



# Maricopa County

## Internal Audit Department

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**To:** Maricopa County Board of Supervisors

**From:** Ross L. Tate, County Auditor

**Subject:** Audit Report: Prompt Payment Discounts

**Date:** October 2, 2013

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**Conclusion:** The County did not take advantage of approximately \$428,300 in prompt payment discounts over the past three fiscal years. This was due primarily to late payments, incorrect payment terms, and a lack of communication.

**Observation:** Our scope of work encompassed 34 contracts, 842 purchase orders, and 2,588 invoices from 53 agencies for prompt payment discounts. We found:

- Late payments resulted in \$163,400 in unrecoverable lost discounts. We also identified \$1,700 in potentially recoverable discounts, as eligibility was incorrectly based on the invoice date instead of the date the invoice was received.
- Incorrect payment terms resulted in \$41,100 in potentially recoverable lost discounts (discount terms in invoices, purchase orders, and contracts did not match). We identified a financial system weakness that allowed some of the discrepancies to occur.
- Newly acquired discounts, not properly communicated to the Office of Procurement Services by the agencies, resulted in \$222,100 in unrecoverable lost discounts.

By expediting payment processing, ensuring accurate payment terms are reflected on invoices and purchase orders, and communicating contract payment term updates (i.e., newly acquired discounts), we estimate the County could save more than \$428,000 over the next three fiscal years.

We issued agency reports with recommendations to the Department of Finance and Office of Procurement Services. Agency management concurred with our recommendations.

**Objective:** Our audit objective was to determine that the County is taking prompt payment discounts per contract terms.

This report is intended primarily for the information and use of the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a matter of public record and its distribution is not limited. This audit was approved by the Board of Supervisors and was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. If you have any questions about this report, please contact Eve Murillo, Deputy County Auditor, at 506-7245.