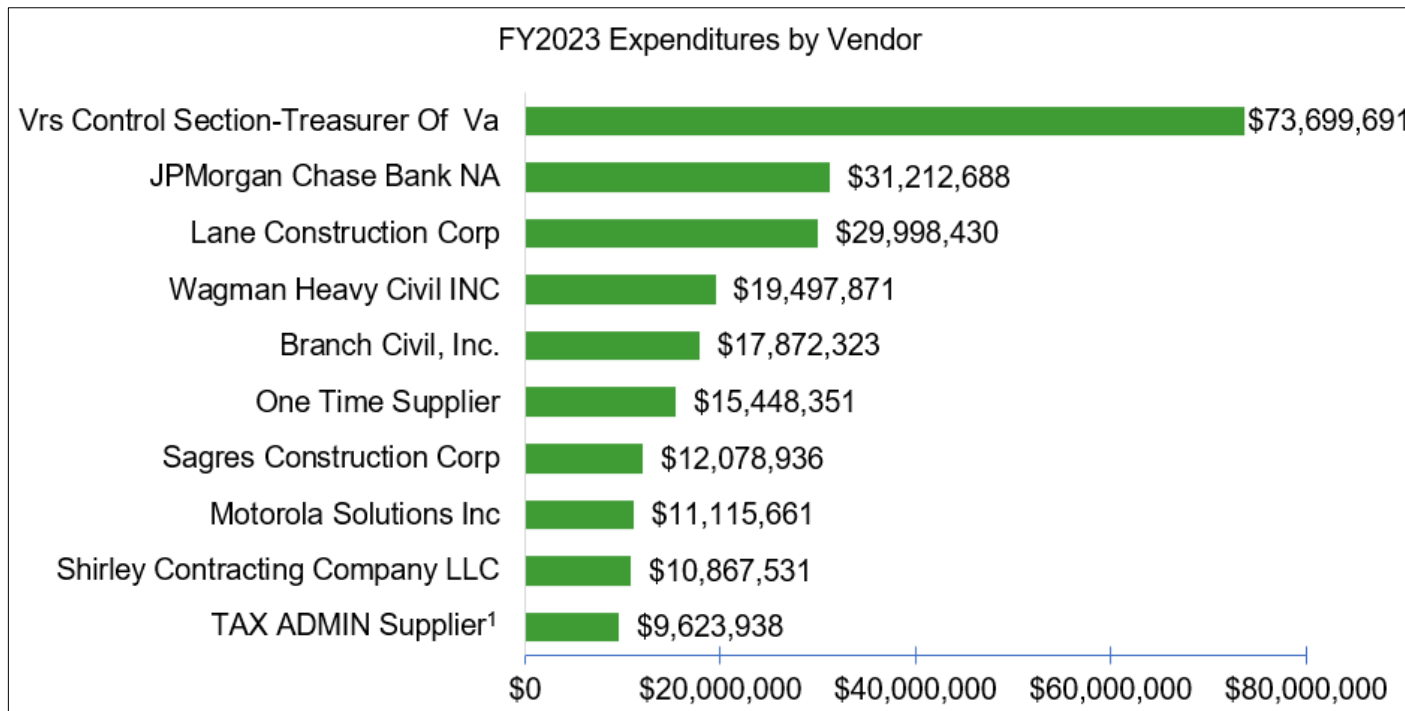
BACKGROUND (CONTINUED)

Overview (Continued)

Financial Data

Total expenditures in FY2023 amounted to \$561,895,295. The FY2023 vendor spend data was analyzed to identify expenditure trends among vendors and departments. The following visualizations depict the results of the vendor spend data analysis.

The following graph illustrates the top 10 vendors with the highest total expenditures in FY2023¹. The total expenditures across the top 10 vendors amounted to \$231,415,419 which accounts for 41% of the total FY2023 expenditures.



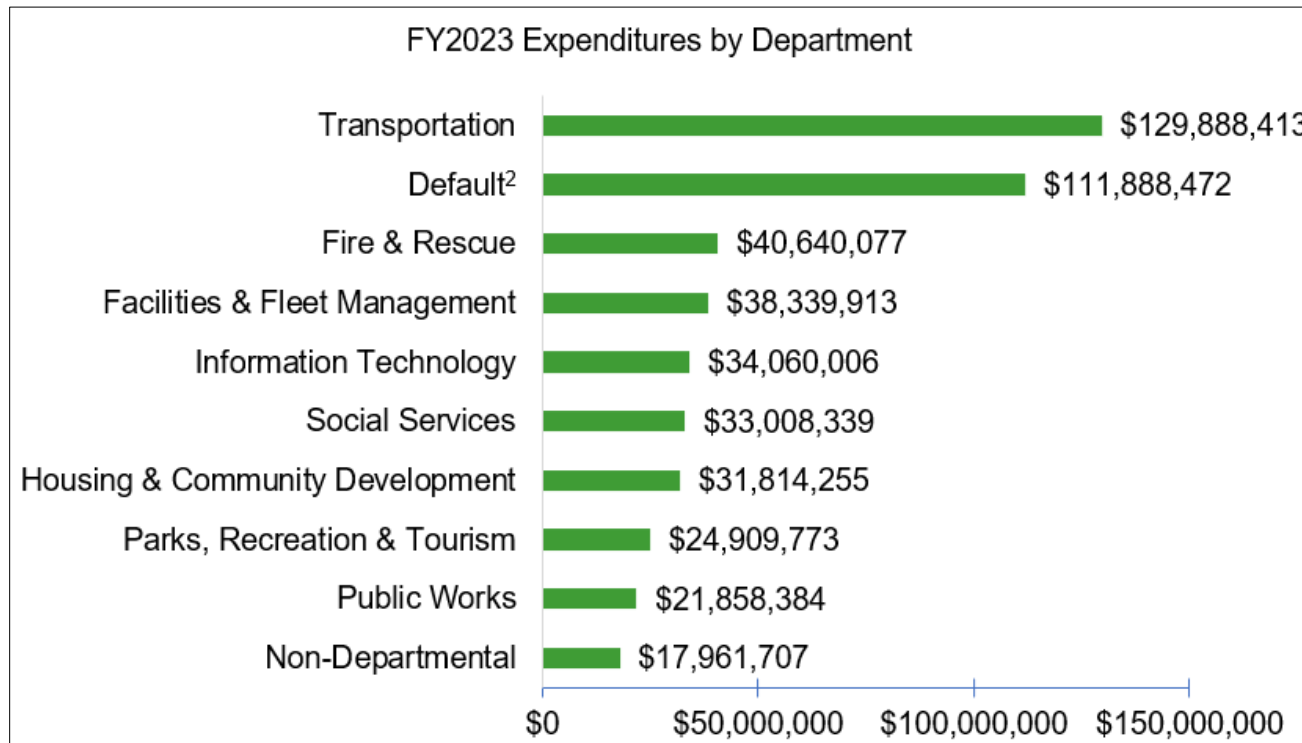
¹ The vendor 'TAX ADMIN Supplier' shown in the graph above represents cumulative tax refund payments interfaced from the County's Tax Administration System.

BACKGROUND (CONTINUED)

Overview (Continued)

Financial Data (Continued)

The following graph illustrates the top 10 departments with the highest total expenditures in FY2023. The total expenditures across the top 10 departments² amounted to \$484,369,340 which accounts for 86% of the total FY2023 expenditures.



²This chart includes FY2023 expenditures made under department code 00 which is the 'default' code and indicates a department code selection was not made during processing.

BACKGROUND (CONTINUED)

Invoice Processing

Invoice processing in PWC is decentralized with responsibilities delegated to individual departments for receiving invoices, entering invoice details into Mobius, matching invoices to PO's, receiving reports and other documentation, resolving order discrepancies, and approving individual invoices for payment before they are routed to the Division for batch payment approval and processing (see 'Payment Processing' section below). Typically, either a three-way or two-way match is performed for each invoice received by the respective department, depending on the purchase type; the two-way match typically applies to cases where services are rendered without the involvement of physical goods. As documented in the approval history log, the match is either performed automatically by the system or manually by the receiving department employee. After the invoice is processed and approved at the department level, the invoice and any supporting documentation is attached and electronically routed in Mobius to the Division for further payment processing.

Payment Processing

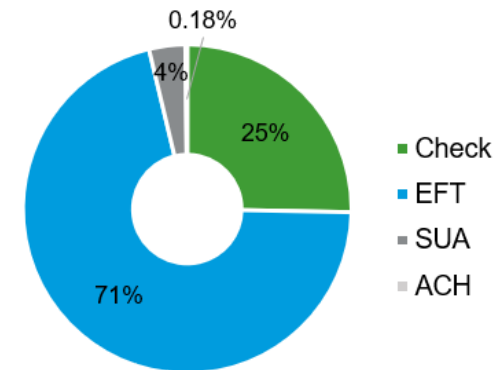
The departmental authorizations trigger notifications on the Division's AP Disbursements Manager's virtual workbench in Mobius to review records before proceeding with payment processing. Invoices are grouped into batch payments depending on type then reviewed by the Division's AP Disbursements Manager. Payment types include ACH, EFT, SUA and checks and are typically processed on Mondays and Thursdays. For payment processing, Mobius provides an overview of the scheduled payments for the period across the payment types. For the SUA process, payments are individually reviewed for anomalies before initiation of electronic file transfers from Mobius to JP Morgan. For the ACH and EFT processes, payments are inspected for completeness, especially bank account numbers. Any discrepancies lead to re-coding these payments as checks to avoid delays in processing. Lastly, any payments not processed in the previous cycles are printed as checks and dispatched to the respective recipients.

The chart to the right compares the different payment types processed in FY2023, shown as a percentage of the total dollar amount of expenditures.

The system will not allow duplicate invoice numbers to be processed for payment; if a duplicate invoice number is included in a batch payment, the system generates an error message and prevents processing until the error is resolved. The AP Disbursements Manager depends on the departmental review that previously occurred to inspect the appropriateness of the transaction and judgmentally selects payments for further review.

In adherence to the Virginia Public Procurement Act Prompt Payment Article, PWC requires payment processing by the date on which payment is due under the terms of an applicable contract or if such a date has not been established by a contract, 45 days after receipt of the goods or services. The responsibility to monitor compliance with the Virginia Public Procurement Act Prompt Payment Article ultimately falls to the individual departments processing the invoices for approval prior to payment, however, the Division will periodically review transactions for delays in processing and work with the department to resolve the delay and proceed with payment processing.

FY2023 Payment Methods Used



BACKGROUND (CONTINUED)

Mobius

Mobius serves as the County's comprehensive Finance, Budget, Human Capital Management, and Payroll system. Implementation started July 2021 and includes modules used for payment processing and vendor management which the Division relies on for their daily operations. Essential information such as invoice details, due dates, payee banking information, vendor details, and approval history paths are all effectively managed within the Mobius system. Internal user access to Mobius is provisioned and monitored by DoIT.

Vendor Management

The vendor management process, managed by Financial System Services, involves suppliers managing their own registration and updates. This process commences when employees receive an email from the Mobius system, triggered by a vendor's registration submission or profile update on the public-facing online portal. During the onboarding of a new vendor, employees are responsible for various checks: verifying a completed and signed W-9 form, reviewing the accuracy and completeness of the provided information, assessing the adequacy of banking details, and confirming the vendor's tax identification number (TIN) on the IRS website. Any issues encountered are addressed through further communication with the vendor.

Once the review of the necessary information and documents is complete and deemed satisfactory, the employee approves the vendor record in Mobius, thus activating the vendor for remittance. For changes to existing vendor bank account information, the process adheres to rigorous standards. Per PWC policy, appropriate documentation such as a voided bank check or a certified bank letter signed by the CFO and company owner must be provided and then retained in the vendor's profile in Mobius.

In 2023, an additional control was implemented to further secure the process of changing vendor bank account information. This step involves a specific verification procedure to ensure the authenticity and legitimacy of such requests, thereby strengthening the overall integrity of the vendor management system.

Vendor Database Analysis

Per discussions with Financial System Services, every vendor should have at least one complete contact on file including a contact name, phone number, and email address, however, it is preferred that each vendor maintain two up-to-date and complete contacts on file to sustain communication channels during vendor employee turnover and other information changes. Based on the information in the vendor master file obtained during our audit procedures, there are 17,286 unique vendors listed in the vendor master file and 25,280 contact records (i.e., contact names). Of the 17,286 unique vendors listed, there are 14,290 with only one contact listed on file.

The following table provides an overview of the current vendor and vendor contact data maintained by PWC.

Vendor Information Analysis Summary	Number of Contacts	Percentage of Total Contacts
Total Contacts	25,280	100%
Contact Name Only (No Email or Phone)	4	0.02%
No Contact Phone Number	1,479	5.85%
Incomplete Contact Phone Number	139	0.55%
No Contact Email Address	35	0.14%

OBJECTIVES AND APPROACH

Objectives

The objective of this internal audit was to evaluate the design and control structure, including adherence to policies and procedures for the operating effectiveness of the County's accounts payable process. The accounts payable process includes the steps and procedures businesses use to manage payment obligations to suppliers for goods and services purchased. This audit included the evaluation of areas such as: The completeness and adequacy of the documentation and records to support the accounts payable process; adherence to established payment processing timelines; and the appropriateness of access controls and segregation of duties present within the accounts payable function, including the vendor management subprocess.

Approach

Our audit approach consisted of the following three phases:

Understanding and Documentation of the Process

This phase consisted primarily of inquiry and walkthroughs to obtain an understanding of the current operating policies and procedures, monitoring functions, and control structures as they relate to the processes within our scope. The following was performed as part of this phase:

- Obtained and reviewed any documented policies and procedures related to the accounts payable function, as well as relevant state and County regulations, reporting, and any other relevant information.
- Conducted interviews and walkthroughs with key personnel to obtain a detailed understanding of operating policies and procedures, roles, and responsibilities within Procurement.
- Gained an understanding of procedures as they relate to the processes within scope.
- Developed a work plan for the evaluation of the operating effectiveness of procedures and controls based on the information obtained through interviews, walkthroughs, and preliminary review of documentation.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to evaluate the design of key processes and controls and test compliance and internal controls for operating effectiveness based on our understanding of the processes obtained during the first phase. We utilized sampling and other auditing techniques to meet our audit objectives outlined above. Our testing procedures included, but were not limited to:

- Determined the adequacy of existing accounts payable policies and standard operating procedures.
- Evaluated the design and control structure, including adherence to policies and procedures.
- Evaluated access controls and segregation of duties within the accounts payable function.
- Evaluated adherence to established payment processing timeline.
- Performed transactional testing to assess whether the system of internal controls over accounts payable is adequate and appropriate for the following subprocesses: Invoice receipt and entry; Invoice matching; Compliance with required approval workflows; Payment disbursement process; and Vendor setup and maintenance.
- Performed analytics over accounts payable data to identify process permutations, bottlenecks, and potential exceptions.
- Based on our analysis and testing results, we developed recommendations for process and control modification/addition/deletion for any identified design gaps or non-compliance issues.

Reporting

At the conclusion of this internal audit, we summarized our findings into this report. We have reviewed the results with the appropriate Management personnel and have incorporated Management responses into this report.

OBSERVATIONS MATRIX

Observation	1. Vendor Information Changes
<p style="text-align: center; background-color: red; color: white; padding: 5px;">High</p>	<p>Vendors are responsible for maintaining their own up-to-date contact and payment information through the supplier-facing Mobius portal. When a vendor changes certain banking information, the change is routed through an internal approval process in which required documentation is reviewed for completeness by Financial System Services. Based on information obtained during walkthroughs and subsequent inquiries, the following information was identified:</p> <ul style="list-style-type: none"> There are situations in which Division staff preparing printed checks for distribution will identify an error in the payee address; this is typically identified based on payments returned as undeliverable. When the address is identified as incorrect, the Division staff will reprint the check with the correct address, sometimes handwriting the address correction on the envelope, and distribute it to the payee. The Division subsequently asks the vendor to correct the address through the supplier-facing Mobius portal. This ability to change the payee address without the change being formally made in the vendor profile in Mobius raises concern surrounding the safeguarding of funds. It is important to clarify that this observation is based on inquiry alone; in the course of this audit, we did not identify instances of vendor address changes due to this gap in the process. Financial Systems Services is unable to generate a list of changes to vendor bank account information (e.g., vendor bank account number) for a given time period. Thus, Internal Audit is unable to test the controls surrounding the existing vendor bank account change process. Per inquiry with Financial System Services, to generate a more detailed history log, the County needs to work with the systems vendor to develop a report that contains detailed vendor bank account change information. <p>Allowing payee address changes to informally occur during the payment processes without the vendor profile being appropriately updated increases the risk of bypassing formal approval processes, funds being directed to an unintended recipient, and lack of documentation of changes recorded and authorized within Mobius which could lead to discrepancies or disputes in the future.</p> <p>Further, the absence of a comprehensive record of changes to vendor bank account information makes it challenging to establish an audit trail. This lack of documentation can lead to difficulties in tracking and verifying alterations, potentially hindering the ability to identify unauthorized or fraudulent activity.</p>
<p>Recommendation</p>	<p>The following is recommended to remediate this risk:</p> <ul style="list-style-type: none"> Any updates or corrections to vendor information should be formalized and documented within the vendor profile in Mobius prior to related payment process and handwritten alterations during the payment process be discontinued entirely, in favor of a controlled, documented procedure within the system. The County should work with the system's vendor to develop a report that contains detailed vendor bank account change information to enhance auditability of records.
<p>Management Action Plan</p>	<p>Response: Accounts Payable will no longer make manual updates to vendor address to send payment when check is returned from the bank. The Accounts Payable team will work with department agencies and Vendor Management team to ensure that vendors are notified that updates to their address on file is required before payment can be re-issued.</p> <p>Responsible Party: Assistant Director Financial Systems Services and Disbursements Manager</p> <p>Completion Date: December 11, 2023</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. User Access Review
<p>High</p>	<p>Internal system user access is provisioned and monitored by DoIT. A master listing of internal system users and their assigned permissions/roles is maintained by this group. The following issues were identified during our review:</p> <ul style="list-style-type: none"> No Mobius user access review occurred in FY2023 and the next Mobius audit review has not yet been initiated. The most recent review was a limited user access review performed during the Mobius implementation in July 2021 using an internal HR listing and supporting data to import only active accounts into the new Mobius system. <p>Without a periodic review, there is an increased risk of unauthorized access or outdated permissions, inappropriate approval of invoices, and potential segregation of duties issues.</p>
<p>Recommendation</p>	<p>The following is recommended to remediate this risk:</p> <ul style="list-style-type: none"> User access reviews should be performed to assess user roles and permissions for completeness and appropriateness and the review should be included as an annual process in DoIT documented internal policies and procedures.
<p>Management Action Plan</p>	<p>Response: Prior to July 2021, user access reviews (“UAR”) of the Mobius Financial system were performed by Finance’s Financial Systems Services team. After this date, this task was transferred to DoIT. DoIT is planning to resume the yearly UAR in May 2024, in advance of the start of the next fiscal year and after all phases of the Mobius applications are “live” (expected by May 2024).</p> <p>Responsible Party: DoIT</p> <p>Estimated Completion Date: May 2024</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Accounts Payable Procedures
<p>Moderate</p>	<p>To support business continuity and efficient operations, it is important to maintain up-to-date procedures to serve as guidelines for internal processes. Based on information and documentation gathered during walkthroughs and fieldwork, the Division lacks updated and readily accessible policies and procedures in a structured format. Although there are several individual Standard Operating Procedures (“SOPs”) and policies stored locally on the AP Disbursement Manager’s computer, these files have not been consolidated into a comprehensive, organized document. Consequently, employees could face inefficiencies in accessing and utilizing these resources effectively, making it challenging to periodically review and update policies for accuracy and relevance.</p> <p>Centralized, standardized, and documented procedures provide vital information to employees in the event of absence and employee turnover, and assist with succession/contingency planning. Documented policies and procedures provide detailed instruction to help facilitate accurate and consistent process functioning, monitoring and reporting.</p> <p>Complete, clear, and concise policies and procedures improve an entities training, auditability, and contingency plans which leads to greater operational performance with reduced risk of error and inconsistency in key operational processes.</p>
<p>Recommendation</p>	<p>The Division should compile and organize applicable policies and procedures into a structured format that is distributed or made available to Division employees. Policy topics should cover all aspects of the AP process including payment processing exceptions, special circumstances, and non-traditional transactions. Additionally, we recommend establishing a clear process for maintenance and updates so that the policies and procedures are periodically reviewed for accuracy and updated as necessary to facilitate alignment with evolving business needs and regulatory requirements.</p>
<p>Management Action Plan</p>	<p>Response: Accounts Payable team is working with internal technical writer to document all policies and procedure updates.</p> <p>Responsible Party: Disbursements Manager</p> <p>Completion Date: June 30, 2024</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Invoice Processing – Completeness of Information
<p>Low</p>	<p>Invoice processing includes receiving invoices, entering invoice details into Mobius, and matching invoices to PO's, receiving reports and other documentation before approving them for payment. Typically, either a three-way or two-way match is performed by the department for each invoice received by the respective department, depending on the purchase type.</p> <p>We selected a sample of invoices paid and re-performed the three-way or two-way match. The following was noted as a result of our procedures:</p> <ul style="list-style-type: none"> • Two of 25 samples lacked adequate PO information on documentation. <ul style="list-style-type: none"> ○ One sample's invoice did not include the PO number. ○ One sample's receiving documentation did not include the PO number. <p>Without complete documentation to perform invoice reconciliation procedures prior to payment, there is an increased risk of, inappropriate payment made for goods or services received, unauthorized or fraudulent invoices being processed, and delays in payment processing due to additional time required to rectify missing documentation.</p>
<p>Recommendation</p>	<p>Establish a protocol for verifying and validating documentation during the invoicing process including a systematic check to confirm that all necessary information, including the PO number, is present and accurate. Further, we recommend re-emphasizing with suppliers and departments the necessity of providing/obtaining complete and accurate documentation for invoice processing.</p>
<p>Management Action Plan</p>	<p>Response: The Finance Department's Accounts Payable unit will emphasize to Mobius invoice processors the importance of requiring vendors to include the PO number on their remitted invoices for invoice processing and payment. However, it is important to note that invoices are matched by invoice processors to a PO in the Mobius system prior to payment.</p> <p>Responsible Party: Disbursements Manager and/or Fiscal Specialist</p> <p>Completion Date: June 30, 2024</p>

OBSERVATIONS MATRIX (CONTINUED)

Observation	5. Prompt Payment Processing
<p>Low</p>	<p>Respective departments enter invoice information into Mobius during invoice processing including invoice date. This process is decentralized with each department following their own approach to invoice entry and processing. After invoices are reviewed and approved at the department-level, they are processed for payment by the Division. Per the Virginia Public Procurement Act Prompt Payment Article, PWC requires payment processing within 45 days of receipt of the goods or services.</p> <p>We selected a sample of invoices and inspected payment timeliness:</p> <ul style="list-style-type: none"> Two of 25 samples were not processed within 45 days of agency receipt of invoice (92 and 96 days). <p>While there are benefits to this decentralization, certain aspects could benefit from being standardized across the different departments and divisions. Without entering invoice due date information accurately or paying invoices within applicable required timelines, there is an increased risk of vendor dissatisfaction and potential disputes, impacting vendor relationships and accrual of interest or late fees potentially leading to unnecessary costs for the County.</p>
<p>Recommendation</p>	<p>The County should establish a standardized procedure for departments to follow when entering invoices into Mobius, improving consistency across different departments and divisions, and documenting clear guidelines for recording invoice dates and other information. We further recommend that invoices be paid within applicable required timelines.</p>
<p>Management Action Plan</p>	<p>Response: While we recognize that there will be unavoidable delays in meeting the statutory deadline of the 45-day prompt payment period after receipt of invoice, we will consider sending out a quarterly notice of the required deadline so that this is a practice for future invoice processing. We will also consider training as needed.</p> <p>Responsible Party: Disbursements Manager and/or Fiscal Specialist</p> <p>Completion Date: June 30, 2024</p>

OBSERVATIONS MATRIX (CONTINUED)

Process Improvement Opportunity

1. Inactive Supplier Review


Per inquiry with Financial System Services, a periodic review of supplier activity for inactive suppliers does not currently occur nor is one planned for the future. When the vendor management system was converted to Mobius in July 2021 and existing vendors were imported, a high-level activity review was performed to identify inactive vendors, however no regular review occurs.

While a review occurred in July 2021, the County could benefit by performing a review of supplier activity in annually to identify inactive suppliers which whom business has not been conducted for a certain period of time and developing a policy surrounding the periodic supplier activity review in the meantime.

2. TIN Verification Evidence

Per current policy, the TIN review is evidenced by the entire vendor profile being reviewed and approved in the vendor profile action history log in Mobius. No specific documentation that the TIN was verified is retained, despite there being a "verification date" space in mobius to potentially capture the TIN verification date and better indicate compliance with the internal policies and procedures. For 3 of 50 vendor samples, this verification date space in Mobius is filled out, however, for the other 47 of 50 vendor samples, the TIN verification date space is blank.

Completing the TIN verification date field in Mobius as part of the new vendor review and approval process as well as updating the policies and procedures to reflect the associate steps could improve the audit trail surrounding vendor review and approval and reduce risk of potential noncompliance.



RSM US LLP
1861 International Drive
Suite 400
McLean, VA 22102
321.751.6200

www.rsmus.com

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