



AUDIT REPORT



DATE May 30, 2018

NO. 2018-002

ACCOUNTS PAYABLE VENDOR MASTER FILE

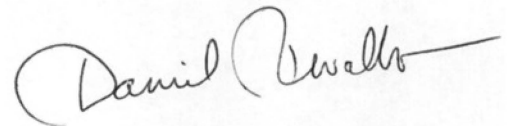
INTERNAL AUDIT DIVISION
ROGER D. EATON
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
CHARLOTTE COUNTY FLORIDA

Honorable Roger D. Eaton
Charlotte County Clerk of the Circuit Court and Comptroller
350 East Marion Avenue
Punta Gorda, Florida 33950

We have completed an audit of the Accounts Payable Vendor Master File. The purpose of this audit was to verify that adequate controls exist and are operating effectively over the setup and maintenance of vendors in the Accounts Payable Vendor Master File.

The report details the current control environment and includes our comments and recommendations. Management responses have been included and immediately follow the audit report.

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel Revallo". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Daniel Revallo
Internal Audit Director

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EXECUTIVE SUMMARY

We reviewed the Eden System's Comptroller and Board of County Commissioners Vendor Master Report of the Accounts Payable system. The Vendor File in the Eden System appears to be adequate, with some minor ongoing maintenance of vendors needed. Our review noted the following;

- Employee information tested against vendor transactions produced satisfactory results.
- While potentially duplicate vendors were identified, it appears a primary vendor is mostly used.
- The Comptroller's office owns the process, reducing duplication of efforts with Purchasing.

During our review, we identified the following results;

- **We recommend** the Comptroller Division evaluate employee access to both Board and Comptroller vendors to ensure this authority is as limited as possible.
- **We recommend** the Comptroller Division review the 1099 report at least quarterly to ensure proper maintenance of accounts and proper reporting of 1099's to the IRS.
- **We recommend** the Comptroller Division review vendors with the same address to ensure proper maintenance of accounts.
- **We recommend** the Comptroller Division review vendor activity to determine whether it is necessary to purge or inactivate vendors to maintain a proper active vendor database.
- **We recommend** Comptroller Management update documented procedures for vendor management to ensure proper maintenance of the vendor master file.

We appreciate the assistance offered by the Comptroller's Division and County Purchasing Division during the course of this review.

BACKGROUND

Charlotte County Code of Laws and Ordinances Chapter 1-2 – Administration Article VI Procurement Code provides the Purchasing Department with authority to make purchase commitments for the Board of County Commissioners and their employees. Departments must submit purchase requisitions to the Purchasing Department to request the procurement of needed goods or services. Departments may select the vendors for purchases of less than \$5,000, but all vendors must submit an application prior to doing business with the County. The application is reviewed before entering the vendor into the master vendor file in the Eden Financial System. The Purchasing Department submits a purchase order to the vendor after they have been approved and entered into the system.

The vendor file also contains the names and addresses of payees for which purchase requisitions are not required (e.g. professional association dues, Charlotte County Utility refunds, employee travel expense reimbursements, etc.) The Clerk of the Circuit Court Comptroller Division enters payees into the vendor file when processing their payments.

AUDIT OBJECTIVE

The purpose of this audit was to determine whether controls are in place to ensure that only authorized payees are entered into the Vendor File and that procedures exist to purge the file of inactive accounts.

SCOPE AND METHODOLOGY

The scope of the audit included the Board of County Commissioners vendor file as of October 2017 and the Comptroller vendor file as of the same period. Both files were imported into IDEA, an audit software program and merged with an employee database and a series of validation tests were performed to determine the following:

- Vendors with the same Tax ID numbers
- Vendors with the same address
- Vendors with employee Tax ID numbers
- Vendors with employee addresses

We obtained reports from Clerk IT identifying employees with access to add, update and delete vendors and vendor information for review of adequate control. We reviewed the activity of vendors to determine whether they should be made inactive or purged from the system, as some vendors were migrated to the Eden Financial System with no history of activity.

COMMENTS AND RECOMMENDATIONS

- 1. Multiple employees have access to add and update vendors, possibly resulting in duplication and errors.**

3 Comptroller employees have access to add, update and delete Comptroller Vendors

5 Comptroller employees, one purchasing employee, and one risk management employee have access to add, update and delete BOCC Vendors, except the purchasing employee cannot delete BOCC vendors.

Limiting the authority to add or update vendors to as few employees as possible ensures vendor maintenance controls are adequate. As it stands, there is minimal active oversight for vendor maintenance, resulting in a number of employees making vendor additions and changes.

We recommend the Comptroller Division evaluate employee access to both sets of vendors to ensure this authority is as limited as possible.

2. Potential duplicate vendor accounts were identified by having the same Tax Identification Number.

Comptroller Vendors

Overall 1,266 active Comptroller vendors in the Eden Financial System had TINs.

- 14 of 41 vendors on the Comptroller’s vendor 1099 report for 2017 had the same TIN for multiple vendors.
- 1 Comptroller vendor had an incorrect TIN # on the 1099 report.
- It appears that any annual review performed does not address duplicate vendors, because a review of the 2016 Comptroller Vendor 1099 report showed of 56 vendors, **15 on that report continue to have the same TIN for multiple vendors in the EDEN Financial System.**

Board of County Commissioner Vendors

Overall 7,905 active BOCC vendors in the Eden Financial System had TINs.

- 10 of 256 vendors on the Board of County Commissioner’s vendor 1099 report for 2017 had the same TIN for multiple vendors.
- 1 Board of County Commissioners vendor did not have a TIN on the 1099 report.
- It appears that any annual review performed does not address duplicate vendors, because a review of the 2016 Board of County Commissioners 1099 report showed of 231 vendors, **10 on that report continue to have the same TIN for multiple vendors in the EDEN Financial System.**

Inadequate maintenance of the vendors may result in non-reporting or underreporting of 1099’s to the IRS, which could result in fines and penalties.

We recommend the Comptroller Division review the 1099 report at least quarterly to ensure proper maintenance of accounts and proper reporting of 1099’s to the IRS.

3. Potential duplicate vendor accounts were identified by having the same address.

Comptroller Vendors

7,656 had addresses that were the same for at least two vendors.

- 10 vendors noted above appeared on the 1099 report.

Addresses aren’t as critical as TINs, as multiple businesses may be run from the same address. Still, these vendors should be reviewed for reasonableness, with the results of these reviews entered under vendor comments.

BOCC Vendors

5,489 had addresses that were the same for at least two vendors.

- 13 vendors noted above appeared on the 1099 report.

Addresses aren't as critical as TINs, as multiple businesses may be run from the same address. Still, these vendors should be reviewed for reasonableness, with the results of these reviews entered under vendor comments.

We recommend the Comptroller Division review vendors with the same address to ensure proper maintenance of accounts.

4. Dormant vendors are not updated to inactive status in a timely manner.

As of November 6, 2017, 568, or 2%, of Board vendors in Eden were never active. As of the same date, 378, or 1%, of Board vendors in Eden were last active in 2003.

As of November 6, 2017, 92, or >1%, of Comptroller vendors in Eden were never active. As of the same date, 472, or 1%, of Comptroller vendors in Eden were last active in 2003.

Maintaining active vendors in the Eden system ensures that the vendor file is efficiently managed and proper vendor profiles are paid.

We recommend the Comptroller Division review vendor activity to determine whether it is necessary to purge or inactivate vendors to maintain a proper active vendor database.

5. Documented procedures for AP New Vendor Setup need to be updated.

Discussions and observations determined documented procedures do not mirror the practice of setting up new vendors.

- Procedures state most new vendors are setup by the Purchasing Department when a purchase order is established for a new vendor. Discussions with both Purchasing and the Comptroller's Office determined this is no longer the case.
- Procedures do not include checking for duplicate vendors or how to respond when the Eden system prompts the user of duplicate address or TIN number.
- Procedures do not exist for inactivating or purging a vendor, which would significantly clean up the vendor master file.

A controlled process for vendor setup increases the integrity of the vendor file.

We recommend Comptroller Management update documented procedures for vendor management to ensure proper maintenance of the vendor master file.

CONCLUSION

Our review determined that the Vendor File is in need of maintenance to ensure the payment process is properly controlled. However, our review did not identify any improper payments, and vendors independent of the Comptroller's office are detection controls that proper payments are not missed.

ACKNOWLEDGEMENT

We would like to thank the County Purchasing Department and the Clerk of the Circuit Court Comptroller's Division for their assistance in the completion of this audit.

Audit performed by:
Dan Revallo
Internal Audit Director



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MEMORANDUM

TO: Dan Revallo, Director of Internal Audit

FROM: Kim Wilder, Finance Director

DATE: May 29, 2018

SUBJECT: Response to Vendor Audit

Item #1: Multiple employees have access to add/update vendors, possibly resulting in duplication and errors.

Response: The Finance Director will obtain a list of all Clerk and County staff with Eden permissions specific to the A/P module to include the adding, updating and deleting of vendors and adjust permissions to ensure that one employee is responsible for this process with the A/P Supervisor serving as backup.

Item #2: Potential duplicate vendor accounts were identified by having the same tax identification number.

Response: Comptroller staff will begin quarterly monitoring of all active vendors in Eden and their associated tax identification numbers to ensure that duplicate vendors are not created. This will be accomplished through the use of Crystal Reports showing possible duplicate vendor information as well as a quarterly review of the 1099 report to ensure proper 1099 vendor account maintenance.

Item #3: Potential duplicate vendor accounts were identified by having the same address.

Response: Comptroller A/P staff will begin quarterly monitoring of all active vendors in Eden and their associated addresses to ensure that duplicate vendors with the same address are not being created. This will be accomplished through the use of Crystal Reports showing any applicable duplicate vendor information.

Item #4: Dormant vendors are not updated to an inactive status in a timely manner.

Response: In August 2017, IT began the process of purging all vendors that had not had payment activity through 2013. Within the past month, the A/P Supervisor has begun evaluating all vendors that have not had payment activity since the last purge date of 2013 through 2016. This list will be provided to IT within the next few months in an ongoing effort to purge dormant vendors from the system in a timely manner. Vendors that have not had payment activity since 2016 will be marked as "inactive". This process will be monitored annually with all vendors that have not had activity within two years of the current fiscal year being marked as "inactive" and those that have not had activity within five years of the current fiscal year being sent to IT for purging.

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