

**Columbus City Schools
Office of Internal Audit**



**COLUMBUS
CITY SCHOOLS**

Accounts Payable Follow-up

Status Report

Report Date: September 27, 2018

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Accounts Payable Follow-up Status Report Overview

The initial **Accounts Payable** audit report was presented to and approved by the CCS Audit and Accountability Committee on October 26, 2016. As part of the initial audit, there were **12 recommendations** that were made for the Accounts Payable Department. The objective of the follow-up review was to ensure Management has taken corrective action to address the issues identified by the Office of Internal Audit during the initial audit.

12

Total Corrective Action Plans
Developed by Management

3

Corrective Action Plans
Implemented by Management

5

Corrective Action Plans
Not Implemented by Management

4

Corrective Action Plans
Not Tested during this follow-up

Overview

- Written procedures were developed by Adult & Community Education for the financial aid process.
- Adult & Community Education management has enhanced its review procedures to ensure that each processed 1098-T tax form has complete and accurate information.
- A mobile MUNIS application was implemented in July 2017 which allows for reviews and approvals of invoices by designated approvers on their cell phones.
- The Treasurer reviewed and approved all procurement card statements during our audit period.
- The four (4) corrective action plans not tested involved recommendations that were part of the scope of work for the Opportunities Study currently underway in the Treasurer's Office.

Audit Issues by Risk Level

High: 3 | **Moderate: 7** | **Low: 2**
(1 Open) (6 Open) (2 Open)

Executive Summary

Background

The Columbus City Schools (District) Office of Internal Audit (OIA) Fiscal Year 2017 Work Plan included performing an internal audit on the Accounts Payable Department. The Accounts Payable Department audit report was presented to and approved by the CCS Audit and Accountability Committee on October 27, 2016. As part of this audit, recommendations were made for the Accounts Payable Department. The District's Accounts Payable Department is primarily responsible for the payment of invoices received from District vendors.

The initial report contained 12 recommendations and the related management corrective action plans. The follow-up audit was completed to assess the status of corrective action taken by management. OIA did not test four (4) recommendations during this review because they were not ready for validation.

Roles and Responsibilities

District management is responsible for follow-up and corrective action to address audit recommendations. To fulfill this responsibility, the Office of Internal Audit has a process in place to track the status of corrective action plans and ensure that audit issues are adequately resolved.

Objectives

The objective of this follow-up review is to ensure that management has taken corrective action to address the control deficiencies identified by the Office of Internal Audit.

Scope

The Accounts Payable follow-up work was completed in Fiscal Year 2018 and included a review of information from the period of July 1, 2017, through May 31, 2018.

Approach and Methodology

To complete this follow-up audit we performed the following procedures:

- Reviewed the prior Accounts Payable Department Audit Report and the corrective action plans that were approved by the Audit & Accountability Committee at the October 27, 2016 meeting;
- Interviewed Accounts Payable and Treasury staff and other relevant District staff to gain an understanding of the corrective actions taken and determine the status of the corrective actions according to management;
- Analyzed available information to validate information obtained during staff interviews; and
- Tested available documentation to determine if corrective actions have been fully implemented, are operating as management intended, and addressed all issues included in the above referenced audit report.

Results

The initial Accounts Payable Department Audit Report dated October 27, 2016, can be found within the documents tab on the Internal Auditor's web page located on the District's website. We consider an issue resolved if management implemented their corrective action plan or took other appropriate action to resolve the identified issues.

The Office of Internal Audit found that management took sufficient corrective action for 38% (3 of 8) of the tested issues from the original Accounts Payable Department Audit Report. OIA determined 62% (5 of 8) of the corrective actions were not implemented. The original Accounts Payable audit report and corrective action plan has been provided to the contractor performing an opportunities study in the Treasurer's Office. It is anticipated that the contractor's deliverables will address the items listed as "Not Implemented" in this follow-up report. The OIA will continue to list the corrective action plans listed in this follow-up report as open and perform additional procedures during a subsequent follow-up audit. OIA will retest the four (4) recommendations that were not implemented, along with the four (4) that were not tested, when management indicates they are ready for our review. This audit report was reviewed with management and they agreed with the conclusions.

The Office of Internal Audit classified each issue into one of the following categories based on the work that we performed regarding the corrective action plan prepared by management and approved by the Audit & Accountability Committee at the October 27, 2016 meeting:

Implemented – Action described in the corrective action plan prepared by management has been fully implemented and testing performed by Office of Internal Audit staff validated that the actions are working as management intends.

Not Implemented – There was insufficient evidence that the corrective action plan prepared by management was fully implemented.

Management Accepted the Risk – Risk concerning this issue was accepted by Management and therefore no corrective action was taken.

Alternate Means – There was a significant change to the internal control environment regarding this recommendation and compensating controls and/or other methods were used to satisfy the recommendation.

Not Tested – The corrective action plan was not ready to be tested by the Office of Internal Audit or it could be tested more efficiently during another time.

SUMMARY OF RECOMMENDATIONS – FOLLOW-UP

Based upon the procedures performed, a number of issues having varying degrees of risk were noted. The following table outlines the recommendations, the risk ratings assigned to each and the follow-up status. The definition of each rating’s significance is noted below the table.

Recommendations	Risk Rating			Follow-up Status
	1	2	3	
1. Development of written business objectives.		X		Not Tested
2. Establishment of metrics.		X		Not Tested
3. Development of written procedures for accounts payable process.		X		Not Tested
4. Development of written procedures for the Department of Adult and Community Education financial aid refund process.		X		Implemented
5. Review and approval by Treasurer of District credit card purchases.	X			Implemented
6. Established timeframe by Treasurer for invoice review and evidence of timely workflow review.			X	Not Implemented
7. Reconciliation of Form 1098-T for completeness and accuracy.	X			Implemented
8. All payments include sufficient documentation and review and approval by knowledgeable individuals.		X		Not Implemented
9. Development of training tool for approvers.		X		Not Tested
10. Approval of invoices prior to payment.		X		Not Implemented
11. Access Review and role alignment to job duties.	X			Not Implemented
12. Efficiency of the accounts payable process.			X	Not Implemented

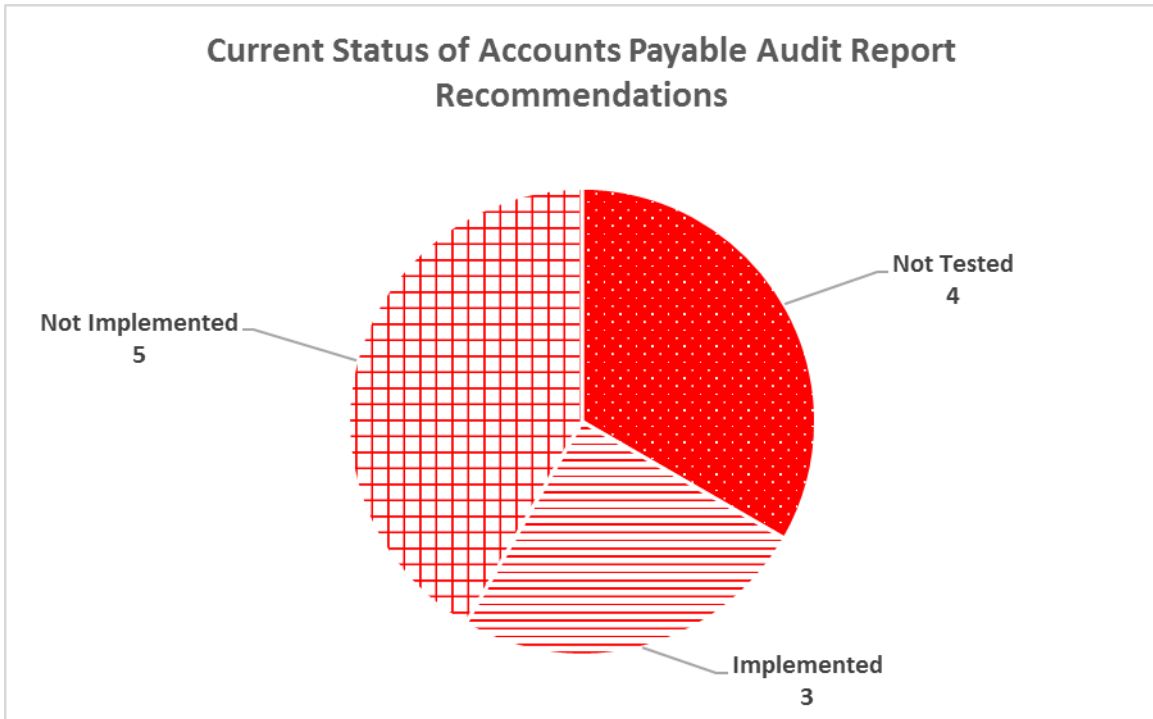
Risk Ratings

1 – High: Unacceptable risk requiring immediate corrective action;

2 – Moderate: Undesirable risk requiring future corrective action; and

3 – Low: Minor risks that management should assess for potential corrective action.

Summary Charts



Open Issues by Risk Level

Risk level		High	Moderate	Low
Total Recommendations		3	7	2
Implemented		2	1	0
Not Tested		0	4	0
Not Implemented		1	2	2
Open Issues		1	6	2

Original Accounts Payable Audit Report, Recommendations, Original Corrective Action Plans, OIA work performed, and Current Status for those issues that were not deemed to be successfully implemented as a result of our testing.

Recommendation #6

Invoices should be reviewed and acted upon by the assigned employee in workflow within the timeframe established by the Treasurer. This will help to ensure invoices are being reviewed timely and these invoices can be paid within 30 days.

Original Management Corrective Action Plan

For fiscal year 2017 we have introduced a mobile MUNIS application that allows staff to process approvals on their mobile devices. This should provide supervisors easy access to their invoice approvals which should ultimately improve timeliness. (Implementation Date: July 1, 2016)

OIA Work Performed

Per discussion with the Accounts Payable Manager and the Controller, it was determined that the MUNIS application was implemented in July 2017; however, there were no time standards for invoice approval established by the Treasurer.

For each invoice included in the testing, OIA obtained and reviewed the invoice and payment to determine if the invoice was paid within the 30 days.

Per the review of the invoice documents, the following was noted:

- 18% (3 of 17) of the invoices reviewed were paid more than 30 days after the invoice date. The three invoices noted above were for school supplies, a student activity payment and software material.

Current Status: Not Implemented

Recommendation #8

A sound business practice is to ensure all payments made by District staff are supported by sufficient documentation. This documentation should be reviewed and approved by knowledgeable individuals who are using consistent standards to evaluate the invoices. These procedures will help to ensure all District payments are proper and supported by sufficient documentation.

Original Management Corrective Action Plan

The Accounts Payable Department reviews support documentation and requests additional support when needed. Management will review specific areas of concern with IA and address these concerns to ensure all documentation meets the "sufficient" standard. (Implementation Date: Ongoing)

OIA Work Performed

Per discussion with the Accounts Payable Manager and the Controller, it was determined that no new procedures were developed.

For each invoice included in the testing, OIA obtained and reviewed the supporting documentation to ensure the payments were proper and supported by sufficient documentation.

Per the review of the invoice documents, the following was noted:

- 24% (4 of 17) of the invoices reviewed did not have sufficient support for goods/services received and paid for by the District. The four invoices noted above were for health insurance claims adjustment, two refunds for facility use, and a student activity payment.

Current Status: **Not Implemented**

Recommendation #10

All District invoices should be approved prior to payment. The approval of the invoice should include an employee who would know if the goods were received and are in proper working condition or would know if the services were sufficiently provided. This procedure will help to ensure all payments are properly approved and segregated.

Original Management Corrective Action Plan

We agree that invoices should be approved before payment. While utility invoices are not approved prior to payment we believe that they should be monitored by energy management staff to ensure energy usage is not above normal operating levels. The process for monitoring utility usage and invoices will be reviewed.

Principals have the authority to approve their own general fund requisitions and invoices. In addition, the Purchasing Director is the purchasing agent for the School District. His signature on each purchase order is what authorizes a purchase. (Implementation Date: NA)

OIA Work Performed

For each invoice included in the testing, OIA obtained and reviewed the supporting documentation to determine sufficiency of the individual approving the invoice. The expectation being that the individual approving the invoice for payment would have support or knowledge the goods/services were received by the District.

Per the review of the invoice documents, the following was noted:

- 18% (3 of 17) of the invoices reviewed did not have sufficient evidence of approval prior to payment being processed. The three invoices noted above were for a utility payment, bond payment and worker's compensation; and
- 7% (1 of 14) of the invoices reviewed did not have the appropriate approver for the payment processed. The one payment noted above was a health insurance claims invoice where an adjustment was made by the individual who paid the invoice without any additional approval after the adjustment was made.

- Note: This attribute did not apply to three (3) of the invoices tested as there was no evidence of an approver in either the MUNIS workflow or on the invoice.

Current Status: **Not Implemented**

Recommendation #11

Management should perform a comprehensive audit of all access permissions within MUNIS, and specifically the Accounts Payable Manager and staff. Changes should be made to reflect the proper access. This will create a baseline of employees with proper access. Management should limit access to only a few individuals within select departments. After the baseline review is confirmed and approved, the District should implement a periodic management review of access permissions within MUNIS. This will help to ensure proper segregation of duties exist.

Original Management Corrective Action Plan

Ongoing evaluation of the Accounts Payable staff access is occurring. Access will be removed that is not necessary and monitoring reports will be periodically ran to keep track of changes made where certain system access is essential to their duties. (Implementation Date: September 1, 2016)

OIA Work Performed

Per discussion with the Accounts Payable Manager and the Controller, it was determined that a periodic MUNIS access review occurs and is initiated by the MUNIS System Administration team on a semi-annual basis. OIA obtained and reviewed evidence of the most recent (January 2018) MUNIS tool rights access reviews performed by the Accounts Payable Manager for the Accounts Payable Department.

As the Accounts Payable Manager still has access tool rights in MUNIS to add, modify, delete, and merge vendor records, in addition to his accounts payable manager tool rights, OIA also reviewed the Vendor Audit Table in MUNIS and the vendor record changes performed by the Accounts Payable Manager. OIA noted the following:

- 1,378 vendors were added during the audit period:
 - 55% (759 of 1,378) were added by the Accounts Payable Manager; and
 - 33% (252 of 759) were for vendors expected to be handled by the Purchasing Department.
- 55 vendors were deleted during the audit period:
 - 100% (55 of 55) were deleted by the Accounts Payable Manager; and
 - 73% (40 of 55) were for vendors expected to be handled by the Purchasing Department.
- 5 vendors were merged with other vendors during the audit period:
 - 100% (5 of 5) were merged by the Accounts Payable Manager, and
 - 80% (4 of 5) were for vendors expected to be handled by the Purchasing Department.

OIA inquired for evidence of periodic review by the Controller of the Accounts Payable Manager vendor record changes for reasonableness. The Controller was unable to provide evidence of period review and additionally, was unaware the Accounts Payable Manager was deleting vendor records for inactive vendors.

As a result, even though a periodic MUNIS tool rights access review occurs for the Accounts Payable Department, there is still evidence of segregation of duties concerns and lack of monitoring by the Controller of the vendor file updates performed by the Accounts Payable Manager.

Current Status: **Not Implemented**

Recommendation #12

The CCS Accounts Payable Department should explore ways to make electronic payments to their employees and vendors. This will increase the efficiency of the Accounts Payable process.

Paper, postage, labor (handling and transporting) are costs that can be saved by paying vendors electronically. Furthermore, paper checks are issued to employees for travel and miscellaneous reimbursements, yet we have direct deposit information on file for all employees. The District issued 3,933 payments to vendors who were employees in FY16. Based on postage rates in effect at that time, this would have saved the District approximately \$1,800 in postage.

Original Management Corrective Action Plan

A/P is aware of the benefits and costs of electronic payments. Options for electronic payments have been and will continue to be considered periodically. Currently, this is not a high priority project for the department and there are no specific plans to address this near term. *(No Implementation Date provided)*

OIA Work Performed

As part of the follow-up process, OIA staff had discussions with Treasurer's Office management regarding this recommendation. They stated that this was not a high priority project for the Treasurer's Office.

Current Status: **Not Implemented**