



Wakulla County Board of County Commissioners Internal Audit Review Vendor Management Review

September 2022

Objective and Scope

The Internal Audit Department (IA) conducted a performance audit of the Board of County Commissioners (BOCC) vendor management process for vendors in the BOCC MIP database maintained by the Clerk of the Court (Clerk). The objective was to assess the efficiency and effectiveness of the vendor set-up and maintenance process currently being used.

Background

The vendor set-up and maintenance process is not a formally written policy and procedure. There has been a procedure written for updating vendor addresses and bank information in MIP. The audit is being done to establish a baseline for how the current process is working. Through establishing this baseline IA can offer recommendations to Management on elements to include in the written policy and procedures for vendor management.

Key Statistics

As of June 08, 2022, there were 7,689 vendor entries in MIP for the BOCC. Table 1 shows the count by vendor status.

Table 1: Vendor List by Count

Status	Count	Description of Status
Vendors	7,689	Total number of vendors in MIP.
Active	6,570	(A) - Set a vendor ID to active to allow transaction entry to the ID.
Inactive	167	(I) - Set a vendor ID to inactive when it is no longer needed for normal transactions, but it may need to be used at some point. A warning message appears when attempting to use an inactive vendor ID. The warning message is for notification only; the ID can still be used in a transaction. Inactive codes also appear on reports.
Discontinued	952	(D) - Designate a vendor ID as discontinued when it is no longer being used. The system does not allow transaction entry to a vendor ID with a discontinued status; however, discontinued codes appear on reports.
Active with no activity in MIP	333	Vendors shown as active in MIP that have never had any payments processed. Appear to be part of the original MIP data addition.
Active with no recent activity	4,028	Vendors shown as active in MIP with their last payment processed prior to 2020.
Vendors with duplicate entries	1,575	1,575 records had a duplicate name, address, or TIN with one or more other vendor. 436 records had duplicate names. 1099 had duplicate addresses. 40 had duplicate TINs.

Key Findings

Compliance

1. 255 samples were selected from the vendors with activity between January 2020 and June 2022 (Appendix 1). Of these 255 vendors, 102 were businesses/individuals that provided services or supplies to the BOCC. The current policy is that this type of vendor has a W-9 and SunBiz record on file. 63 of these vendors did not have a W-9 on file that could be located. The risk of noncompliance with IRS regulations increases if a W-9 form cannot be verified for a vendor which could impact whether they receive a 1099 tax form. 95 of these vendors had no record of a SunBiz check on file that could be located and 18 vendors had differences with either the name, address, Taxpayer Identification Number (TIN), or status listed on SunBiz. This increases the risk of a vendor not being authorized to conduct business in the state of Florida and incorrect business names being used. Using an unofficial business name adds to the risk of duplicate vendor records, payments or paying the same vendor under different names causing issues with meeting 1099 requirements.

Errors & Omissions

2. Several weaknesses were identified in the vendor set-up process. During the review process 1,575 records with duplications were found. 436 vendor records represented 200 unique vendors when reviewing duplicate names. 1,099 vendor addresses represented 488 unique addresses. 40 vendor records represented 20 unique vendors when reviewing TINs. Some of these duplications may be valid entries. However, currently there is not a standardized entry process for names or addresses. This makes duplications more difficult to identify and increases the likelihood of a vendor being entered as new when the vendor already exists in MIP. Individuals set-up for payment through AP were not standardized. Some entries used a first name last name entry and others used a last name, first name entry. Additionally, one vendor from the sample was processed under the wrong vendor number, both vendors have similar names and a p-card was used so no funds were sent to the incorrect vendor, however it is wrong in MIP. Various typos can be found in names, addresses, and TINs.

Policies and Procedures

3. Currently there is no written policy and procedures for vendor addition or maintenance in MIP. Until a formal policy and procedure is established there may be inconsistent applications and errors.

Reconciliation

4. Currently there is not a routine vendor clean-up. There are a total of 7,689 vendors on the BOCC's vendor list, of these 6,570 are active. 333 of the active vendors have not had any activity in MIP, most likely they were added when the initial upload to MIP was done using the FundWare data. 4,028 active vendors have not had any activity since prior to January 2020. When a vendor clean-up is not completed on a regular cycle the risk of duplicate payments, fraudulent activity, and 1099 noncompliance increases.

User Access

5. All users in the finance department have the ability to add and modify vendors. The controls can be circumvented because of this broad access.

Management Responses to Audit Recommendations

Recommendation #1:

Establish an account with the IRS's TIN matching application so that vendors can be checked with the IRS ensuring correct name, address, business type, and TIN.

Create a centralized folder for BOCC vendor's W-9s, Sunbiz record, and TIN match documentation. Attach these items to the vendor in MIP. Sunbiz record may be fictitious name record (sole proprietor) or business registration (as a Florida or foreign business). Make note in the vendor's record in MIP of when these items expire so new documentation can be added when needed. Use this documentation to check vendor addresses. Establish steps to take if there is a mismatch between invoices and official address.

Management response & action plan:

We agree with this assessment. All documentation will be uploaded with the vendor and stored in MIP.

Completion Date:

11/16/2022

Recommendation #2:

The following is recommended to avoid duplications and errors. Verify a vendor address with usps.com using the ZIP code look-up service if data is not copied from the IRS or Sunbiz, e.g. payment to an individual or difference in address with one of these sources and the invoice; copy and paste addresses in the correct format from the search result.

Type vendor names without abbreviations, exactly as shown from Sunbiz or other documentation provided; e.g., the use of "&" versus "and" based on the legal name on documentation. Establish a standardized format for commas, periods, and other similar punctuation; e.g., in PO Box addresses and initials of a person's name. Whenever possible copy and paste names from a verification source to help limit human error in entry.

Create a process to determine whether a different address for a vendor already in MIP should be a new vendor or an updated vendor. The Clerk's Office or a BOCC employee with MIP access should provide employees that complete disbursement requests or use a p-card with regularly updated vendor lists that include active, inactive, and discontinued vendors. This will allow BOCC employees to check existing vendor information. If a vendor is not currently active or not on the list, documentation on the vendor should be provided with the paperwork submitted for payment processing to the Clerk's office, including SunBiz information and W-9.

Employees that are set-up as vendors for reimbursement should match their payroll record. Other individuals receiving a payment should be entered into MIP in a standardized format for names.

Recommend one person enters or updates a vendor and signs off in the notes section of MIP, a second person reviews and signs off. A checklist for new vendor entry would help with consistency.

Management response & action plan:

We agree with this assessment. Formal procedures have been established and have addressed these areas.

The Accounting Clerk will be responsible to review the information of a vendor by visiting Sunbiz. They will compare the information provided on the New Vendor Request or Vendor Change Request forms with the Form W-9 and information on the Sunbiz site.

The use of abbreviations will be eliminated. The use of periods and commas have also been eliminated from initialized names.

Completion Date:

11/16/2022

Recommendation #3:

Clean-up current vendor list. Schedule an annual clean-up of vendors that have not received a payment for the prior two calendar years. Former employees should be changed to inactive after their last day of employment. Vendors without activity should be made inactive or discontinued, with the exception of current employees.

Include in the new vendor checklist a procedure to check if a vendor already exists. Vendor reports can be filtered by TIN number or name for this check. Notation should be made when a vendor is made active again and documentation should be reconfirmed, including receiving a W-9, checking SunBiz, and performing an IRS TINs match. Any vendors set-up for payment via EFT should have a confirmation of banking information completed again based on procedures for the vendor payment process for new vendors and changes to active vendors.

Management response & action plan:

We agree with this assessment. The vendor list has been cleaned, and we will establish a period to completed Vendor Master File Maintenance quarterly and annually. Quarterly maintenance will be used to ensure all fields have been entered accurately. Annual maintenance will serve to deactivate vendors that are not having activity.

Completion Date:

11/16/2022

Recommendation #4:

After the current vendor list clean-up is complete, it is recommended that all remaining vendors are looked at to confirm name and address are correct. Any documentation that is missing should be added to the vendor file.

Management response & action plan:

We agree with this assessment. We will work to complete this.

Completion Date:

11/16/2022

Recommendation #5:

Limit who can enter new vendors into MIP. To prevent circumvention, ensure passwords are not shared.

Management response & action plan:

We agree with this assessment. Only certain members of Finance have the ability to enter vendors.

Completion Date:

11/16/2022

End of Report