External Financial Audit Action Plan – Riverside Public Utilities Department

Item #	Recommendations	Action Plan	Cost Estimate	Completion Date *(Calendar Year Quarters)*
	General Process and Control Observations			
1	The City is currently in the process of updating its policies and procedures. Baker Tilly recommends that this includes a comprehensive policy covering the various purchasing processes, including: ● Purchase Requisition / Purchase Order ● Competitive Bidding Procedures & Exceptions ● Contracting & Legal Review ● Receipt of Goods & Services ● Invoice Processing & 3-Way Match ● Request for Payments & Rebates ● Wire Transfers ● Check Approvals ● Use of the SPL and IFAS systems in the purchasing process ● Authorization Limits The Policy should be distributed to City personnel across all departments and reviewed, and updated as necessary annually. *Note: The City anticipates completion of the policy and procedure updates by the end of calendar year 2016.*	A Purchasing Task Force has been established with a representative from every department and the Finance Department's AP Section to address many of these issues along with other identified concerns and the results and recommendations will be forwarded to City Management and eventually the City Council for resolution within the parameters of the current City Charter and Municipal Codes.	Existing Resources	Q3 2017

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2	Baker Tilly recommends that the City require a purchase order for all invoiced expenditures, and that a request be made to have vendors send a second invoice copy to Accounts Payable. In addition, Accounts Payable should monitor the status of invoices and follow up with RPU as necessary to ensure timely processing and payment of invoices.	Currently being implemented, the Finance Department is developing or revising current policies to 1) require vendors and/or departments to send Accounts Payable Section copies of submitted invoices and 2) set up a system to more closely monitor RPU invoices including any needed follow-up; need Council approval to add additional accountant to AR to fully implement this recommendation.	Existing Resources	Phase I- Revise/develop policies- Q1 2017; Phase II- Request additional acct- Q1 2017
3	The City should review capabilities for enforcing system controls to restrict users from entering invoice payments when a variance greater than 10% of the PO exists. Controls should be implemented to not allow processing of payments for invoices that are over a stated percentage of the original PO without higher level manager approval.	Current financial system cannot be used to enforce various thresholds in purchasing/AR system. While policies are in place with tolerance thresholds established, departmental supervisors are supposed to enforce these thresholds on a signature review basis, until an updated system is provided to add an automated control for finance to use effectively.	Existing Resources Needs Assessment of new system estimated $250,000-$350,000, shared by City Departments	Q4 2017

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4	Baker Tilly recommends that the City begin to use automated number functionality, if available within the system, and/or establish and document a policy for invoice numbering conventions for consistency and to avoid the risk of duplicate payments. Although the current system, SPL, does not allow an invoice to be entered when the same invoice number exists, without a defined numbering convention there is greater risk for duplicate payments. City Finance and RPU are in the process evaluating if enhancements can be made to SPL or if a new system needs to be purchased. This automated numbering capability should be explored with either enhancements to the existing system or a new system and implemented at that time.	Because there are three different ways among two different systems to begin the purchase order/invoice payment creation system and seven different ways to pay an invoice, Finance has no ability to establish a singular, stable and enforceable numbering system. However, as part of the new Purchasing Task Force, this problem will hopefully be resolved with a single policy agreed by all and the replacement of our current financial system with one that everyone can use for this purpose.	Existing Resources Needs Assessment of new system estimated $250,000-$350,000, shared by City Departments	Q4 2017
	Transaction Testing – Exceptions and Observations			
5	Baker Tilly recommends that the check register be reviewed and signed by an authorized check signer for every check run.	Consultant agreed with Finance's Disagreement with their recommendation and the reasons why and have withdrawn this issue.	NA	NA

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6	The City provided Internal Audit Report AU 06-07, in which the Internal Audit function recommended review of RFPs under $1,000 by exception only, in order to reduce the manual 100% verification and improve efficiencies. *Refer also to recommendation #3 above.*	Revise Council Purchasing Resolution to align with Internal Auditor Recommendation	Existing Resources	Q4 2016
7	Baker Tilly recommends that the City explore options within SharePoint or similar systems to move RFP and RFWT processes away from a manual paper process and implement an electronic form utilizing workflow- for approvals.	While an automated system is what Finance also recommends, the City would need to provide additional funds to purchase such a system and Finance is exploring possible system solutions. However, one example out of 45 does not conclude a significantly significant event.	Needs Assessment of new system estimated $250,000-$350,000, shared by City Departments	Q4 2017
8	Baker Tilly recommends that the City explore options within SharePoint or similar systems to move RFP and RFWT processes away from a manual paper process and implement an electronic from utilizing workflow for approvals.	While an automated system is what Finance also recommends, the City would need to provide additional funds to purchase such a system and Finance is exploring possible system solutions. However, one example out of 35 or 1 out of 200 does not conclude a significantly significant event.	Needs Assessment of new system estimated $250,000-$350,000, shared by City Departments	Q4 2017

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9	The individual who made the purchase did not follow City policy. The City should implement stronger monitoring controls to ensure that the City personnel do not enter into purchasing agreements until proper approval has been obtained as required in the City's policies and procedures.	This is a training issue that needs to be addressed through coaching and disciplinary action by the employee's supervisor. Both in-person and on-line training resources are provided by Finance for employee and supervisor needs.	Existing Resources	N/A
10	Baker Tilly recommends that Treasury ensure wire transfer reports are consistently retained and filed in a designated location.	While again, 1 in 200 transactions does not conclude a significantly significant event, and the one in 12 was a fluke, the wire transfer form has been updated to prevent this issue in the future.	Existing Resources	Implemented

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