



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

SUPPLIER MASTER FILE

REPORT # 279

MARCH 11, 2015



March 11, 2015

Dear Pat Frank, Clerk of the Circuit Court:

The Audit Team performed an audit of the supplier master file (Audit Report #279, dated March 11, 2015). Responses to the Audit Team's recommendations were received from the Director of Systems Support and have been included in the Report after each audit comment and recommendation.

The purpose of this Report is to furnish management independent, objective analysis, recommendations, counsel, and information concerning the activities reviewed. It is not an appraisal or rating of management.

Although the Audit Team exercised due professional care in the performance of this audit, this should not be construed to mean that unreported noncompliance or irregularities do not exist. The deterrence of fraud and/or employee abuse is the responsibility of management. Audit procedures alone, even when carried out with professional care, do not guarantee that fraud or abuse will be detected.

The Audit Team appreciates the cooperation and professional courtesies extended to the auditors by the Director and personnel of Systems Support during this audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director of County Audit

CC: Dan Klein, Chief of Staff
Rick VanArsdall, Chief Deputy, Finance
Mary Strommer, Director of Systems Support
Ted Grable, General Manager III, Systems Support

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION

On August 5, 2013, the Oracle E-Business Suite financial modules went live and a new, shared supplier master file combining the suppliers of the Clerk of the Circuit Court (Clerk), County, Civil Service Board, and the City of Tampa was implemented.

For the Clerk, County, and Civil Service Board, the supplier master file administration function is the responsibility of the Clerk's Systems Support Department. The City of Tampa has a separate administration function for supplier master file activities.

OBJECTIVE

The objectives of this audit were:

- To determine whether or not the supplier master file for the Clerk and the County contained fictitious or unauthorized suppliers.
- To evaluate the control environment of the Systems Support Department's supplier administration function.

SCOPE

The audit was conducted in accordance with the *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that County Audit plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the audit comments and conclusions based on the audit objectives. County Audit believes that the evidence obtained provides this reasonable basis.

The scope of work was limited to the population of the supplier master file for the Clerk and the County as of September 11, 2014. The Audit Team evaluated the supplier master file for indications of fictitious or unauthorized suppliers, including:

- Identifying suppliers with an address of only a post office box or an address matching an employee's physical address.
- Performing additional testing on supplier records meeting those criteria to determine if indications of potential fictitious or unauthorized suppliers were present.

- Assessing the control environment by flow charting the Systems Support Department's supplier master file administration processes.

OVERALL EVALUATION

The members of the Systems Support Department were responsive to the Audit Team's inquiries. Data and other information were provided in a prompt and courteous manner. During the course of this audit, the Audit Team encountered knowledgeable and dedicated employees who were receptive to the Audit Team's suggestions for improvements.

AUDIT COMMENT	CONCLUSION OF OBJECTIVE	PAGE
1	No unauthorized or fictitious suppliers were identified in the supplier master file.	4
2	Opportunities exist to strengthen the Systems Support Department's supplier administration control environment.	7

OPINION

The Systems Support Department developed some preventative controls, such as requiring approved supplier registration forms and supporting documentation to set up new suppliers, and the auto-expiration of temporary suppliers. The Audit Team did not identify fictitious or unauthorized suppliers in the supplier master file.

The supplier master file administration function is at the repeatable control maturity level. The repeatable control maturity level includes having some controls established, but still lacking formal process documentation and limiting the ability to monitor and identify duplications in the supplier master file.

Taking corrective action to alleviate the concerns identified in this Report will help the control environment reach the next maturity level.

The exit conference was held on January 27, 2015.

Other minor concerns not included in this Report were communicated to management and/or corrected during fieldwork.

AUDITED BY

Peggy Caskey, CIA, CISA, CFE, Director of County Audit

Mary Ann Kominsky, CIA, CISA, CPA, IT Audit Manager

Heidi Pinner, CIA, CFE, Senior Auditor

AUDIT COMMENTS & RECOMMENDATION

AUDIT COMMENT 1

No unauthorized or fictitious suppliers were identified in the supplier master file.

The objective was to determine whether or not the supplier master file contained fictitious or unauthorized suppliers. The Audit Team reviewed extracts from the supplier master file data (62,113 records) and the employee master file data (11,830 records).

For the purpose of testing, a fictitious supplier was defined as a supplier that could not be confirmed beyond its electronic records within the supplier master file. An unauthorized supplier was defined as a supplier who has an undisclosed conflict of interest with an active Clerk or County employee.

Data analysis tools were used to test for indications of fictitious or unauthorized suppliers based on the following criteria.

1. Multiple suppliers with the same address (duplicate address test):

This test was performed to identify instances where a supplier utilized a virtual office or mail drop as the company address (same street address and variations in unit numbers or box numbers). The use of a virtual office or mail drop location could be an indicator of a potential fictitious supplier and was extracted for further review.

The audit test identified 411 instances of multiple suppliers that had the same (matching) street addresses. Further review was conducted on these 411 matches via the Florida Division of Corporations website (Sunbiz), Google searches, and invoice lookups in OnBase, a document imaging system. The Audit Team determined that 410 of the 411 instances were a result of a partial address match (different cities/states), multi-tenant facilities, or interface payments (water/court related refund/payments). The remaining instance was determined to be a virtual office. The supplier appeared to be a legitimate business entity utilizing an executive suite rental space. This test did not result in any exceptions or indications of fictitious suppliers.

2. Suppliers with no physical address:

This test was performed to identify and extract instances of suppliers with no physical address on record. The Audit Team used data analysis software to extract instances of a post office box being used for the supplier address. The scope of this test was limited by inconsistent use of data formats when entering a supplier's post office box information (P O, P.O., and P.O. Box, etc.).

The Audit Team identified 4,721 records in the supplier master file, which appeared to only have a post office box listed as an address. The most common format of post office box in the supplier data, 'PO Box', was isolated for this test, which produced 2,647 records. A random sample of 30 was selected and reviewed to determine if the existence of the supplier's business entity could be corroborated by third party information (for example: Sunbiz, Google, invoice lookups in OnBase). All 30 of the supplier records were corroborated. This test did not result in any exceptions or indications of fictitious suppliers.

3. Matching employee and supplier tax identification numbers:

This test was performed to identify potential conflicts of interest between a supplier and an employee as an indicator of an unauthorized supplier.

The Audit Team used data analysis software to compare the supplier and employee master data files and isolate instances where the supplier's employer identification number (EIN) field was a match with the employee's social security number (SSN) field. This comparison identified 1,543 potential matches for further review.

The Audit Team determined that all 1,543 of the EIN and SSN matches were the result of individual employees being set up as suppliers in the supplier table and not as a result of a business entity utilizing an employee's SSN. Per management, this is the result of an employee receiving an expense reimbursement, a jury payment, or a water department refund. This test did not result in any exceptions or indications of a conflict of interest.

4. Matching employee and supplier addresses:

This test was performed to identify potential conflicts of interest between a supplier and an employee.

The Audit Team used data analysis software to extract instances where a supplier's address matched an employee's address. Comparisons of the various address fields identified 148 instances of a match between an employee address and a supplier address.

The 148 identified matches were further reviewed through supplier transaction history and third party information (SunBiz, Google searches, invoice lookups in OnBase, etc.). This review determined that all of the 148 matches were either partial matches with different cities/states, multi-tenant facilities, interface records (water/court related refunds/payments), or the result of a prior employee becoming a supplier after termination of employment. Formatting and data consistency exceptions noted during this review are included in Audit Comment 2. This test did not result in any indications of conflicts of interest.

RECOMMENDATION

No material concerns were identified that require management's corrective action.

AUDIT COMMENT 2**Opportunities exist to strengthen the Systems Support Department's supplier administration control environment.**

To evaluate the Systems Support Department's supplier administration control environment, the Audit Team identified and documented the processes and controls associated with the creation, modification, deactivation, and monitoring of supplier records within the supplier master data.

The Systems Support Department's supplier administration function includes the following processing controls:

- Supplier registration requests and forms are required to be submitted by the user departments, with appropriate approval prior to being processed.
- The supplier registration form and a W-9 are required to set up a new supplier.
- New W-9 and supporting documents are collected for changes to an existing supplier.
- Supporting documents are stored in the OnBase document imaging system as support for all supplier registrations or modifications.
- The Oracle system prohibits duplicate supplier names.
- Changes to the header level data (supplier data shared between the Oracle participating agencies) are vetted through a manual process of approval, via email, by all agencies.
- Temporary suppliers have a 30-day auto expiration or system end date.

The following controls are absent or not operating effectively:

1. Formal procedures have not yet been developed.

No formal processes have been developed to create, modify, deactivate, or monitor the supplier master data.

2. Key processes have not yet been developed or fully implemented.

- a. A process has not yet been developed to deactivate inactive supplier records. Three inactive or dissolved corporations' supplier records were identified during sample testing.
- b. A process has not yet been developed to provide monitoring or quality assurance reviews of changes to the supplier master data.
- c. The Systems Support Department does not currently have a process or the means to externally validate a supplier's name or Tax Identification Number (TIN). During sample testing, the Audit Team identified four instances of the supplier name varying from the company name registered with the State of Florida Division of Corporations (the State) and two instances where a supplier's TIN did not match the information registered with the State.
- d. The supplier creation process does not yet have a control to identify if a new supplier record matches with an active employee record. No matches were identified during the testing.
- e. There is no process in place to periodically review existing supplier information. The supplier administrators are dependent upon the suppliers themselves to provide notification of changes. During sample testing, the Audit Team identified two records with outdated supplier information as a result of a company name change and a company merger.

3. Supplier record data format inconsistencies exist in the master file. Inconsistencies can limit the efficiency and effectiveness of data analytics and monitoring tools.

- a. Inconsistent use of punctuation in supplier names.
- b. Variations in street name types (ex. Ave, Avenue, and Ave.).
- c. Variations in how PO Boxes were entered into the system (ex. P O, P.O., and P.O. Box).

RECOMMENDATION

To help ensure that the supplier master file is maintained appropriately and remains up to date, consideration should be given to:

1. Developing formal policies and procedures for the creation, modification, deactivation, and monitoring of the supplier master data.

2. Implementing processes for supplier deactivation, quality assurance/change management, TIN verification, and periodic review of supplier master data.
3. Implementing and documenting formal standards for the formatting of data elements and documenting any variations to these standards to ensure monitoring and analytics tools can be effectively utilized.

CLIENT RESPONSE

Concur

CORRECTIVE ACTION PLAN

The Clerk's Systems Support Department concurs with the audit recommendation and has initiated action for their implementation.

Recommendation 1: Developing formal policies and procedures for the creation, modification, deactivation, and monitoring of the supplier master data.

Systems Support has implemented an ongoing project to document procedures related to the Oracle EBS system in a new ERP Operations Manual that includes Chapter 5 ERP Supplier/iSupplier Management. See chapter outline below.

5. ERP Supplier/iSupplier Management
 - 5.1. Supplier Management Overview
 - 5.2. Coordinating with the BOCC, CTPA and CLRK
 - 5.3. Supplier Organization Level Management
 - 5.3.1. Adding New Suppliers
 - 5.3.2. Supplier Site Management
 - 5.3.3. iSupplier Management
 - 5.4. Annual Supplier Status Review
 - 5.4.1. TIN (W-9) Recertification
 - 5.4.2. Inactive Supplier Deactivation

Recommendation 2: Implementing processes for supplier deactivation, quality assurance/change management, TIN verification, and periodic review of supplier master data.

Systems support has implemented a TIN matching service (Taxport A/P from Convey Compliance Systems, Inc.) to support validation of new supplier TIN information and will utilize this service as part of an annual supplier status reviews to confirm that TIN information on file is still valid.

Other recommendations including quality review and supplier deactivation are in various phases of implementation and will be documented in the ERP Operations Manual described above.

Recommendation 3: Implementing and documenting formal standards for the formatting of data elements and documenting any variations to these standards to ensure monitoring and analytics tools can be effectively utilized.

Systems Support is in the process of working with the City of Tampa supplier manager to finalize formal data standards for supplier data.

Variations in existing data exist in part due to the consolidation of BOCC, City of Tampa and Clerk of Court legacy supplier master files in Oracle EBS and inadequate existing guidelines.

A process for correcting existing formatting deviations has not yet been determined but once implemented, will be included an annual review of the supplier master file.

Note that some categories of supplier records such as payments for court orders and supplier records created from data coming from external batch interfaces like water department refunds will continue to include format deviations. At present there is no practical way to enforce data standards across external systems. However these suppliers are almost exclusively created as temporary suppliers and should not impact analysis of activities related to standard business purchasing and payment transactions.

TARGET COMPLETION DATE

July 31, 2015