CITY OF READING, PENNSYLVANIA

OFFICE OF THE CITY AUDITOR
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Audit Objectives

The purpose of this report is to verify that the City is accurately recording and protecting its cash by adhering to the relevant internal controls over accounts payable.

Procedures

For internal control compliance, all payments processed during that time are reviewed, together with the related invoices, supporting records, necessary approval procedures, and the overall appropriateness of the expenses. In addition to finding areas for improvement, the auditing department confirms the accuracy of every transaction by following external and internal standards. Due to the lack of a formal policy since Munis was adopted, regular reviews are essential to making sure that bills are paid on time, duplicate payments are removed from the system, late fees are handled appropriately, sales tax is not paid in error, and purchase orders are in place.

- ✓ Number of checks reviewed and posted for July: 576
- ✓ Number of attached documents reviewed for July: 1168
- ✓ Amount of the checks reviewed and posted for July: $8,361,388.30

1. **Expenditure by Funds:**

Funds	Expenditure
General Fund	$2,374,911.20
Shade Tree	$21,766.14
Agency Fund	$102,911.39
Community Development	$150,706.53
Capital Project Fund	$730,294.41
Liquid Fuels	$64,287.14
Street Paving Fund	$158,719.36
Building/Construction	$0.0
ARP	$2,121,238.74
Water	$3,302.94
Self-Insurance	$22,941.29
Sewer	$1,806,943.59
Sewer Retail	$43,787.84
Solid Waste	$759,577.73
Total:	**$8,361,388.30**

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2. **<u>Untimely Payment of Invoices:</u>**

Although not all vendors operate under the same payment terms, most fall within a range of twenty-five (25) to thirty (30) days. Although the City does not have a formal standard for invoice payment timelines. The auditing department uses a 90-day threshold to identify and flag potentially untimely payments. Before an invoice can be paid, it must be entered into Munis with all required supporting documentation and must pass through the Munis approval workflow, where a purchase order (PO) must be created prior to completing the process. Otherwise, this will be a finding in the annual audit.

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Delayed invoice payments can result in:

- ✓ Missed vendor discounts
- ✓ Vendor-imposed late fees
- ✓ Additional administrative workload for City staff

The following fourteen (14) invoices were paid beyond the 90-day threshold:

Warrant	Department	Division	Invoice Date	Amount	Invoice Number
070825	City Council	City Council	3/31/2025	$394.25	41555
071125	Sewer	Sewer Sewage Treatment	2/25/2025	$7,615.00	TOS&OS42
071125	Managing Director	Downtown Commercial	3/4/2025	$920.00	25-126
071425	Police	Police Special Services	3/28/2025	$1,123.60	45068917
071425	Police	Police Special Services	3/28/2025	$7,303.40	45068909
072325	Public Works	Public Property	2/24/2025	$990.00	38963
072425	Law	Law	1/8/2025	$1,794.87	81694
072425	Law	Law	6/4/2024	$39,714.50	3410316
071725	Community Dev	Zoning	11/14/2024	$1,889.58	11154
071825	Finance	Director of Finance	3/1/2025	$23,263.01	45-506139B
071825	Finance	Accounting and Fiscal	3/1/2025	$350,000.00	45-506139B
072225	Public Works	Street Paving (PW)	3/12/2025	$1,733.76	20495.01-35
072225	Public Works	Street Paving (PW)	2/12/2025	$1,048.32	20495.01-34
073125A	Finance	Purchasing	3/21/2025	$48.23	6027174219

Recommendation: Implementing a payment invoice threshold policy will help ensure more timely processing and provide better oversight of outstanding invoices. This policy would also mitigate the risks associated with late payments, such as late fees and potential duplicate payments.

3. **<u>Late Fees Paid</u>**:

The following were identified in July:

- ✓ 13 (thirteen) PUBLIC WORKS invoices included a late payment fee totaling $76.88.

Recommendation: To avoid late payment fees, the administration should monitor the payment of invoices before the due date. Also to follow up and apply the recommendations presented at the training presented by the purchasing department that took place in the Spring of 2025.

4. **Double Payment**:

Double payments can lead to financial discrepancies and audit findings if not caught on time.

In July, the following double payments were identified and removed prior to the checks being processed.

- ✓ 1 (one) instance where a double payment was entered into by the Finance Department for the same invoice and service, totaling $364.84.
- ✓ 1 (one) instance where a double payment was entered by Public Works for the same invoice and service, totaling $155.88.

Recommendation: To minimize the risk of future double payment, we recommend checking into the financial Software (Munis) for existing entries before initiating payment. Also, to verify invoice numbers as repeated use of the same invoice number will alert the system.

5. **Missing Documentation**

While reviewing accounts payable, it has been noticed by the auditing department that the required information has not been attached to Munis. For internal control purposes, information such as contracts (as needed), Purchase Orders, invoices, and a complete approval process must occur before payments are processed. For the period of July, the following departments did not have the proper documentation attached to Munis. However, the departments were advised of the issue, and the proper documentation was scanned and uploaded.

- ✓ COMMUNITY DEVELOPMENT
- ✓ PUBLIC WORKS

Recommendation: To minimize the risk of this being a future audit finding, we recommend that the administration follow and apply the details that were discussed at the training presented by the Finance Department in the Spring of 2025. This will help ensure timely approvals and make the invoice review process more efficient.

6. **Voided Checks**

- ✓ A check issued by the COMMUNITY DEVELOPMENT fund totaling $6,934.50 was voided and reissued for the same amount after the vendor reported not receiving payment.

- ✓ A check issued by the SOLID WASTE fund totaling $750.00 was voided and reissued for the same amount after the vendor reported not receiving payment.