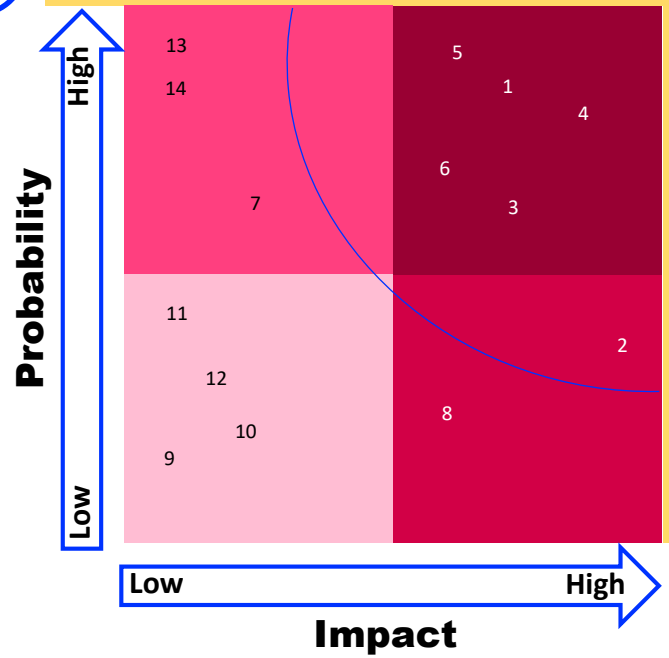
Q4 / QUARTERLY RISK REPORT / 2020

The Quarterly Risk Report shows trends in financial risks by comparing each MUNIS financial module's risk relative to the other financial modules. This quarter we chose Vendor Maintenance for review.

Risk Assessment of Data Analytics



Higher risk:
1. **Duplicate Vendor Address**
2. **Vendor Employee Address Match**
3. **Address Change in Audit File**
4. **Vendor with Similar Names**
5. **Vendors with PO Box**
6. **Vendor Modifier is Approver**
7. **Benford's Law**

Lower risk:
8. Inactive Vendors
9. Rejected Vendors
10. Vendor Creator Low Experience
11. Vendor Name Keywords
12. Incomplete Address
13. Quick Approval
14. Approval Time Outliers

Risk

Risk was determined by identifying all data analytics that showed an increase in risk flags. The more risk flags, the higher the probability of errors or improper transactions. Assessment of the impact of any errors or improper transactions was based on auditors' judgment and knowledge of the financial systems. Using this process, seven data analytics with 182 risk flags were selected for analysis.

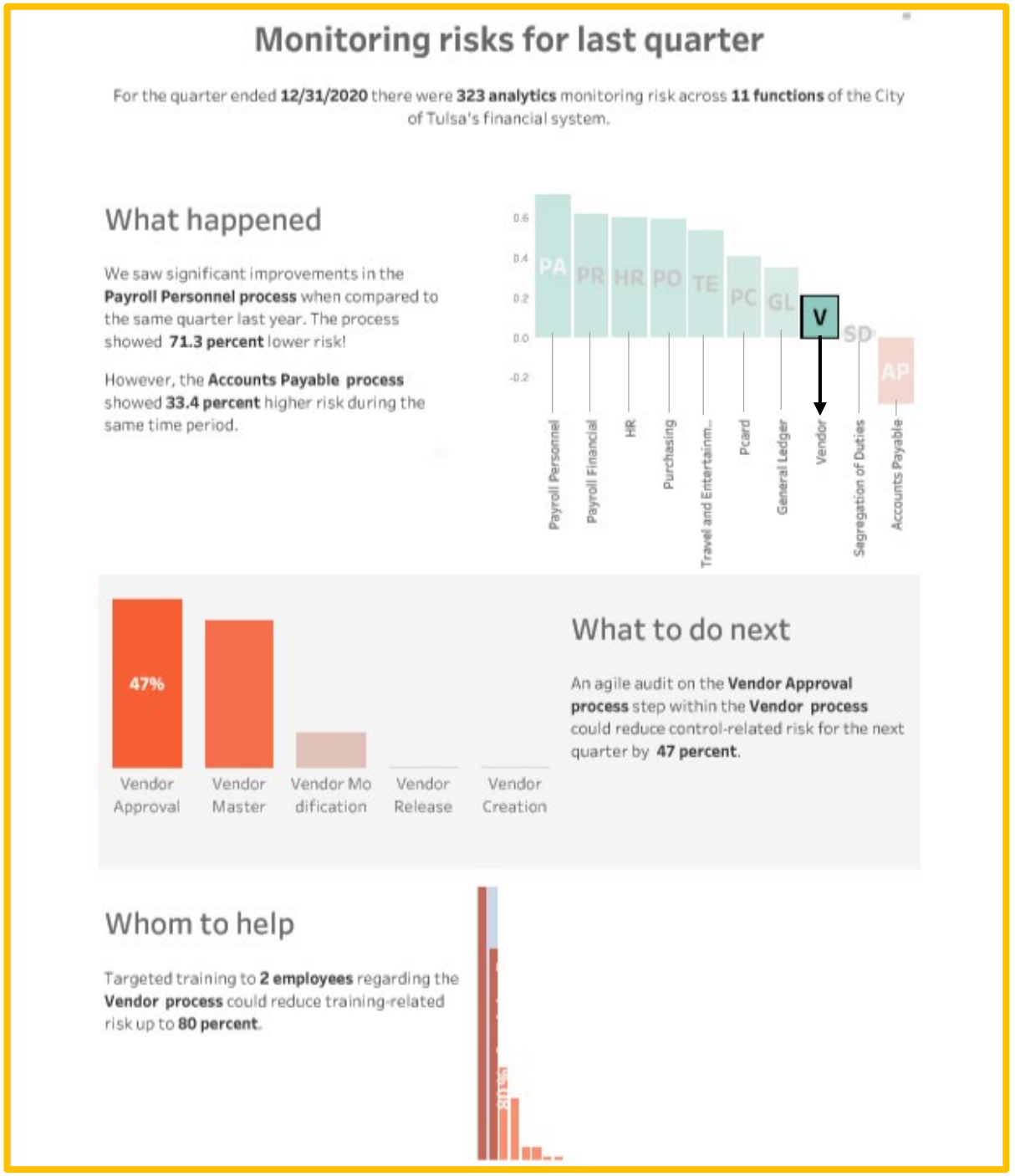
Results

No errors or improper transactions were noted in our review of 182 risk flags in the Vendor Maintenance module.

Recommendations

A review of the vendor list should be performed to ensure that duplicate vendors with different designations (e.g. financial/non-financial) are not maintained in the system. Duplicate vendors increase the risk of improper transactions.

This report gives an overview of the risks flagged in each financial module for the quarter ended 12/31/20. Internal Auditing uses this report to determine the area of focus. Accounts Payable was reviewed in the 3rd quarter so was not selected for review in the 4th quarter



Project Summary

- **Duplicate Vendor Address** - This risk indicator flags if there are two or more vendors with the same address.

  Internal Auditing (IA) reviewed each of the 43 flagged instances to verify the addresses of the vendors. IA also researched the vendors via Google's search engine.

- **Address Change in Audit File** - This risk indicator flags unusual address-related activity in the audit file.

  IA reviewed the approval history of each of the 20 flagged instances using the Vendor Audit List. IA reviewed the approval history by searching for the vendor number in the Vendor Range field, and the date the change took place in the Date Range field. IA then verified the results in the Vendor Audit Table.

- **Vendor Employee Address Match** - This risk indicator flags if a vendor address and an employee address match.

  IA reviewed each of the 7 flagged instances in Vendor Central to determine whether address matches were either payments made to employees on worker's compensation or the vendor was not a current employee.

- **Vendor Modifier is Approver** - This risk indicator flags if a user modifies and approves that same entry in the system.

  IA reviewed each of the 17 flagged instances by checking the AP Vendor Audit table against the analytic flag to determine the type of modification: Vendor Internal Addition or Vendor Internal Modification. In addition, auto approvals were filtered out. IA compared each modification to the Workflow Approval History and the vendor number and date. The Business Rules table shows the necessary approval steps.

Project Summary

- **Vendors with Similar Names** - This risk indicator flags if there are vendors with similar names, indicting a possible duplicate.

  IA reviewed each of the 27 flagged vendors to determine if there were duplicate vendors in the system.

- **Vendors with PO Box -** This risk indicator flags if a vendor address is a post office box.

  The analytic flagged 55 vendors in the scope timeframe. IA narrowed down the number of vendors using the audit log to identify only vendors who had a change in the address field. IA reviewed each of the remaining flagged vendors to determine if there was appropriate documentation validating the change in address.

- **Benford's Law** - This risk indicator flags if a vendor meets one of three Bedford's Law tests.

  A Benford's Law analytic identifies numbers in financial transactions that do not follow a normal pattern. IA's analytic analyzes the leading two digits of 1099 amounts, invoice amounts and address numbers. There were 13 flagged instances in the scope time frame, including 5 flags for address numbers and 8 flags for invoice amounts. IA determined if there were related flags in other, separate analytics. To test the address flags, IA verified each address by analyzing the Vendor Audit List, as well as researching the address via an internet search. To test the invoice flags, IA input the vendor name into MUNIS' Vendor Central search tool to obtain the corresponding invoice number, and then viewing the invoice to verify the invoice amount.