

**INTERNAL CONTROLS OVER OBTAINING AND RETAINING RECORDS TO SUPPORT PAYMENTS
AUDIT PROGRAM**

Complete the audit program below to support the agency’s assessment of internal controls in this area. Please describe the controls in place, the testing done to determine whether the controls are working as intended and the results of this testing. Also, if the agency identifies a lack of controls or any weaknesses in established controls, include a plan for corrective action or identify any compensating controls.

Please note: Agencies that are customers of the Business Service Center (BSC) or are hosted by another agency are required to certify any controls over the portion of the payment processes that take place at the agency.

Control Objective and Activities	Testing	Results of Testing; Corrective Action Plan or Compensating Controls for Weaknesses Identified
Agency ensures it obtained and retained sufficient, appropriate original source documentation (i.e., in hard copy and/or electronic format) to support claims for payment are just, true and correct, and therefore appropriate to pay. The agency has a process that includes verifying the following: A. Agency has adequate processes to obtain sufficient, appropriate evidence to provide reasonable assurance vendor performance complied with deliverables (e.g., percent completion, other milestones, entitlements, payment terms, etc.) contained in the agreement (e.g., contract, purchase order, appropriation) for the correct price. B. Agency ensures protection, authenticity, reliability, integrity, and usability of imaged records. C. Agency maintained the supporting documentation accompanying the payment request for time frames consistent with State records retention laws.	1. Review written policies and procedures related to obtaining and retaining sufficient, appropriate evidence (i.e., in hard copy and/or electronic format) to support payments, and determine if they include guidance on items A, B and C. or, in the absence of such guidance, determine whether the agency’s practice addresses these items. 2. For a representative sample of payments, perform the testing below. New York State Archives requires records (i.e., in hard copy and/or electronic format) be retained for multiple years. Agencies should consider a representative sample that spans the appropriate number of years for the document type in order to accurately test this requirement. a. Review the documentation (e.g., invoice, receiving documents, work orders, time sheets, reports, agreements, sign in sheets, certifications, third-party invoices, etc.) retained by the agency to determine whether it fully supports the payment. i. Obtain the vendor agreement in effect at the time of purchase which specified pricing and related deliverables (e.g., purchase order, formal contract, grant document, price list, appropriation, etc.), the invoice, and documentation to support the receipt of the deliverables. Assess whether sufficient, appropriate evidence exists and complete the following: a. Compare the pricing of the deliverable (e.g., price per unit or hourly rate) on the invoice to the pricing on the vendor agreement. b. Review the information on the invoice, receiving report, purchase order and any additional supporting documentation to determine whether the following items match:	

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	i. Quantity expected and delivered (e.g., Was the correct number of goods received?, Was the milestone met?, Was the percentage of work completed?, etc.). ii. Quality of the deliverable for which the agency received, and paid for, matches what the agency expected. iii. Amount billed. iv. Payee name, ID and address. v. Item description. c. Recalculate the extensions and totals on the invoice to determine if the invoice was calculated correctly. ii. If applicable, for agreements that include advances or retainages, review language from the agreement between the vendor and the agency to identify the requirements the vendor was obligated to fulfill prior to final payment. Examine the vendor agreement and payment requirements to determine if all requirements were met before the final payment was authorized. iii. For partially filled orders, verify payment is for only the portion received. For pre-payments, ensure the amount is appropriate per the payment terms. For example, for advances based on a percentage of the budget, ensure the vendor used the appropriate percentage and budget amount to calculate the payment amount. Or for training, ensure those registered to attend paid the agreed upon price. Consider performing the following testing: a. Determine whether the vendor has satisfied the terms and conditions in the vendor agreement in order to receive the payment. b. Review the schedule of payments, if applicable, and determine if the payment amount and payment date are in accordance with the schedule. c. Review the budget and expenditures to date and determine if expenditures are within the budgeted costs. d. Other (specify) iv. If Accounts Payable staff relied on end user departments to confirm an invoice as appropriate to pay, determine whether the end user departments obtained and verified appropriate supporting information before signing off that the invoice was appropriate.	
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- v. Determine whether the agency obtained information from third party sources to verify payment claims or expense reports when appropriate or necessary to support the payment. Information obtained from third party sources is generally more reliable than information obtained from those directly benefiting from the claim.

- b. Determine whether the documentation is clear, legible, well organized and easily accessible.
 - i. For supporting documentation stored in SFS, determine whether the agency followed procedures set forth in the [Guide to Financial Operations Section XIV.9 – Statewide Financial System Imaging and Attachment Guidance](#), as follows:
 - a. Documents must be accurate, legible, and complete.
 - b. The file size for a single attachment may not exceed two megabytes.
 - c. The file type for attachments should be PDF or TIFF.
 - d. The agency developed a process that includes attaching and reviewing relevant documents, as well as redacting private and confidential information. This process includes controls to ensure its imaging system produces legible, accurate reproductions of original documents.
 - e. Transactions and attachments in SFS may be considered the “official record” as long as the appropriate guidelines have been followed.
 - f. Review the electronic documents for redacted information or confidential information that was not redacted.
 - If the documents contain redacted information, determine if the agency retained the original hard copy in its files.
 - If that supporting documentation is stored in the agency’s FMS, determine whether the agency followed its procedures for imaging and attachments.

- c. Determine if the length of time the agency retained the documentation is appropriate per the following:
 - i. New York State Archives State General Schedule and/or
 - ii. Agency-specific schedules that cover SFS-related records.

Document material exceptions and review with management.