INTERNAL AUDIT REPORT

Accounts Payable

R-19-08

June 1, 2020

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This information has been redacted from this report.

Executive Summary

Introduction

In conjunction with the UTA Audit Committee, Internal Audit (IA) developed a risk-based annual audit plan. All of the audits on the audit plan are conducted in accordance with the International Standards for the Professional Practice of Internal Audit, published by the Institute for Internal Auditors (IIA), and provide several benefits:

- Management's continuous improvement efforts are enhanced
- Compliance is verified and shortfalls are identified so that they can be corrected
- Oversight of governance, control and risk management is strengthened

As part of the 2019 internal audit plan, IA was directed by the Audit Committee to perform an audit to determine if controls over accounts payable (AP) are designed adequately and operating effectively to ensure compliance with federal regulations, state laws, and internal policies and procedures as well as to support the achievement of management objectives. The preliminary stage of the audit was concluded in October 2018 and the final audit was completed in January 2020.

Background and Functional Overview

The Chief Financial Officer for the Utah Transit Authority (UTA) provided a functional overview of the AP process to provide context to this report. Please note that all of the statements made are assertions by the Chief Financial Officer and were not assessed by Internal Audit.

UTA's Accounts Payable function pays approximately 3,000 invoices per month. These invoices are primarily made up of two types, those on a purchase order and those that are not. The approval process for those invoices with a purchase order is obtained through the requisition or inventory reordering process, while approval for invoices without a purchase order is obtained by a budget manager's [redacted] on the invoice. The accounts payable process is responsible for paying approved invoices to previously approved vendors, within specified vendor payment terms, which is generally 30 days from the time the invoice is received. This process is dependent on the efforts of many hard-working groups who validate goods and services were satisfactorily received or performed and submit invoices to the accounts payable group in a timely manner.

The accounts payable group, which is part of the accounting department, is responsible for processing invoices and works diligently with many other groups to coordinate that invoice payments are issued each week. The various groups include the procurement department, who sets up purchase order information within the JD Edwards financial system and assists in gathering approval [redacted] for invoices, work with key personnel assigned, to establish new vendors, warehouse personnel, who receive goods and provide receiving documents to accounts payable, managers and supervisors, who review and approve invoices, and office specialists, who assist in routing invoices to the appropriate managers for approval. Once check payments are issued the check copies, invoices and other supporting documents are scanned and saved in the approved data storage system.
Some initiatives which have been put in place to improve timeliness and accuracy include:

- Inactivated vendors who were no longer in use
- A time stamp for when invoices received in Accounts Payable
- Deadlines for issuing check payments
- Defined a review process for all checks
- A process to review statements provided by vendors
- Usage of software to perform a weekly review of payments made to detect mistakes and anomalies

The performance goal of the accounts payable process is to pay every invoice within 30 days of receipt, and ensure payments receive adequate approval and review.

Objectives and Scope
The period of the preliminary assessment was July 1, 2017 through June 30, 2018 with the completion of the audit work focusing on June 1, 2019 through October 31, 2019.

The primary areas of focus for the Accounts Payable audit were:

- Governance
- Invoice approvals
- Payment processing
- Payment approvals
- Duplicate payments
- Duplicate payments
- Vendor management
- Employee reimbursements
- Credits and refunds

Internal audit excluded from the scope of this audit areas such as:

- Lease and bond payments
- P-card payments
- Real estate payments
- Bank administration and bank reconciliations
- Procurement process

Given that the procurement process did not form part of the scope, any control failures attributable to that process were not considered for this assessment. Consequently, AP controls that were designed adequately and operating effectively may not have prevented unauthorized or inaccurate payments due to failures in the preceding procurement process.

IA pulled some AP data directly from the ERP system to obtain sufficiently detailed information. This resulted in the risk that the population may have been different had management produced the data assessed. Management also provided data resulting in the risk that related populations might have been incomplete.

Audit Conclusion

Conclusion
The audit of accounts payable revealed that improvements were made to mitigate risks identified in the assessment including: • Issuance of a memo to guide users through best practices and standards of procurement and disbursement processes • System tolerances to prevent circumvention of purchase order controls • Improved disbursement review and late payment monitoring practices • System required review of vendor name changes implemented Risk was identified in the inability to validate payment approvals for compliance with UTA Policy 3.1.1 Spending Authority. The absence of an automated approval process is likely due to historic practices and a lack of resources rather than a lack of effort by AP management to address the concern regarding manual approvals of invoices. Further complicating efforts is the absence of formalized ownership and authority of those making disbursements to be able to design and enforce an adequate and effective control environment for UTA payment processes. Use of the standard invoice process may also allow users to circumvent contract spending controls in place of purchase orders. For example, if the maximum purchase order value has been reached, a person could opt to pay a vendor with a standard invoice rather than creating a change order. We recommend that acceptable use of standard invoices be limited and defined with controls implemented to guard against its possible misuse. Business practice allowed requisition initiators to approve invoice payment. Differing interpretations of UTA policy may lead to unintended weakening of controls where a requisition approval may be presumed as an approval to pay. This could result in a lack of oversight to determine whether services rendered or goods acquired were done so exclusively on behalf of UTA for a transit purpose. Although the system does prevent duplicate invoice numbers for the same vendor there is elevated risk that duplicate payments may be made within the accounts payable process as well as between accounts payable, [redacted]. Currently management does not have any analytical reports to aid in the detection of duplicate payments. Vendor management controls could be further improved by implementing system controls requiring review and approval for all additions, deletions, and changes to vendor master data beyond just name changes. Management has initiated a project to create an electronic invoice approval workflow, which could greatly enhance the accounts payable control environment. While awaiting its completion the Accounts Payable department is asking for email approval of invoices as temporary solution, which was implemented after the audit period. Due to resource constraints and varying degrees of support, the process may not greatly mitigate the risk of invalid or unavailable approvals. Management should continue to pursue the implementation of an electronic system for the receipt, retention, and approval of invoices. An effective electronic system for invoice processing would significantly reduce the risks of late payments due to lost invoices, missing documentation, and invalid approvals.

While this report details the results of the audit based on limited sample testing, the responsibility for the maintenance of an effective system of internal control and the prevention and detection of irregularities and fraud rests with management.

Internal Audit would like to thank management and staff for their co-operation and assistance during the audit.

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1. Governance

Preliminary Finding R-18-6-1	High

Criteria:

- Enterprise governance is an overarching system, which seeks to align priorities, funding, and resources and elevates decision-making responsibility, authority, and accountability to the appropriate levels. Governance principles include the following:
  - Management establishes reporting lines, with board oversight, of the development and performance of internal control
  - Individual accountability is in place for internal control responsibilities that support entity objectives
- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework stipulates control activities should be deployed through policies that establish what is expected and procedures that put policies into action.

Sources:
COSO Enterprise Risk Management: Establishing Effective Governance, Risk, and Compliance (GRC) Processes, Robert R Moeller
COSO: How the COSO Frameworks Can Help, James DeLoach and Jeff Thomson

- Board Resolution R2012-05-01 authorizes the Chair, Vice Chair, Secretary, General Manager, General Counsel, Deputy Treasurer, and Comptroller to settle Authority debts, obligations, and liabilities.
- UTA Policy 3.1.1 *Spending Authority* assigns the Comptroller the responsibility to develop procedures for disbursement guidelines and internal controls for issuance of funds for Petty Cash, Requisitions, P-Card Purchases and Monthly Statement Approval, and Other Disbursements. The Policy also assigns the Senior Supply Chain Manager the authority to purchase replacement inventory without obtaining authorizations otherwise required by the policy.
- UTA Policy 3.1.6 *Contracting Authority* states that "The Accounting Department will make payments as authorized by the Contract Administrator and Project Manager", as they relate to contract payments.

Condition:

- The scope, authority, and responsibility for the accounts payable process has not been clearly documented, including, but not limited to:
  - Due to the absence of a management policy establishing authority for AP, Board Resolution R2012-05-01 may be interpreted to allow any of the following employees the authority to make AP payments: Chair, Vice Chair, Secretary, General Manager, General Counsel, Treasurer, Deputy Treasurer, and Comptroller
  - The extent to which the Comptroller has the overall responsibility to assure that all payments follow disbursement guidelines and have valid and sufficient approval
  - Delineation of responsibilities between Accounting and Supply Chain for areas such as:
    - Follow up with vendors on invoice discrepancies
    - Vendor management maintenance issues
    - Maintaining an accurate vendor record without duplication

- UTA Policy 3.1.6 Contracting Authority only addresses contract related payments as authorized by the Contract Administrator and Project Manager, which does not include payments related to the following:

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  - Standard invoice payments
  - Non-project and/or non-grant related 2-way match invoice payments
  - Three-way match invoices
- UTA Policy 3.1.1 Spending Authority lacks clarity for the following:
  - The lowest documented approval authority is with the title "Manager". It is unclear whether the spending authority allows for Assistant Managers to approve any spending implicitly or through delegation of authority
  - Does not indicate the ability for approval authority to be delegated, such as in the event of an approver's absence
  - Does not define what constitutes sufficient documentation for approval
  - Does not identify repercussions for not following or enforcing the policy
  - Does not indicate whether approvers can approve disbursements for budgets that are not within their area of responsibility
- Accounting Policy ACC-008-101 identifies AP segregation of duties (SOD) by title and by employee name increasing the risk that the document becomes outdated more quickly due to change management. IA noted one employee no longer held the position as identified in the responsibility chart
- The responsibility chart, identified above, did not identify responsible parties for critical duties relating to AP such as, but not limited to, physical custody of checks, review of aged AP, as well as review and acceptance of manually approved (standard and 2-way match processes) invoices
- The current Accounting Policy Manual (APM) is not up to date or necessarily reflective of current accounts payable practices

Root/Cause Analysis:

- The AP process is broad and complicated. While the Accounts Payable department and Supply Chain play the most significant roles in the AP process, every department and business unit at UTA are stakeholders in the process
- Authority to perform accounts payable is not sufficiently defined by UTA policies

Effect:

- Unauthorized or invalid disbursements may not be prevented or detected
- Gaps in the AP control environment may not be identified and those identified may not be addressed
- Personnel may develop their own practices rather than to follow best practices
- Insufficient audit trail for disbursement approval

Recommendations

- Management should consider creating a single policy for spending and contracting authority that also addresses the following:
  - Defines the authority, responsibility, and scope of the accounts payable process in order to adequately assign the role and communicate that assignment throughout UTA
  - Clarifies the acceptable methods, if any, for the delegation of contracting and spending authority
  - Establishes what is required to sufficiently evidence approval related to the spending authority
- Management should perform a risk assessment to identify the key risks for the AP process and decide how to best design controls and assign responsibilities

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- Accounting should update the APM to reflect current AP practices and to address any gaps identified
- Accounting should consider removing individual's names from SOPs and using only job titles

Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	3/31/2019

Accounting understands and will start to create a policy that defines authority, delegation of duties, and controls to show evidence of proper approval of invoices. Accounting will update the APM to define these points and improve the identified controls in the AP process.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.

Final Status	**High**

Implemented:

- The Comptroller and Senior Supply Chain Manager created and distributed the Purchasing and Approval Guidelines Memo to assist responsible parties in using appropriate procurement methods and their respective payment approval processes
- Board Resolution R2012-05-01 was replaced by Board of Trustees Policy No. 2.2 Contract Authority and Procurement. This change more clearly delegates responsibility to carry out procurement related activity to the Chief Financial Officer
- Management updated the Accounting Policy Manual related to accounts payable segregation of duties

Areas of risk within the Accounts Payable Governance process remain, including:

- UTA Policies 3.1.1 Spending Authority and 3.1.6 Contracting Authority may be seen as in conflict as the Contracting Authority allows a contract originator the ability to delegate authority to approve invoice payments while the Spending Authority specifically requires an approval authority to be followed and being silent on designation of authority. The Spending Authority has not been revised to include guidance on delegation of authority, documentation of approval, repercussions for non-compliance, or approvals for areas outside of one's budget
- Although the Comptroller has issued a memo to provide guidance for some Accounts Payable payment processes, his authority to do so is unclear as it has not been established by Management through a policy or other delegation of authority

No Policy or standard operating procedure (SOP) has been implemented to address the following:

- Roles and responsibilities for vendor management is not clear between Accounting and Procurement as the process for approval, review, or monitoring of the vendor management system, including the process to add or change vendor data, has not been defined
- Assignment of overall responsibility to assure that all payments follow disbursement guidelines with valid and sufficient approval
- The minimum standards for making payments with and without a purchase order (PO)

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Recommendations:

- Assign ownership of disbursements with sufficient authority and accountability to develop a well-controlled process that meets UTA policy standards and legal requirements. Sufficient authority may include having the ability to direct all approvers in the organization to follow best practices and to reject requests that do not meet the standards set forth
- Assigned owner should perform a risk assessment of the accounts payable process, including vendor management:
  - Identify the critical risks to achieving management's objectives and assess the existing control environment to determine the most significant residual risk that should be addressed
- Based on the risk assessment results, the assigned owner of disbursements should amend the current process, including redesign as needed of procurement practices intended to convey disbursement approval, that assures a well-controlled system of payments with adequate approval and retention of evidence that controls are followed
- Management should review UTA Policies 3.1.1 and 3.1.6 to determine whether additional clarity and guidance is needed for delegation of invoice approvals

Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	12/31/2020

Accounting will work with Supply Chain to perform a risk assessment, redesign procurement and accounts payable practices to enhance internal controls, and clarify disbursement related policies (3.11, 3.16, and other related policies).

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, Phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete by April 30, 2020 and will include documentation of SOPs. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

2. General Invoice Processing

Preliminary Finding R-18-6-2	**High**

Criteria:
Executive Limitations Policy No. 2.2.1 "Asset Protection," states, "Assets of the Utah Transit Authority shall not be unprotected, inadequately maintained, or unnecessarily risked. Accordingly, the General Manager shall not:

1. Fail to protect against:
   a. Property and casualty losses;
   b. Public officials' errors and omissions and fiduciary liability;
   c. Theft and fraud;
   d. Loss of value, appearance, and utility of assets and

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e. Loss of or significant damage to intellectual property, systems, and records essential to the well-being of the Authority."

Condition:

- The following risks related to duplicate payments were noted:
  - Although there was some evidence that items within management reports, flagging potential duplicate AP payments, had been followed up on, there was not sufficient evidence demonstrating that all items had been reviewed
  - Even though there was a process to identify potential duplicate AP payments, there was no process to detect when an invoice was paid by AP and by another method such as a [redacted]
- Although vendor statements are periodically reviewed the process is not documented when performed

Root/Cause Analysis:

- Staff turn-over contributed to findings such as failure to review potential duplicates
- Acceptable methods to document vendor statement review have not been included in an SOP

Effect:

- Unauthorized or invalid disbursements, including duplicate payments, may not be or detected
- Invoices may not be processed or processed late because vendor statements may not be reviewed

Recommendations

- Management should design exception reports to identify possible duplicate payments and should implement a process to follow up on any such items
- Management should document retention requirements and minimum evidence of review for the vendor statement review process

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	11/30/2018

Accounting will include in its new policy, standards that define how an invoice number is entered in the financial system that already monitors duplicate numbers. Accounting will also release a memo to clarify and define when a check request is needed or when Procurement Card should be used, that will hopefully reduce the potential for duplicate payments. This step will assist in preventing duplicate payments enough to warrant dropping the AP Forensics system, which currently is monitoring for duplicate payments after the payment has been made.

Accounting will define a process to document the review of vendor statements, dissemination to interested departments, and retention standards for these documents.

Final Status	**High**

Implemented:
Accounts Payable Supervisor implemented a review of each item selected for payment against back up provided to confirm that the payment agreed to its support

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The following items represented risk identified during audit procedures:

- Although a review of invoices is performed for all batches being processed for payment, it does not include review of items paid in other batches or by other payment methods such as [redacted]
- Almost all utilities payments were paid directly by accounts payable without approval. For the 10 months ending 10/31/2019 IA identified over $9.85M in utilities related expenses
- Although a process was in place to track and report electricity and natural gas usage from bills paid, no review process could be identified that reviewed utilities' expenses for reasonability or reported flagged items for further research
- Management has not documented best practices or minimum standards expected in the vendor statement review process which may elevate the risk that it is not performed consistently

Test results:
For a sample of 25 items, 22 were not paid on time. The primary causes of late payments identified by management were:

- Invoices sent by vendors directly to other departments where they were held up
- Waiting for invoice approvals before processing

Recommendations:

- Accounts Payable should continue to pursue its proposed project for electronic workflow approval of invoices as well as adding the requirement of electronic receipt of invoices from vendors
- Management should develop an exception report to flag potential duplicate payments and perform a periodic review and investigation of flagged items
- UTA Management should perform a risk assessment for utilities payments to identify and measure the associated risks. For any risks deemed unacceptable Management should assign the authority and accountability to develop a controlled process to address these risks for utilities payments
- If Management's intention is to continue the practice of paying utilities invoices without approval, then the UTA Policy 3.1.1 should be revised or replaced to address utilities payments paid without approval
- Management should document the expectations and standards for the vendor statement review process as this would mitigate the risk that the process is inconsistent as well as facilitate training when staff turnover occurs

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

Accounting will work with Supply Chain to perform a risk assessment, redesign procurement and accounts payable practices to enhance internal controls, and clarify disbursement related policies (3.11, 3.16, and other related policies).

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, Phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete by April 30, 2020 and will include documentation of SOPs. Phase 2 will include automation tools to

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further improve accuracy and documentation and should be complete by December 31, 2020. Accounting will work with IT to develop A/P exception reports.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

3. Three Way Match Invoices

Preliminary Finding R-18-6-3	**High**

Criteria:
Three-way match validation is comprised of matching the following documents against each other for aspects such as specific items, quantities, and price per unit based on a negotiated agreement between UTA and its vendors:

- Vendor invoice
- A PO processed by the UTA Purchasing staff, based on an approved purchase requisition
- The receipt of goods recorded in JDE by the warehouse staff

Condition:

- Although a goods received but not vouchered (GRNV) report is available in JDE, a review thereof was not performed to identify potential missing invoices and unpaid vendors
- Exception testing of three-way match invoices revealed the following:
  - For 7 (out of 15) items sampled, the invoice was dated prior to the received or ordered date entered into JDE
  - For 1 (out of 15) item sampled, a different PO was used to pay the invoice than the one listed on the invoice
  - For 7 (out of 15) invoices tested, dates examined were not entered correctly in JDE
  - For 1 (out of 15) invoices tested, the price and quantity were greater than the two matched PO lines with the difference charged to inventory repair and repair parts
  - For 1 (out of 15) invoices tested no documentation could be found to support the payment
- Based on exception tests, 19 (out of 17,687) payment vouchers were noted to have vendor payments exceeding amounts receipted. 2 of the 19 items were selected for additional review and the following were noted:
  - For 1 item (out of 2) tested the invoice did not match the PO or received amount
  - For 1 item (out of 2) tested the PO did not match the invoice or received amount

Root/Cause Analysis:

- Human error
- For payments under $5,000, there is limited review of system information to the supporting documentation
- AP coordinators had the following capability in JDE:
  - Override the unit price or overall amount from the received price
  - Override the unit quantity of what was received

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- Add additional lines for freight and non-inventory items without any approval requirement

Effect:

- Missing invoices resulting in late payments may go undetected
- Payments may be made without being matched to the appropriate receiving document, resulting in overpayment to vendors
- Inventory may not be appropriately valued
- Audit trail for adjustments may not be complete
- Orders not following the expected process may result in unapproved orders placed with vendors and paid with UTA funds

Recommendations

- Management should review and, where appropriate, activate existing JDE AP system functionality that could be used to restrict users' abilities to perform actions that are currently controlled manually, such as, but not limited to:
  - Overriding the unit price or overall amount from the received price
  - Overriding the unit quantity from what was received
  - Adding additional lines for freight and non-inventory items without limitation of amount or any approval requirement
- Where system functionality cannot restrict users' abilities Accounting should implement a review of information entered by AP coordinators
- Management should implement a regular periodic review of GRNV, including documenting what the minimum level of review should include, how often it should be performed, and what evidence of review should be retained
- Decisions taken between AP staff and Procurement regarding invoices and POs should be documented and included with invoice payments where necessary, such as use of a different PO than that specified on the invoice
- Management should document the standard of review for AP payments including, but not limited to:
  - What reviewers should be checking for
  - What constitutes evidence of review
  - What, at a minimum, the reviewer is asserting by evidencing that their review is complete

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	3/31/2019

Accounting will research the ability to activate existing system controls within JDE, and where possible activate system controls to prevent overriding price and quantity. If system controls will not work, Accounting will define a subsequent control to monitor price and quantity changes.

Accounting will work with the Supply Chain to add segregation of duties controls for freight, and research other methods of paying these types of items. If new controls will not work, Accounting will define a subsequent control to monitor freight added to an invoice.

Accounting will include in the new AP policy a method and timeline for reviewing information entered by AP, receiving, and Supply Chain personnel along with other pertinent reports and balance sheet accounts (GRNV).

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Accounting will work with Supply Chain to document the new PO policy and define the most advantageous controls on PO and management approval to deviate from defined PO types.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.

Final Status	**Low**

Implemented:

- System tolerances have been implemented, which restrict AP coordinators from matching invoice unit quantities and prices for more than what was approved on the purchase order as well as restricts the ability to add additional PO lines outside the tolerance amounts
- A periodic review process of GRNV has been implemented to manage late paid invoices
- A process of reviewing all AP payment batches to invoice support was implemented by the AP Supervisor

A remaining area of risk identified for 3 way match invoice process in that Management is not able to assess the effectiveness of the automated tolerance control as no system report was available showing unit quantities and prices for items paid compared to the purchase order line items they were matched against.

Additionally, although evidence of a payment batch review process was noted, the minimum standard of the review as well as any assertions associated with completion of the review have not been clearly defined.

Recommendations:

- Management should develop a report to review payment information against purchase order information to confirm that system tolerances are functioning as intended
- Management should document the minimum standards and assertions for all review processes in order to assure consistency and clear understanding of roles and responsibilities for reviewers
- Although the implementation of a system PO tolerance control will reduce the number of exceptions, decisions taken between AP staff and Procurement regarding invoices and POs should be documented and included with invoice payments where necessary, such as use of a different PO than that specified on the invoice
- AP should notify Procurement management when invoices are dated prior to PO date as that could be an indication of non-compliance

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will include a process to document how exceptions were handled and ensure that reasons for changes made to invoices and related documents are noted. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs

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and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

The process to review AP related Balance Sheet accounts will also be documented and standards of review set forth. This will help to mitigate the risk surrounding the use of the system tolerance functions.

Accounting has several major projects underway (e.g. asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

4. Two Way Match Invoices

Preliminary Finding R-18-6-4	**High**

Criteria:
Two-way match validation is comprised of matching the following documents against each other for aspects such as specific services, items, quantities, and/or price per unit based on a negotiated agreement between UTA and its vendors:

- Vendor invoice
- A PO prepared by the UTA Purchasing staff and based on an approved purchase requisition
- The receipt of goods or services acknowledged via signed approval by an authorized approver on the invoice, as opposed to Warehouse staff entering receipt information into JDE

Condition:

- AP coordinators did not review the validity of invoice approval [redacted] to determine if they were in line with UTA Policy 3.1.1 Spending Authority or budgeting authority
- Although vendor statements are periodically reviewed the process is not documented when performed
- Testing of 2 way match invoices revealed the following:
  - For 2 (out the 4 tested) payments had amounts paid greater than the related amounts received
  - For 2 (out the 4 tested) payments, related invoices were not signed indicating approval

Root/Cause Analysis:

- Human error
- No tool was available to assist AP coordinators in determining if an approval [redacted] was appropriate or valid
- For payments under $5,000, there is limited review of system information to the supporting documentation
- Where system functionality cannot restrict users' abilities Accounting should implement a review of information entered by AP coordinators
- The following JDE AP system attributes represent added risk:

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- No restriction for users responsible for processing AP from overriding the unit price or overall amount from the received price
- Users responsible for processing AP can add additional lines for freight and non-inventory items without any approval requirement

Effect:

- Unauthorized or invalid disbursements, including duplicate payments, may not be prevented or detected
- Orders not following the expected process may result in unapproved orders placed with vendors and paid with UTA funds
- Although budget owners may note general ledger (GL) expenses outside of what was expected, the control is not sufficient to assure that all expenses are valid and appropriately accounted for
- Audit trail for adjustments may not be complete

Recommendation

- Management should consider implementing an electronic workflow system to automate the process of invoice approval. Alternatively, [redacted] should be provided to AP coordinators for all approvers to enable a review for validity [redacted]. If neither alternative is viable, management should communicate to all UTA employees that AP does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner
- Management should review and, where appropriate, activate existing JDE AP system functionality that could be used to restrict users' abilities to perform actions that are currently controlled manually, such as, but not limited to:
  - Overriding the unit price or overall amount from the received price
  - Adding additional lines for freight and non-inventory items without limitation of amount or any approval requirement
- Where system functionality cannot restrict users' abilities Accounting should implement a review of information entered by AP coordinators
- Decisions taken between AP staff and Procurement regarding invoices and POs should be documented and included with invoice payments where necessary, such as use of a different PO than that specified on the invoice
- Management should document the standard of review for AP Payments including, but not limited to:
  - What reviewers should be checking for
  - What constitutes evidence of review
  - What, at a minimum, the reviewer is asserting by evidencing that their review is complete

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	3/31/2019

Accounting is currently working with IT to research and implement an electronic workflow process of invoice approvals. Accounting believes this electronic routing will alleviate the need to monitor [redacted].

Accounting will research the ability to activate existing system controls within JDE, and where possible activate system controls to prevent overriding price and quantity. Where system controls are not possible Accounting will define a review process for information entered by AP staff. This will include setting standards for documentation and evidence of review.

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Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.

Final Status	**High**

Implemented:

- A process of reviewing all AP payment batches to invoice support was implemented by the AP Supervisor
- System tolerances have been implemented, which restrict AP coordinators from matching invoice unit quantities and prices for more than what was approved on the purchase order as well as restricts the ability to add additional PO lines outside the tolerance amounts

Significant risk still remains in the AP process when approvals are required for payment given that approvals are obtained in hard copy, for the most part. AP coordinators do not have adequate resources to review [redacted] for appropriateness or validity. Additionally, approval for disbursement may be sought from requisition initiators rather than approvers, resulting in the risk that goods delivered, or services rendered were not consistent with what was understood or intended when the requisition was approved.

As noted in the final status for the Three Way Match (finding 3 above), although there was evidence of a payment batch review process, the minimum standard of the review as well as any assertions associated with completion of the review have not been clearly defined.

Recommendations:

- Management should continue to pursue implementation of an electronic invoice approval workflow
- Until a viable electronic workflow can be implemented to replace [redacted], Management should establish standards for approvals [redacted]
- If neither alternative is viable, management should communicate to all UTA employees that the Accounts Payable department does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner
- Management should document the minimum standards and assertions for all review processes in order to assure consistency and clear understanding of roles and responsibilities for reviewers
- Although the system tolerances may reduce the need for decisions to be taken between AP and Procurement, wherever decisions are made between the two departments in how to address items that cannot follow the correct procurement process they should be clearly documented including who is giving the direction and why

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to

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document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

As we work to prepare these SOPs the standards for the review process, and documentation requirements will be defined for the process and exceptions to the defines process.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

5. Standard Invoices

Preliminary Finding R-18-6-5	**High**

Criteria:
Standard invoices are those that do not go through Procurement and do not have a related PO. They are signed by the approver and submitted to AP without any additional review or approval by management.

Condition:

- AP coordinators did not review the validity of invoice approval [redacted] to determine if they were in line with UTA Policy 3.1.1 Spending Authority or budgeting authority
- Although vendor statements were periodically reviewed the process was not documented when performed
- For 1 (of 25) standard invoice tested there was no evidence of approval and for 1 other invoice tested it was unclear whether the approval was valid
- The following risks related to duplicate payments were noted:
  - There was no process to detect when an invoice has been paid by AP as well as by a different method [redacted]
  - Although there was some evidence that items within management reports flagging potential duplicate AP payments had been followed up on, there was no sufficient evidence demonstrating that all items had been reviewed

Root/Cause Analysis:

- Human error
- No tool is available to assist AP coordinators in determining if an approval [redacted] is appropriate or valid
- For payments under $5,000, there is limited review of system information to the supporting documentation

Effect:

- Although budget owners may note general ledger (GL) expenses outside of what was expected the control is not sufficient to assure that expenses are valid and appropriately accounted for

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- Insufficient audit trail for disbursement approval

Recommendation

• Management should implement an electronic workflow system to automate the process of invoice approval. Alternatively, [redacted] should be provided to AP coordinators for all approvers to enable a review for validity [redacted]. If neither alternative is viable, management should communicate to all UTA employees that AP does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner
• Management should document the standard of review for AP Payments including, but not limited to:
  o What reviewers should be checking for
  o What constitutes evidence of review
  o What, at a minimum, the reviewer is asserting by evidencing that their review is complete

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	3/31/2019

Accounting is currently working with IT to research and implement an electronic workflow process of invoice approvals. Accounting believes this electronic routing will alleviate the need to monitor [redacted].

Accounting will research the ability to activate existing system controls within JDE, and where possible activate system controls to prevent overriding price and quantity. Where system controls are not possible Accounting will define a review process for information entered by AP staff. This will include setting standards for documentation and evidence of review.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.

Final Status	**High**

Implemented:
Accounts Payable Supervisor implemented a review of each item selected for payment against back up provided to confirm that the payment agreed to its support

- Significant risk remains in the standard invoice process when approvals are required for payment given that approvals are obtained in hard copy, for the most part. AP coordinators do not have adequate resources [redacted]
- The standard invoice process allows circumvention of spending controls for purchase orders
- Although a review of invoices is performed for all batches being processed for payment, it does not include review of items paid in other batches or by other payment [redacted], due to standard invoice processing. Nor does Management have a report to flag potential duplicate payments within the accounts payable process for further investigation

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Testing of 25 standard invoices revealed:

- 16 items tested did not have evidence of approval in line with UTA Policy 3.1.1 Spending Authority
- 1 item had a delegated approval which was not explicitly authorized by UTA Policy 3.1.1 Spending Authority
- 1 item was approved as required by the Executive Director but was lacking other approvals required by UTA Policy 3.1.1 Spending Authority
- 8 items were identified as requiring Board approval and of those, 3 did not have evidence of Board approval

For the 16 items without evidence of management approval, IA noted that 12 of those items were related to payments for benefits vendors totaling more than $3.5M. Additional review of the these items revealed that they went outside the standard accounts payable process in a longstanding practice for which no review or approval of the underlying calculation or final payment was obtained. Furthermore, the calculation of the payment was performed by the same staff who created the payment, which elevated the risk of errors not being prevented or detected.

Recommendations:

- Accounts Payable should define acceptable use, if any, for the standard invoice process. Controls should be implemented to assure that payments have been appropriately approved and the process is not being used to circumvent the use of a purchase order. Furthermore, Accounts Payable should reject requests for standard invoice payment that do not meet acceptable use
- Management should identify the responsible party for benefits vendor payments being made through the alternative accounts payable process and determine whether to require approval in line with UTA Policy 3.1.1 Spending Authority or document exceptions to the policy, as needed
- Management should continue to pursue implementation of an electronic invoice approval workflow
- Until a viable electronic workflow can be implemented to replace [redacted], Management should establish standards for approvals [redacted]) to enable a review for validity [redacted], or email approvals
- If neither alternative is viable, management should communicate to all UTA employees that the Accounts Payable department does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner
- Management should develop an exception report to flag potential duplicate payments and perform a periodic review and investigation of flagged items

Management Agreement	Owner	Target Completion Date
Yes	Chief Financial Officer	12/31/2020

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

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As we work to prepare these SOPs the standards for the review process will be defined. We will also work to define standards for using this payment option.

Management will perform a risk assessment related to benefit vendors and duplicate payments, and then determine the best course of action to mitigate risk.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

6. Vendor Payments

Preliminary Finding R-18-6-6	**High**

Criteria:
Executive Limitations Policy No. 2.2.1 "Asset Protection," states, "Assets of the Utah Transit Authority shall not be unprotected, inadequately maintained, or unnecessarily risked. Accordingly, the General Manager shall not:

1. Fail to protect against:
   a. Property and casualty losses;
   b. Public officials' errors and omissions and fiduciary liability;
   c. Theft and fraud;
   d. Loss of value, appearance, and utility of assets and
   e. Loss of or significant damage to intellectual property, systems, and records essential to the well-being of the Authority."

Condition:

- During the assessment IA noted the following segregation of duties issues related to paying vendors:
  - AP coordinators entered invoices and had physical custody of checks, including all checks under $5,000, which may receive only limited review
  - Check requesters may have received checks for further delivery
- There was no process to assure that vendor credits were taken timely, or at all, or that a refund was requested if the credit was not likely to be used
- IA identified over 1,600 invoice payments (out of over 34,000), by exception testing, for which the paid date was 90 days past the due date. Twenty-five invoices were selected for further testing. IA noted the following:
  - 24 (out of 25) were confirmed to not have been paid by the due date
  - 7 (out of 25) had payment terms in the system that differed from the invoice
  - 2 (out of 25) had the incorrect invoice date entered into the system
  - 1 (out of 25) did not have a scanned copy on file

Root/Cause Analysis:

- Lack of resources to adequately segregate duties
- There was no review of GRNV

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- There was no review of Accounts Payable Aging reports
- Until April of 2018, there was no practice to date stamp invoices when received, making it difficult to identify the underlying cause for late payments
- Payment terms on invoices may conflict with terms on UTA contracts or terms may have been entered into the system incorrectly

Effect:

- Unpaid or missing invoices may go undetected leading to late payments, resulting in strained relationships with vendors
- Unpaid invoices entered into the system may not be appropriately identified for follow up leading to late payments, resulting in strained relationships with vendors
- Credits may not be taken timely or at all, resulting in financial loss to UTA
- Where inadequate SOD exists there is an increased risk of errors and fraud not being prevented or detected

Recommendations

- Management should segregate duties, wherever possible to ensure that individuals responsible for requesting or creating payments do not have physical custody to the related check.
- Management should document the standard of review for AP Payments including, but not limited to:
  - What reviewers should be checking for
  - What constitutes evidence of review
  - What, at a minimum, the reviewer is asserting by evidencing that their review is complete
- Management should implement a regular periodic review of GRNV, including documenting what the minimum level of review should include, how often it should be performed, and what evidence of review should be retained
- Management should implement a regular periodic review of Accounts Payable Aging reports, including documenting what the minimum level of review should include, how often it should be performed, and what evidence of review should be retained
- Management should develop and document a system of tracking vendor credits and ensuring they are used to offset existing payments or otherwise remitted to UTA
- Management should document the responsibilities of departments and business units versus AP in the AP process and how best to communicate those responsibilities across the organization
- Management should continue the practice of date stamping invoices when they are received by the Accounts Payable Department

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	3/31/2019

Accounting will create new policies that identifies controls concerning vendor management and segregation of check cutting. This will include defining who has access to checks, printing of checks, and who can create or change vendor information. This will also define the qualifications for a vendor to ensure accuracy of the vendor list and 1099 reporting.

Accounting will define a process for documenting the review of the AP aging report and GRNV and set standards detailing what and when the reviewer should be looking at these documents.

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Once the AP policies and existing procedures are updated with all changes Accounting will publish the policy/procedures to communicate responsibilities throughout the organization.

Final Status	**Medium**

Implemented:

- A process for reviewing all AP payment batches to invoice support was implemented by the AP Supervisor
- The AP supervisor performs a review of overdue items in the system through a dashboard report, which reduces the risk of late payments and unused credits
- The AP supervisor performs periodic review of GRNV which also reduces the risk of late payments and unused credits
- Comptroller issued memo guidance to responsible parties throughout UTA on the responsibilities of departments and business units versus AP in the AP process and how best to communicate those responsibilities across the organization

Areas of risk include:

- Positive pay files are generated and sent to the bank by the approver of pay batches
- [redacted]
- Parties responsible for generating and sending of positive pay files also have access to check stock as well as ability to print checks
- Checks are not kept secure through the process of printing up to being picked up by the post office
- Checks distributed directly to employees are not tracked
- Checks are not physically tracked to determine if any may be lost or missing during the process of matching to backup, putting into envelopes, posting, and waiting for pick up
- Minimum review standard as well as any assertions associated with completion of the review have not been clearly defined
- Vendor credits are identified in the AP aging review, however, they are typically left unused until they can be used against a valid invoice regardless of whether that is a certainty

Recommendations:

- Management should pursue electronic receiving of invoices by vendors
- Management should communicate to UTA vendors and staff that all invoices should be sent directly to Accounts Payable by the vendor to reduce the risk of lost, delayed, or forgotten invoices
- Management should include physical checks in its risk assessment process and implement controls to address unacceptable risks
- Management should document the minimum standards and assertions for all review processes in order to assure consistency and clear understanding of roles and responsibilities for reviewers
- Management should develop and document a system of tracking vendor credits and ensuring they are used to offset existing payments or used to obtain refunds in a timely manner
- Management should continue the practice of date stamping invoices when they are received by the Accounts Payable Department

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Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

As we work to prepare these SOPs the process for submitting invoices to AP will be defined, including that invoices should be submitted to AP electronically by the vendors, and defining the standards and assertions for the review process.

Management will perform a risk assessment related to custody of physical checks and the positive pay file, and then determine the best course of action to mitigate risk.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

7. Employee Reimbursement

Preliminary Finding R-18-6-7	**High**

Criteria:

- UTA Policy No. 3.1.1 Spending Authority outlines the minimum required approvals for disbursements
- UTA Policy No. 1.1.8 UTA Travel and Reimbursement states: "Advances are discouraged but may be made with approval from the employee's Chief Officer".

Condition:

- AP coordinators do not review the validity of invoice approval [redacted] to determine if they were in line with UTA Policy 3.1.1 Spending Authority or budgeting authority
- IA judgmentally selected 10 reimbursements for additional review based on overall amounts and frequency by employee and noted the following:
  - For 5 (of 10) reimbursements IA could not [redacted] for appropriateness of approval for employee reimbursement
  - For 2 (of 10) IA noted that they were for cash advances which were not approved by the Executive, as required by Corp Policy 1.1.8 Travel and Reimbursement

Root/Cause Analysis:

- No tool is available to assist AP coordinators in determining if an approval [redacted] is appropriate or valid
- Staff may not have been aware of the cash advance Chief Officer approval requirement

APPENDIX 1

Effect:
Invalid or inappropriate employee reimbursements may not be prevented or detected

Recommendation

- Management should implement an electronic workflow system to automate the process of employee reimbursement approval. [redacted] If neither alternative is viable, management should communicate to all UTA employees that AP does not assess validity of employee reimbursement approvals and responsibility to ensure that spending is appropriate rest with each budget owner
- Management should redesign the employee reimbursement form to clarify the requirement of Executive Officer approval requirement for cash advance
- Management should implement a review of submitted employee reimbursement forms including:
  - Identifying the appropriate level of the review
  - Documenting the standard of the review
  - Establishing what constitutes evidence of review and what is being attested to by the reviewer when a review is evidenced as completed

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	3/31/2019

Accounting will work to develop an employee reimbursement form in Laserfiche to allow for an electronic workflow. The workflow will be defined to include appropriate approval levels for travel and appropriate approvals and monitoring for cash advances for each reimbursement type.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe March 31, 2019 is a more realistic date to complete the work.

Final Status	**High**

Significant risk remains in [redacted] for employee reimbursements being accepted but not authenticated.

Recommendations:

- Management should continue to pursue implementation of an electronic invoice approval workflow
- Until a viable electronic workflow can be implemented to [redacted], Management should establish standards for approvals [redacted] to enable a review for validity [redacted]
- If neither alternative is viable, management should communicate to all UTA employees that the Accounts Payable department does not assess validity of invoice approvals and responsibility to ensure that spending is appropriate rests with each budget owner
- Management should develop an exception report to flag potential duplicate payments and perform a period review and investigation of flagged items

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- Management should redesign the employee reimbursement form to clarify the requirement of Executive Officer approval requirement for cash advance
- Management should document the level of review of submitted employee reimbursement forms including:
  - Identifying the appropriate level of the review
  - Establishing what constitutes evidence of review and what is being attested to by the reviewer when a review is evidenced as completed

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

An electronic workflow is being created to facilitate proper documentation of approvals. This workflow will be implemented in at least 2 phases, phase 1 will include an electronic workflow to document approvals and generally track invoice processing. This first phase will be complete and will include documentation of SOPs and will be complete by April 30, 2020. Phase 2 will include automation tools to further improve accuracy and documentation and should be complete by December 31, 2020.

The travel policy is currently under review. Once it is finalized the SOPs surrounding employee reimbursements will be updated accordingly.

Management will perform a risk assessment related to duplicate payments, and then determine the best course of action to mitigate risk.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

8. Vendor Management

Preliminary Finding R-18-6-8	**Medium**

Criteria:
Executive Limitations Policy No. 2.2.1 “Asset Protection,” states, “Assets of the Utah Transit Authority shall not be unprotected, inadequately maintained, or unnecessarily risked. Accordingly, the General Manager shall not:

1. Fail to protect against:
   a. Property and casualty losses;
   b. Public officials’ errors and omissions and fiduciary liability;
   c. Theft and fraud;
   d. Loss of value, appearance, and utility of assets and
   e. Loss of or significant damage to intellectual property, systems, and records essential to the well-being of the Authority.”

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Condition:

- No review or approval was in place for vendors added to the system. Although a report was identified to enable review of quarterly changes to vendor information it was not being reviewed
- Quarterly user access review performed by the ERP Admin did not include a review of users with vendor management rights in JDE
- Although inactive vendors were periodically identified and their status was changed to "inactive" there was no formal process in place to periodically identify obsolete or unused vendors nor was there a preventative control to stop duplicate vendors from being added
- Two SOD issues were also noted:
  - Contract Buyer had ability to add/edit vendors, which conflicted with ability to create POs
  - Accounting ERP Admin had ability to add/edit vendors, which conflicted with responsibility to review changes to vendor information. Additionally, Accounting ERP Admin has extensive rights and abilities in the Accounting System, and thus, represents a unique risk
- The following issues were identified during review of vendor records:
  - 9 current employees were found to have a vendor as well as an employee record
  - 129 vendors were identified in the system with names that matched or closely matched another vendor and for the 13 selected for additional review, 6 were identified to be duplicates vendors who had received payment during the period
  - 37 vendor records contained the same address as at least one other vendor record
  - 3 vendor records were identified with empty address fields with one of those records containing an address in the vendor name field
  - 6 vendor records had UTA's listed address as the vendor's address
- The following issues were identified during review of supplier records:
  - 925 were identified as having no tax ID
  - 3 were identified with invalid tax IDs (wrong format)

Root/Cause Analysis:

- Assigned responsibilities for vendor management have not been documented. Two departments have the ability to add and edit vendors in the system, contributing to the lack of clarity regarding ultimate responsibility
- The report of changes to vendor information was deemed too large to adequately review
- Supply Chain has assigned the buyer to have vendor management responsibilities due to a lack of additional available personnel

Effect:

- Invalid or inappropriate vendors and/or vendor details may not be prevented or detected
- Invalid or inappropriate payments may not be prevented or detected
- UTA may not be able to fulfill its responsibilities to accurately report vendor tax information to the Federal Government
- UTA may not be able to adequately report tax information to vendors

Recommendations

- Management should implement a review process for new vendors and changes to vendor details
- Management should require inclusion of users with vendor management rights in JDE in the ERP Admin's quarterly access review
- Management should formalize the review of changes to the vendor database including:

APPENDIX 1

- Assigning the review to the appropriate level of supervision, preferably to a user who does not also have access to make additions/edits/deletions to the vendor Masterfile
- Identifying the critical exceptions to be included as part of the review and excluding items that present little or no risk

- Management should consider supervisory monitoring controls for vendor changes from users with identified SOD issues
- Management should document when Tax IDs are required and when they may not be required
- Management should continue to review vendor records and deactivate or remove duplicate as well as inactive vendors

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	6/30/2019

Accounting will work with the Accounting ERP System Tech to streamline and set more appropriate controls for vendor management. Accounting will also define and set standards for proper documentation when creating or changing vendor information. Accounting will research segregating the vendor file into areas of control for UTA (employees, solicitation vendors and vendors), which will ensure the growth of these records are being monitored by the correct group (HR, Supply Chain, Accounting) as to the growth and duplication of vendors in the system. Those groups would be responsible for managing their own records according to their own needs.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe June 30, 2019 is a more realistic date to complete the work.

Final Status	**Medium**

Implemented:
Vendor name changes now require supervisor review and approval in the ERP system

Areas of risk remaining include:

- Vendor fields such as banking and address information did not require approval in the system
- No report was obtained from the ERP system to periodically review changes or additions to vendor records
- Personnel responsible for monitoring vendor record changes also had access to make additions and changes
- Although there was a monitoring process in place for monitoring vendor record changes, no evidence of review was retained
- The monitoring process for vendor changes did not include vendor data changes made by the authorized staff
- Supply Chain personnel had abilities to create vendors, change vendor information, and create purchase orders, which is a SOD risk

Recommendations:

- Management should implement further system controls where appropriate over critical vendor fields e.g. banking and address information

APPENDIX 1

- Monitoring software should be further refined to better report on changes to critical vendor information

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	12/31/2020

System controls and a review process will be implemented in order to ensure vendor management best practices.

Accounting has several major projects underway (e.g., asset records update) as well as other internal audit matters to complete by the end of the year. While we would like to complete these corrective actions within a shorter time frame, I believe December 31, 2020 is a more realistic date to complete the work.

APPENDIX 2

RATING MATRIX

DETAILED FINDING PRIORITY RATING

Descriptor	Guide
High	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
Medium	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
Low	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.
Implemented	Management action has been taken to address the risk(s) noted in the audit finding.

APPENDIX 3

DISTRIBUTION LIST			
Name	**For Action[1]**	**For Information**	**Reviewed prior to release**
Executive Director	*		*
Chief Financial Officer	*		*
Comptroller	*		*
Accounts Payable Supervisor	*		*
Senior Supply Chain Manager		*	

[1]For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding.