City of San Antonio

Legislation Details (With Text)

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On agenda:	10/20/2015
Title:	AU14-014 Audit of Finance Department Vendor Master File & Disbursements
Sponsors:	
Indexes:	
Code sections:	
Attachments:	1. AU14-014 Finance Dept - Vendor Master File Disbursements

Date	Ver.	Action By	Action	Result

AUDIT COMMITTEE SUMMARY
October 20, 2015
Audit of the Finance Department
Vendor Master File & Disbursements
Report Issued September 29, 2015

Background

The Finance department's Financial Operations division is responsible for creating and maintaining the City's Vendor Master File (VMF). The VMF is a listing in the SAP system of all approved vendors from whom the City purchases goods and services. A vendor's existence in the SAP system file allows purchase orders to be issued and checks to be disbursed to approved vendors.

The City's vendor master file has four different vendor types:
- **Trade vendors** are procurement vendors who have been awarded a contract. Additionally, they can be a one-time payment or non-purchase order payment vendor for which there is no contract.
- **Employee vendors** are City employees who receive reimbursement for travel or other out of pocket expenses.
- **Remit vendors** are created when trade vendors request an alternate remit or payee address record; they should be linked to the associated Trade vendor number.
- **Payroll vendors** are third party vendors whose payments are processed through employee payroll deductions for payments such as IRS levy's or workman's compensation payments.

Vendor Type	No. of Records
Trade	45,452
Employee	15,463
Remit	4,658
Payroll	500

Total	66,073

As of September 17, 2014, the Vendor Master
File contained 66,073 records made up of the
four different vendor types:

Audit Objective

Determine if proper internal controls are place to ensure the City's Vendor Master File is reliable and payments are made only to authorized and approved vendors.

Audit Scope & Methodology

The audit scope included vendor records and types listed in the vendor master file as September 2014. Additionally, payments issued to vendors during fiscal year 2014 were also reviewed.

Our methodology consisted of conducting interviews and walkthroughs with key personnel and reviews of related City Administrative Directives and standard department forms as criteria for our test work. We also used data analytics software to analyze the vendor data to evaluate whether the data in the vendor master file was complete and accurate.

Audit Conclusion

Overall, internal controls need improvement to ensure the City's Vendor Master File is reliable and payments are made only to authorized and approved vendors.

Financial Operations has made improvements to the Vendor Master File (VMF) since inheriting the creation and maintenance of vendor records. Although we did not note any material financial/operational impact, we did identify the following internal control processes where improvement is needed:

- New vendor records are not consistently created with complete and accurate information in the VMF and documentation is not always kept on file to support the creation of new vendor records.

- The VMF contains duplicate vendor records, vendors with incomplete data, and inactive vendors. Additionally, the VMF also includes active one-time use vendors that remain in and unnecessarily populate the VMF once payment is made.

- Authorization for access is not consistently documented. Additionally, some user's access roles are not appropriate for their current job responsibilities and some lack proper segregation of duties.

Finance Management agreed with our observations and developed a positive action plan to address each one.