ALBANY WATER BOARD
ALBANY MUNICIPAL WATER FINANCE AUTHORITY
INTERNAL CONTROL POLICY - PURCHASING

This internal control policy is intended for use only by the Albany Water Department and its staff, and in no way replaces any other purchasing policy currently in effect in the City of Albany.

AREAS OF RISK:

1. Requisitions and vouchers are not properly prepared and/or approved.
2. Insufficient/incomplete/inaccurate invoices are attached to the voucher for payment, resulting in duplicate payments, or payment to the wrong vendor.
3. Invoices acknowledging receipt of goods/services is not signed by appropriate staff.
4. Overpayment to a vendor can occur if the invoice is not in accordance with the terms of an existing contract or agreement.
5. Purchase orders are not attached to the vouchers, where applicable.
6. Photocopies are received and submitted for processing in lieu of original documents. (i.e. vouchers, invoices, etc.)
7. Paperwork is missing or unaccounted for in the purchasing department.
8. Vouchers have been changed or altered after receipt from vendor.
9. Vouchers/signatures can be falsified.
10. Mail goes directly to the purchasing department without being reviewed by someone outside of the purchasing department.

PROCESSES TO PREVENT RISK:

Once a month, the CFO or his/her designee will randomly select vendors for an internal audit. The minimum number of vouchers to be reviewed per month will be 30. Each voucher will be reviewed for the following:

1. Original copies are in vendor file (i.e. office copy of voucher)
2. Verification of signatures/approval.
3. Proper and complete backup is attached to voucher to support payment.
4. Invoices are signed to verify actual receipt or performance of services by authorized personnel.
5. If the vendor is under an existing contract or agreement, the charges will be verified against terms of the document. (i.e. price, services provided, etc.)

As part of the audit, all vouchers will be tied back to the general ledger for that vendor for the selected time frame. If there are missing invoices, a copy of the payment and its

supported documentation will be requested from City Hall, and it will be noted as an exception in the report. The importance of looking at a vendor in totality is critical, since we will be able to track any variances or discrepancies, whether it lies in signatures, type of goods/services being provided and its frequency, reasonableness of such purchases, or duplication of payments. Since some vendors do provide statements on a monthly basis, any charges/payments should be tied back to that as well. Discrepancies in any of the above areas will be reported to the Commissioner and Assistant Commissioner.

The CFO or his/her designee should review the mail that is intended for the purchasing department on a daily basis before it goes to that department. It is critical that this function be segregated from the purchasing department for the following reasons:

1. Paperwork can be discarded.
2. Misappropriation of funds could occur if a check is sent directly to us and never deposited.
3. Any questionable invoices can be addressed beforehand.

As a good management practice, department heads will be provided with a budget to actual performance report on a monthly basis, detailing all expenses paid. Any questions regarding expenditures and/or vendors can be addressed timely.

Internal control policies are reviewed and updated annually in accordance with the Public Authorities Law.

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