

# COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

## **INTERNAL AUDITS REPORT**

### **UPLOAD INTERFACE PRODCEDURES**

**April 1, 2021 THROUGH JUNE 14, 2021**

### **AUDITOR-CONTROLLERS DIVISION**

**PAYMENT SERVICES UNIT**



**Audit Committee Submittal Date: 01/24/2022**

## **SUMMARY**

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### **Background**

Internal Audits Unit conducted a performance audit of the Upload Interface process for the Department of Finance, Auditor-Controller Division, Payment Services Unit (Payment Services) for the period April 1, 2021 through June 14, 2021.

### **Audit Objective**

The audit was conducted to assess the sufficiency of Payment Services' policies and procedures, identify key processes of its related internal controls and design tests to verify that key controls are in place and functioning as intended for upload interface processes including lease payments, mileage reimbursement, worker compensation disbursements, travel payments, property tax refunds, and various County department payments: Human Assistance child care payments, Voter Registration payments, Conflict Criminal Defenders attorney payments and District Attorney Witness payments.

### **Summary**

The audit noted issues regarding access to transactions codes, generic vendor numbers, desk guides, written monitoring procedures, and authorized signatures.

**Department of Finance**

Ben Lamera  
Director



**Auditor-Controller Division**

Joyce Renison  
Assistant Auditor-Controller

**County of Sacramento**

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*Intra-Office Memorandum*

November 18, 2021

Marie Hidalgo  
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The Fiscal Year 2020-21 Sacramento County Countywide risk assessment study assessed the Department of Finance, Auditor Controller Division, Payment Services Unit (Payment Services) upload interface coupled with direct payment transaction codes as a medium high-risk area. Accordingly, we have audited selected internal control processes for Payment Services for the period April 1, 2020 through June 14, 2021.

Our audit was conducted to assess the sufficiency of Payment Services' policies and procedures, identify key processes of its related internal controls, and design tests to verify that key controls are in place and functioning as intended for upload interface processes including lease payments, workers comp disbursements, child care payments, defense attorney payments, witness reimbursements, tax refunds, mileage and travel reimbursements.

Payment Services' management is responsible for the design, implementation and maintenance of effective internal controls to ensure compliance with federal, state, county and other regulatory agencies and requirements.

The scope of our audit included Payment Services' internal control activities and processes related to the upload interface process, direct payment transaction codes and generic vendor numbers for the period April 1, 2021 through June 14, 2021.

The audit methodology utilized to conduct this performance audit included:

**Internal Control Review**

- We conducted a preliminary survey of Payment Services' internal control environment and identified key controls related to Payment Services' upload process.

Document Review:

- We reviewed written procedures titled “Checking for Postings Done by People Not in Payment Services”.
- We reviewed written procedures titled “PERNR for Employee Vendor Records”.
- We reviewed upload processes using different transaction codes in Comprehensive Online Management Personnel and Accounting System (aka, COMPASS).
- We reviewed the desk guides/detailed procedures for lease payments, mileage uploads and workers’ comp uploads.
- We reviewed upload documents including accounts payable parked invoice transmittals, mileage claims, text files and other supporting documents.

Testing:

- We sampled 71 claims/invoices and their associated 2,232 documents, out of 326 total documents and their associated 21,711 upload interface generated documents for the period April 1, 2021 through June 14, 2021.
- We traced transactions from COMPASS to text files, accounts payable transmittals or other supporting documents submitted with the upload.
- We reviewed a sample of the accounts payable transmittals to verify they contained the appropriate authorization signatures and compared the number of transactions per upload on the accounts payable transmittal to the number of transactions per text file *Posting Run* report.
- We traced amounts per COMPASS to supporting documentation maintained by the Departments submitting the upload to Payment Services.
- We traced 20 vendor numbers to supporting documents used to approve and assign the vendor number.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*, except for paragraph 3.56 regarding our independence as described below. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting,

Marie Hidalgo,  
Senior Accounting Manager  
November 18, 2021  
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auditing, and financial reporting functions. These activities, in themselves, necessarily impair *Generally Accepted Government Auditing Standards* independence standards. Specifically, auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.

Although the Director of Finance oversees both Internal Audit Unit and Payment Services unit within Auditor-Controller Division, the staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility of the accounts and records being audited including the approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

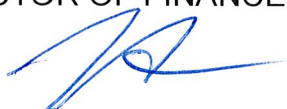
Based on our audit, we noted five exceptions and recommendations to Payment Services' upload interface internal control activities and processes for the period April 1, 2021 to June 14, 2021. See Attachment I, *Current Findings and Recommendations*.

Payment Services' management responses to the findings identified during our audit are described in Attachment I, *Current Findings and Recommendations*. We did not perform procedures to validate Payment Services' management responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive and Payment Service's management, and should not be used for any other purpose. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA  
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu CPA  
Audit Manager

Attachment I: *Current Findings and Recommendations*

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DEPARTMENT OF FINANCE  
PAYMENT SERVICES UPLOAD INTERFACE  
PERFORMANCE AUDIT  
APRIL 1, 2021 THROUGH JUNE 14, 2021**

**FINDINGS AND RECOMMENDATIONS**

**1. Access to Transaction Codes**

Condition

All twelve Payment Services staff have access to the direct payment transaction codes. These codes allow for a transaction to be directly posted in the Comprehensive Online Management Personnel and Accounting System (aka COMPASS) system without the transaction being parked or reviewed by a second person.

While allowing one person to process a payment transaction from beginning to end saves time, it reduces the likelihood errors will be detected by providing a separate set of eyes be involved in the process.

Criteria

Adequate internal controls require segregation of duties to ensure that no one individual controls both the recording function and the procedures relative to processing the transaction.

Effect

Allowing one person to control the recording and processing of payment transactions increases the risk that errors and/or fraud will not be detected timely or at all.

Recommendation

We recommend Payment Services should develop a review process to test the appropriateness of the transactions and review their segregation of duties controls on a quarterly basis and whenever job duties change.

Management Response

We have been working on Service Request (SR) 11387 with DTech, which was submitted in May 2020 and should be implemented in February 2022. This SR controls who has direct posting access and through it, we will be reducing the number of Payment Services staff that have access to direct posting based off of the document type.

We also have reviewed our current processes in place and made changes to ensure the Administrative Services Officer I (ASO I) will be reviewing all uploads done by Payment Services staff after uploads are posted in COMPASS to verify that postings are correct and amount being paid is the same as what was submitted to Payment Services by the Department. This will also ensure that there are not any double payments being made. The Accounting Manager is responsible for running the MONITOR\_PMTS COMPASS

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report to ensure only certain individuals have access to direct postings by document types on a monthly basis.

**2. Generic Vendor Numbers**

Condition

As part of the upload and direct payment process, certain upload processes use a generic vendor number that any Payment Services staff can use. Instead of using a number that uniquely identifies an individual vendor (payee), a general identifier is used for certain types of payees.

For example, an upload file for property tax refunds will use a specific code as the vendor number for all property tax refund payments to be issued instead of entering a separate vendor number for each of the tax refunds issued. This bypasses the control for a separate and unique vendor number for vendors (payees). These generic numbers are used to expedite the payment process because of the high volume of payments to be issued.

Criteria

Internal controls require assignment of unique vendor numbers to those vendors authorized to receive payments to mitigate the risk of issuing payments to fictitious or fraudulent vendors.

Effect

Using generic vendor numbers may result in the County making payments to erroneous or fraudulent vendors.

Recommendation

We recommend Payment Services review payee issued payments via generic vendor numbers on a sample basis to verify the payees are appropriate.

Management Response

Generally, when miscellaneous vendors (MISC) are used in the upload process, it is for refunds for a one time vendor. To create a new vendor number for every payment would be taxing, time consuming, and costly to Payment Services, as well as to the departments that would need to request individual vendor numbers for every payment. These payments are not reportable or taxable, which allows for a MISC vendor to be used. We are working on reducing the use of MISC vendors as much as possible, as well as

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educating departments on the process to setup vendor numbers for each of the payments.

In some instances we do allow MISC vendor numbers to be used with an upload due to high volume; however, we do have a checks and balances procedure that are being implemented that verifies the postings and payment amounts.

The Payment Services upload desk is responsible for validating the following; name of the upload file, authorized signed transmittal, along with backup supporting documents to ensure the entire attachment matches with dollar amount and the number of documents being posted. COMPASS should automatically trigger an error message if a duplicate upload file name is trying to be run again. The ASO I will be reviewing all upload posting runs from staff to ensure what the department sent matches with what was posted in COMPASS.

**3. Desk Guides**

Condition

Payment Services provided updated copies of the desk guides for upload interfaces for lease payments, mileage reimbursement, workers' compensation disbursements, travel payments, property tax refunds, and various County Departments payments: Human Assistance child care payments, Voter Registration payments, Conflict Criminal Defenders attorney payments and District Attorney Witness payments. Payment Services does not have procedures to routinely update the desk guides to ensure detailed instructions on how to process upload interface transactions are current. Additionally, the guides should include a process to check for duplicate claim submission.

Criteria

Adequate controls dictate desk guides be routinely updated to ensure detailed instructions are available to direct new staff or staff that are unfamiliar with specific job functions. Detailed procedures also allow an easy transition for job succession.

Effect

Out-of-date desk guides for completing transactions from the beginning to end can cause delays or errors by new or fill-in staff that are not familiar with the processes.



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Recommendation

We recommend Payment Services develop procedures to review and update desk guides for the upload interface transactions on at least an annual basis. In addition, Payment Services include a process to prevent duplicate claim submission.

Management Response

We have updated all of the Payment Services upload desk procedures to ensure proper instruction is in place. There is also at least one back-up staff trained on the process.

The Uploads email inbox that tracks all communication and uploads that we receive from departments is centralized so that staff can access in case of absences.

The ASO I asks that staff review and update their procedures/instructions at least on a yearly basis, but we can put a process in place that we officially ask all staff to review their procedures at a certain time every year at the very least.

**4. Written Monitoring Procedures**

Condition

Payment Services does not have procedures to monitor direct post transactions initiated by Payment Services staff. In addition, as discussed in Finding No. 1 and No. 2, using direct post transaction codes in combination with generic vendor numbers increases the risk of fraudulent payments occurring. While Payment Services managers review reports of direct post transactions initiated by non-Payment Services staff, managers should also review postings initiated by Payment Services staff.

Criteria

Adequate controls, including separation of duties, provide several benefits including (1) the risk of a deliberate fraud is mitigated as the collusion of two or more persons would be required in order to circumvent controls, (2) the risk of legitimate errors is mitigated as the likelihood of detection is increased, (3) the cost of corrective actions is mitigated as errors are more likely to be detected earlier in their lifecycle and (4) the organization's reputation for integrity and quality is enhanced through a system of checks and balances.

When effective controls cannot be put into place, compensating controls can improve the design of a process that has inadequate segregation of duties and ultimately provide

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reasonable assurance to managers that the anticipated objective(s) of a process or a department will be achieved. Such compensating controls will include monitoring reports generated from COMPASS.

Effect

Allowing staff to process transactions from the beginning to the end without any review increases the risk that errors or fraudulent activity go undetected.

Recommendation

We recommend Payment Services develop processes and procedures to review direct payment transactions.

Management Response

With the new Service Request that is being implemented, Payment Services should mitigate some of the risk from the direct posting. The System Controls will be maintaining the table and only Payment Services managers can advise and approve of which staff members should have access to direct posting.

The Payment Services managers will set up a new report and process to monitor all direct posting activity, not only for non-Payment Services staff, but for Payment Services staff as well.

**5. Authorized Signatures**

Condition

We noted five accounts payable parked invoice transmittals were signed (approved) by a Department of Personnel Services manager whose signature was not submitted to Payment Services for fiscal year 2020-21. The manager's signature was submitted in fiscal year 2021-22.

We also noted two accounts payable parked transmittals were signed (approved) by a Tax Collection Office Specialist Level 2, on behalf of a Senior Office Specialist. However, the Office Specialist's signature was not submitted to Payment Services as an authorized signer.

Criteria

Payment Services requires County departments to update the authorized signature list for Fiscal Transactions as part of the electronic workflow upload interface. Validating

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approval signatures on the Accounts Payable Transmittal supports the validity of transactions.

Effect

The following summarizes the documents not properly authorized to be processed.

Date	Department	Number of Documents per Transmittal
4/22/2021	Finance – Tax Collection	19
4/22/2021	Finance – Tax Collection	18
3/30/2021	Personnel Services - Workers Compensation	377
4/8/2021	Personnel Services - Workers Compensation	338
5/6/2021	Personnel Services - Workers Compensation	404
6/1/2021	Personnel Services - Workers Compensation	402
6/4/2021	Personnel Services - Workers Compensation	153
6/10/2021	Personnel Services - Workers Compensation	53

By not matching signatures on the accounts payable transmittals to authorized signature lists, unauthorized payment requests may be paid.

Recommendation

We recommend Payment Services develop procedures that ensure required authorized signatures are matched and updated when needed.

Management Response

There have always been processes in place that Payment Services staff are to review the signatures on the transmittals against the department authorized approver listings to verify that an authorized approver is signing the transmittal. We are working on training all Payment Services staff as we realize this is an issue that needs to be addressed and is a concern. We have updated staff desk procedures as well as let staff know to validate all transmittals against the authorized signature lists we have on file. If we do not have a current authorized signature list or if the person signing the transmittal is not listed for that

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department, the staff member will email the department and request they send an updated authorized listing.

We do not have this issue for most claims since they are being processed by electronic workflow. We are looking at more areas for electronic workflow and could review the upload process to see if there is a way that these could also be processed through a workflow.