Vendor Master File Activity

Data Analysis Report

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Orange County Public Schools
Internal Audit

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EXECUTIVE SUMMARY

Why We Did This Assessment

Our objectives for this assessment were to determine if procedures are in place when a change in the Vendor Master File is going to be executed and if any changes to Vendor Master File (VMF) were performed.

For this, we acquired all the procedures in place for changes in the Vendor Master File; lists of employees that worked in Procurement and Accounts Payable; list of all the SAP users that have access to view and/or make changes in the Vendor Master File; and a list of all SAP Vendor Master File changes.

This assessment was included in the 2023-24 Annual Audit Plan.

Observations and Conclusion

Our overall conclusion is that the district has procedures in place to follow when a change in the VMF is going to be executed. The respective personnel that needs to use these procedures were formally introduced to them or are aware of them and these procedures included appropriate controls to effectively mitigate risks while the changes are being executed.

Results and Recommendations

We noted inactive employees still had active EM Vendor Accounts in the VMF, but we noted no unusual payments with these vendors. We discussed with management possible ways to efficiently identify and mark for deletion employee vendor accounts when the employee becomes inactive.

This report has been discussed with management and they have prepared their response which follows.

BACKGROUND:

The Vendor Master File (VMF) is a primary element of the Procurement and Accounts Payable functions. The VMF contains significant information of Orange County Public Schools' (OCPS) vendors and related transactions for procurement of goods and services.

Maintenance and safeguarding of the VMF are essential in order to avoid unauthorized, inappropriate, or duplicate transactions and to meet the district's objective of efficient operations. Vendors are divided into five (5) groups:

- Internal Accounts Group - Schools, Charters and Campuses
- Payroll Group - Payroll manages this group and has their own list
- Employee/Vendor Group - Used for reimbursement to employees
- Vendor EIC Group
- Petty Cash

Our analysis of VMF data focused on certain activity within the VMF. Using the SAP TCode S_ALR_87012089, we downloaded all the transactions during our analysis period of July 1, 2020 through December 31, 2023. The VMF Change Log recorded 246,402 changes to fields in the VMF during that period. The VMF Change Log records:

- the date of change
- time of change
- vendor number
- who changed the field
- the field name changed
- the old field value and the new field value for all fields except those which are considered sensitive

Sensitive fields include the following:

- bank details
- name
- individual payment
- payment methods
- payment terms
- clerk's internet address
- PO box
- vendor status inactive/active
- tax number 1 (SSN)
- tax number 2 (EIN-Employer Identification Number)

OBJECTIVES, SCOPE AND METHODOLOGY:

Objectives

The Objectives of this strategic assessment were to determine whether:

- Procedures are in place when a change in the Vendor Master File is going to be executed

- There are personnel with access to make changes in the Vendor Master File who do not have duties that justify their access

- A Vendor was Marked for Deletion (Flag & Block) more than usual

- A Vendor was activated or inactivated for Posting (Posting Block) more than usual

- A Vendor was activated or inactivated for Purchase (Purch. block) more than usual

- Changes made in the vendor's Bank Details or Address information were routine, expected changes or not.

- If changes to vendors' Bank Details or Address information were made more frequently than expected.

- Vendors have been created or placed in the correct Vendor Account Group

- Employees have two (2) or more active EM Vendor Accounts and the reason why (if so)

- Inactive employees have active EM Vendor Accounts and the reason why (if so)

- Changes made were known and approved by Management before they happened

The objectives of this strategic assessment focused on procedures and changes is the VMF.

Scope

This engagement covered all changes made to the Vendor Master File in SAP[1] from July 1, 2020 to December 31, 2023.

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[1] Finance - Internal Accounts; Payroll; Finance - Student; Finance - Employee; Finance - Petty Cash; Procurement - VE and Procurement - IC)

Methodology

We conducted this engagement in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to provide reasonable assurance regarding the audit objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. No material deficiencies were noted in this engagement. We also offer suggestions to improve controls or operational efficiency and effectiveness.

Our tests measured and determined whether or not the district had knowledge of changes in the VMF. We assessed this by evaluating:

- Procedures in place to follow when a change in the VMF is going to be executed.

- If procedures are approved by either Procurement or Accounts Payable management, if it has been formally introduced to the respective personnel and are they aware of them.

- If the procedures include appropriate controls to effectively mitigate inherent risks while executing changes in the VMF.

- A list of all the SAP users that have access to view and/or make changes in the VMF, and whether their duties justify them having this access.

This assessment covered all changes made to the Vendor Master File in SAP from July 1, 2020 to December 31, 2023.

We conducted this engagement in accordance with the International Standards for the Professional Practice of Internal Auditing.

No material deficiencies were noted in this engagement.

We evaluated and determined whether district personnel had knowledge of all the procedures regarding changes to the VMF.

- Whether there were unusual activities among the VMF changes performed.

- Whether the changes made were known and approved by Management before they happened.

RESULTS & CONCLUSION:

Results:
We noted certain personnel that had access to view and/or make changes to the VMF and brought this to the attention of management. Senior Management from Finance promptly removed access privileges from those who did not need them. We did not note any changes to the VMF by these individuals during our analysis.

We noted certain unusual activities[2] within the VMF but the volume of these transactions was considered to be normal. Within the VMF, we noted several active Employees with two or more EM Vendor Accounts. In this situation, we noted these EM Vendor Accounts received payments but they were made in different fiscal years and were not duplicate payments and we were able to determine that Senior Management knew and approved of the VMF changes before they happened.

As of March 7, 2024, there were 23,499 active vendor accounts associated with inactive employees. We did not see any inappropriate activity in their accounts after they became inactive.

Overall Conclusion: Our overall conclusion is that the district has procedures in place to follow when a change in the VMF is going to be executed. The personnel that need to use these procedures were formally introduced to them or are aware of them and these procedures included appropriate controls to effectively mitigate risks while the changes are being executed.

During this assessment, the Finance department promptly removed access to sensitive information from personnel who did not need it.

We noted payments made to employees that had two (2) different EM Vendor Accounts, but these were done in different fiscal years.

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[2] Changes in Banking Details, consecutive Mark/Unmark for Deletion (this includes Deletion Flag, Deletion block, Posting Block, Purch. block and Del. flag POrg. Transactions in SAP).

We wish to thank personnel from the Finance, Procurement and ITS departments (including contractors) for the cooperation and assistance we received in the course of this assessment.