



Seattle Public Schools The Office of Internal Audit

Internal Audit Follow-Up Report Segregation of Duties - Procurement

Issue Date: December 1, 2020



Internal Audit Report Segregation of Duties Follow-Up Audit – Procurement

Executive Summary

Background

On June 21, 2016, the Office of Internal Audit issued an audit report for Procurement as part of its evaluation of the District's overall system of internal controls. The report identified two audit findings related to segregation of duties in procurement processes. We recommended that District management address these findings since segregation of duties is an essential internal control designed to help prevent fraud and errors.

In accordance with the 2019-2020 Annual Risk Assessment and Audit Plan, we completed a follow-up audit to assess the corrective action plans for the two segregation of duties audit findings:

Audit Finding #1: Purchasing and receiving functions are not separated in the SAP system

Internal Audit recommended that District management properly segregate the purchasing and receiving functions in the SAP system, which can be done by limiting user access to SAP roles related to an employee's job function. Segregating purchasing and receiving functions in the system decreases the risk of inappropriate or unapproved purchases.

Although district management previously segregated purchasing and receiving functions at the operational level, they did not appropriately segregate employee access to purchasing and receiving functions in the SAP system at the time of the 2016 audit.

Audit Finding #2: Purchasing and Accounts Payable departments can create a vendor in the SAP system

Internal Audit recommended that District management segregate the duties of creating and paying vendors. The function of creating vendors should be separate from the function for paying vendors in order to reduce the risk of fraudulent payments. Allowing the accounts payable function to create vendors in the SAP system is incompatible with their duty to pay vendors.

Roles and Responsibilities

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

Approach and Methodology

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

- Reviewed the prior audit report and its supporting documentation to gain an understanding of the issues related to segregation of duties in procurement processes.



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- Inquired with department staff to gain an understanding of what changes were implemented to address segregation of duties issues in procurement processes.
- Worked with the Department of Technology Services (DoTS) to retrieve user access data for purchasing, receiving, and vendor creation roles in the SAP system.
- Extracted data from SAP and organization charts to supplement data provided by DoTS.
- Analyzed data to determine if the changes implemented by District management match the corrective action plans communicated to Internal Audit, and if the implemented corrective action plans sufficiently address prior audit findings.

Results

Our initial report dated June 21, 2016, can be found on the District's website. We consider an issue resolved if management implemented our recommendations or took other appropriate action to resolve the issues.

District management implemented the following corrective actions to address our recommendations:

- 1) SAP system access for purchasing and receiving roles were updated to reflect employee job responsibilities. Using current user access data, we verified that only employees in Purchasing were given access to purchasing functions in the SAP system and only employees in Receiving were given access to receiving functions in the SAP system.
- 2) District management updated system access for Accounts Payable employees so they can no longer create vendors in the SAP system. We reviewed user access data and the vendor master file to verify District management's corrective action plan.

After reviewing the implemented corrective action plans, we found that the corrective actions are sufficient to address our recommendations.

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