
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Audit of Finance Department
Purchasing Catalog Management System
Project No. AU17-008
March 28, 2018

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Finance Department (Finance), specifically the Purchasing Catalog Management System. The audit objective, conclusion, and recommendations follow:

Determine if the Catalog Management System, Vrooz, is effective in support of the City's procurement process and functioning in accordance with City Administrative policies.

The Catalog Management System, Vrooz, is effective in support of the City's procurement process and functioning in accordance with City Administrative policies. The Purchasing Division (Purchasing) had controls in place to ensure catalog pricing was accurate and adequate training was provided to staff. In addition, user access within the Vrooz system was adequate and the system data was properly secured. However, we did note one area that needs improvement. Purchasing did not have adequate controls in place to ensure Vrooz Inc. invoices were accurate which resulted in duplicate payments in 2 out of 10 monthly invoices reviewed.

We recommend the Finance Department implement controls within the payment process to ensure Vrooz Inc. invoices are reviewed for accuracy by Purchasing and ensure controls are followed to prevent duplicate payments.

Finance Department Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 6.

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Background

The Purchasing Division (Purchasing) of the Finance Department provides support to all City departments on every aspect of procurements, from the development of solicitation documents to contract administration. All procurement of goods and non-professional services are routed to Purchasing via an electronic catalog system.

To accomplish procurement workflow, Purchasing uses an electronic catalog system in conjunction with its electronic procurement system. Electronic catalogs increase visibility of contract items which in turn increases the use of established contracts that reflect volume pricing. In April 2016, an ordinance was passed authorizing a contract with Vroozi, Inc. to provide the City with an integrated vendor hosted electronic catalog management system solution for an amount not to exceed \$994,000.

In December 2016, the City implemented a smartOCI¹ Vroozi system and made it available for use by all City employees involved with procurement of goods. The Vroozi system provides City staff with a universal catalog content view of all goods and services available through the electronic catalog as well as enhanced filtering and search capabilities. In addition, Vroozi leverages the City's investment in the SAP software platform and creates a more efficient catalog solution for both the City and its suppliers and eliminates the need for voluminous paper catalogs. Currently, Vroozi system maintains four vendor catalogs with approximately 152,000 items and 608 purchasing catalogs with 226,353 items. These catalogs are maintained by Buyers and Procurement Managers who are responsible for populating and monitoring items in the system.

¹ smartOCI – a web-based content management system and catalog search engine

Audit Scope and Methodology

The audit scope included Vrooz's implementation date of December 2016 through October 2017, including operational processes, system security and user access.

We interviewed the Purchasing Division Administrator and staff to obtain an understanding of the Vrooz system and how it was incorporated into the procurement process. In addition, we spoke to the Finance Department Fiscal Administrator to discuss the payment process related to Vrooz Inc. service payments.

We reviewed the operational processes and related controls in place to verify the Vrooz system was sufficiently supporting the City's procurement process. Specifically, we tested their compliance reviews to verify catalog prices were accurate and price changes were being performed in the system. In addition, we verified adequate training was provided to the various users of the Vrooz system. Finally, we tested invoices from Vrooz Inc. to verify they were accurate, supported and approved.

We reviewed compliance with managing user access in the Vrooz system as it pertains to the relevant information technology Administrative Directive 7.8D Access Control.

We tested the application controls within the Vrooz system. Specifically, we tested the automation of data that is transferred from SAP to the Vrooz system to verify the input data was complete and accurate. In addition, we verified proper security was installed to ensure the data was secure when being transferred from SAP to Vrooz.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Recommendations

A. Accurate Catalog Pricing

The Purchasing Division (Purchasing) is adequately monitoring the pricing of items in the catalog management system. Purchasing has staff assigned to monitor contract pricing on a continuous basis. They perform pricing reviews on new contracts as well as existing contracts in the Vrooz system.

We tested 25 contract pricing reviews and confirmed they were being performed on a continuous basis and pricing errors discovered during the review were properly corrected.

Recommendations

None.

B. User Access and System Security

Purchasing adequately managed user access to the Vrooz system. We tested all 50 users setup in the Vrooz system and confirmed they have user access consistent with their job function.

In addition, we confirmed the security setting within the Vrooz system was adequate to protect the data being transferred from SAP to Vrooz and from Vrooz to catalog vendors.

Recommendations

None.

C. Vrooz Service Payments

Purchasing does not verify the accuracy of invoices prior to payment. The City is billed based on the number of users of the system. We determined invoices are not reconciled to actual users being billed for the month. In addition, we noted 2 out of 10 invoices were paid twice. Vrooz Inc. invoiced the City twice for July and August for the same service which resulted in a \$22,089 overpayment. During this audit, Finance requested and received credit for the duplicate payments.

According to A.D. 1.6-Purchasing Procedures, end user departments are responsible for the inspection and receipt of goods or services purchased.

Purchasing does not have adequate controls to verify Vroozii service payments are accurate. Specifically, they don't validate the number of users being invoiced and the Finance Department did not review for monthly invoices already paid.

Recommendations

The Finance Department Director implement controls within the payment process to ensure Vroozii Inc. invoices are reviewed for accuracy by Purchasing and ensure controls are followed to prevent duplicate payments.

Appendix A – Staff Acknowledgement

Buddy Vargas, CIA, CFE, Audit Manager
Danny Zuniga, CPA, CIA, Auditor in Charge
Nastasha Leach, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

March 5, 2018

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for Audit of Finance Department Purchasing Catalog Management System

Finance Department has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
C	Vrooz Service Payments The Finance Department Director should implement controls within the payment process to ensure Vrooz Inc. invoices are reviewed for accuracy by Purchasing and ensure controls are followed to prevent duplicate payments.	3	Accept	Norbert Dziuk	Completed


Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan:</p> <p>The City has controls in place that require a three way match of the Purchase Order (PO), goods receipt (GR), and invoice amounts in order to complete an expenditure transaction and post for payment. Departments create a PO in the City's system of record, SAP, upon contract award that details out the terms; and enter GRs as activity occurs against the value of the PO contract. Vendors simultaneously submit invoices to Accounts Payable and/or departments to process payment. The City further has a monthly expenditure budget to actual review process in place where variances are analyzed for reasonableness and accuracy. Both of these controls were in place and operating effectively.</p> <p>However, in this instance when Procurement reviewed the original invoices for July and August 2017 and requested Vrooz to revise the invoices and resubmit to accurately reflect expenditures incurred, the original invoices were not rejected in the system. Furthermore, when Vrooz resubmitted the invoices they renumbered them. As a result, Finance processed GRs for all four invoices resulting in the double payment for July and August 2017. This double payment was subsequently identified by Finance staff during the monthly expenditure budget review. Staff worked with Vrooz to recover the duplicate payment.</p> <p>In order to strengthen controls surrounding this contract, an internal process has been implemented requiring all Vrooz invoices to be reviewed by the Procurement Operations Lead prior to processing for payment. Reviews will include the validation of invoiced period, invoiced quantities and line item pricing to ensure compliance with contracted rates. In addition, the City will extract the number of active shopper roles active in SAP as of the first of every month and forward to Vrooz for invoicing in accordance with Amendment 1 to the contract.</p>				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,


 Troy Elliott, CPA
 Deputy Chief Financial Officer
 Finance Department

3/6/18
 Date


 Ben Gorzell, Jr., CPA
 Chief Financial Officer
 City Manager's Office

3/21/18
 Date