

## **Memo to Departments regarding Accounts Payable (AP) reinforcements**

**From: Sara Smith**

**Date: January 1, 2019**

Our Finance Department Accounts Payable (AP) goals are to secure that City vendors get paid on time while enforcing public budgetary rules and regulations. Our process to achieve this requires departments' knowledge and understanding of the financial rules and expectations.

Our process is the following:

Each department is allocated General Ledger (GL) funds for specific purposes such as supplies, services, reimbursements etc. When documents are received by a department and entered into our system (Eden), they will go to a First-Level approver within the department. First-Level approvers review invoices to ensure they have the correct GL accounts, remittance address, invoice dates, invoice numbers and dollar amounts. After that, invoices come to the Finance Department for a final last review and to process payments.

Within these steps we have encountered certain recurring issues we would like to address. These common issues have generated double payments, sending checks to wrong addresses, and allocating funds to wrong accounts, which in turn create issues and auditing concerns that are avoidable.

The following scenarios are the most likely to create issues:

1. The person entering invoices is not aware of the distribution of funds and thus inputs the wrong GL accounts. The First-Level approval overlooks this and approves this document.  
Finance Department-Level approval does not know each department's GL funds, so if it is matching what is written on the invoice, we approve it.

In this scenario, it is the responsibility of the first approver to oversee that GL funds are entered correctly. If recurring, this can cause other issues apart from using other funds, such as running out of funds early or overspending.

2. The person entering invoices has a typo error, either on the invoice date, invoice number or the amount, or forgets to select the correct remittance address.

In this scenario, it is mainly the first approver's responsibility to catch these errors and to notify Finance if something needs to be noted, like a check needing to go to a different address that is not on file in the system. Just one of these can cause a variety of issues, such as double payments, late payments, check returns, checks getting lost. Each of these issues also has its own consequences that create more work for all of us and can an upset vendor.

3. There are many invoices for the same vendor within one department (PG&E, for example) and often with other departments for the same pay period. If in the invoice, it is not noted or specified that a check should be sent independently, the system will combine all payments from all departments to the same vendor into one single check.

In this situation, if vendors want an individual check and that did not occur, they will contact AP and will return the check. We will have to void all the payments and reissue checks individually.

This can be avoided by adding your department's initials in the check group area. You can add it yourself, ask the person who enter the invoices to do it, or leave a note on the physical invoice for the Level 3 person to do it.

**We kindly ask that each First-Level Approver thoroughly oversee the following:**

- Review GL accounts, invoice number, invoice date, invoice amount, and remittance address, and add a note for specific singularities with the invoice.
- It is imperative that First-Level Approvers approve invoices while reviewing the physical backup. Invoices should not be blindly approved, and Finance cannot guarantee proper oversight if First-Level Approvers do not follow this requirement.
- Finance/AP also requires that people entering invoices highlight the invoice date, invoice number, and remittance address. This makes the auditing process easier for both Level 1 and 3 approvals.

We kindly ask you to reinforce these guidelines in your department.