

# ***Internal Controls over Procurement, Payables and Disbursements***

Continuing Professional Education  
North Carolina Office of the State Controller

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**Date:** April 5, 2016  
10:00am – 11:00am

**Location:** Office of the State Controller and Live Webinar

**Objective:** To gain an understanding of the risks and control requirements associated with procurement, payables and disbursements.

**Content:** This training will cover the proper method of ordering, receiving and paying for goods and/or services. Effective system and procedural controls are necessary to ensure that all financial activities with a supplier are handled correctly. Proper and complete documentation is necessary to ensure that all payments to suppliers are made in accordance to the original agreements with the suppliers, and that any funds owed back (returns, rebates, cash discounts, etc...) to the paying agency are realized.

**Instructors:** Keith Maddox  
Audit Manager  
PRGX USA, Inc.  
BS Accounting, Ferris State University  
15 years of experience in Procurement-to-Pay auditing for Fortune 500 companies

John Pauley  
Audit Team Lead  
PRGX USA, Inc.  
BS Business, Calvin College  
5 years of experience in Procurement-to-Pay auditing for Fortune 500 companies

**CPE Credit Offered:** 1.0 hours

**Materials:** Will be provided in advance

**Teaching Method:** Lecture

**Prerequisites:** None

**Advance Preparation:** None

**Level:** Basic

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## PRESENTER

Keith Maddox

Audit Manager

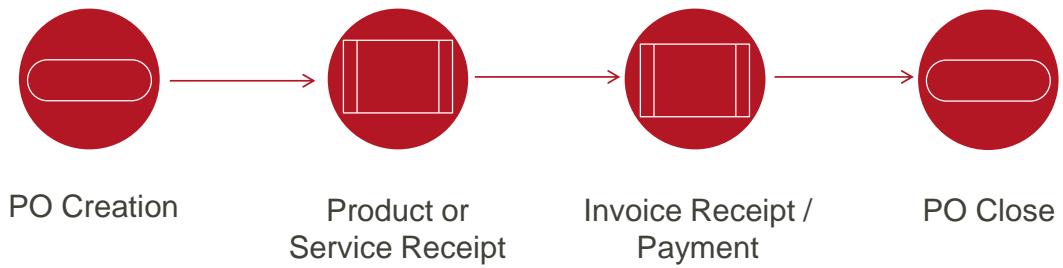
PRGX USA, Inc.

BS Accounting, Ferris State University

15 Years experience in Procure-To-Pay auditing for Fortune 500 companies



## P2P PROCESS DEFINITION



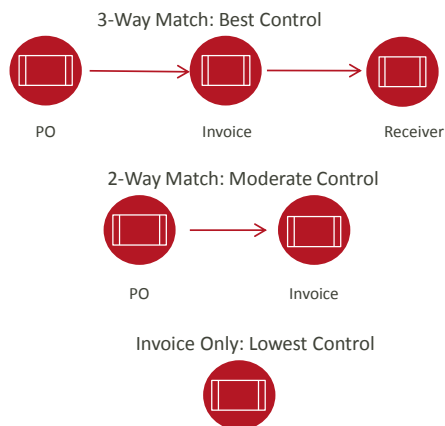
## PO CREATION

Set up based on current contract terms

- Cash Terms, Freight Terms, Pricing & Rebates
- Correct Parts, Correct Price & Correct UOM (unit of measure)
- Valid & Reasonable Price and Quantity Tolerances
- Blanket PO Problems
- Taxes

## INVOICE PROCESSING

Matching Process



## INVOICE PROCESSING

### Invoice Entry

- Manual Entry vs. Scanned Entry
- Keying Guidelines



### Vendor Payments

- Check Remittances
  - Check vs. ACH



## VENDOR MASTER

### Vendor Master Set-Up

- Rules for setting up new vendors
- Check for duplicate vendor numbers
  - Valid vs. Invalid Duplicate Vendor Numbers
- P-Card Rules

## CASH APPLICATION PROCESS

### Cash Application

- Only Check Remittance Application Allowed
  - All Funds That Cannot Be Matched Correctly To Open Invoices Should Be Returned To The State Of North Carolina
- No Supplier Application Allowed

## CASH APPLICATION PROCESS

- All Open Invoices Must Be Submitted For Approval And Payment
  - Only way to ensure that open obligations are closed correctly
  - Only way to ensure that the State of North Carolina actually received the goods or services that are being invoiced
  - Only way to ensure that all payment records to the supplier are accurately reflect what transactions actually took place
- All credits should be processed and deducted against the supplier
  - Only way to ensure that credits owed to the State of North Carolina were actually received by the State of North Carolina

## STATEMENT REVIEW

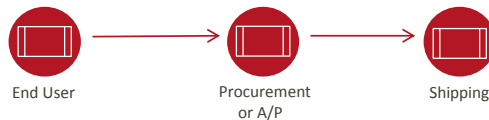
### Statement of Account Review

- The State of North Carolina should review supplier statements of account at least once per year
  - Either reviewed by each individual agency
  - Or by 3<sup>rd</sup> party auditing company
- Aged credits have a tendency to be
  - Written off by the supplier
  - Or Applied to open aged invoices by the supplier

## RETURNS TO SUPPLIERS

### Returns of Goods or Services

- The State of North Carolina should have a defined documented returns process
  - Paper or electronic return document



- Return documents should either
  - Automatic deduction thru return PO
  - Or tracked by A/P to ensure credit from supplier is received

## SEND ALL QUESTIONS

Ben McLawhorn

Risk Mitigation Services Manager

NC Office of the State Controller

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Q & A



# Internal Controls Over Procurement, Payables, and Disbursements

April 5<sup>th</sup>, 2016

## Attendees by Last Name (287)

Jennifer Acton, UNC at Chapel Hill

Jeani Allen, Department of Public Instruction

Robert Allen, NC School of Science and Mathematics

Shelly Alman, Gaston College

Barbara Anderson, Department of Natural and  
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angela anthony, Department of Agriculture

Cindy Armes, Department of Natural and Cultural  
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Lamees Asad, UNC at Chapel Hill

Renee Atkinson, Department of Agriculture

Steven Ayers, East Carolina University

Phillip Ayscue, Department of Transportation (OIG  
Room)

Michelle Baker, Department of Agriculture

Barbara Baldwin, Office of State Budget and  
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Anthony Barbour, South Piedmont Community College

David Barkhau, Department of Transportation (OIG  
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Tracy Barrett, Gaston College

Angela Barrett, Office of the State Controller

Deana Bauer, Randolph Community College

Sonya Baylor, Department of Agriculture

Paula Beacham, Coastal Carolina Community College

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Steven Birkhofer, UNC at Asheville

Jennifer Blair, UNC at Chapel Hill

David Blakemore, UNC at Chapel Hill

Leslie Blankenship, Isothermal Community College

Linda Bond, Department of Agriculture

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Jessica Boyce, Central Piedmont Community College

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Helen Buck, NC A and T State University

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Cheryl Davis, Administrative Office of the Courts

Teresa Davis, East Carolina University

Kelly Davis, Haywood Community College

Diane Davis, NC A and T State University

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Yolanda Deaver, NC Central University

Bryn DeLuca, State Fair

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Candy Edwards, USS North Carolina Battleship  
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**Steve Young, Blue Ridge Community College**

**Willard Young, Department of Transportation (OIG Room)**

**Michael Zanchelli Zanchelli, Department of Health and Human Services**

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