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AUDIT: VENDOR FILE VALIDITY #00-05
REPORT DATE: 10-16-00

INIT	STEP	DESCRIPTION
	SECTION H. CONFLICT OF INTEREST Objective: To communicate information to avoid conflict of interest to County Agency Head and Financial Staff.	
	H.1	Prepare a Section Index.
	H.2	Prepare a Section Conclusion.
	H.3	Document prior conflict of Interest Work done in the Public Information Office Expenditures Audit at #00-01. This work includes research on the Code of VA Conflict of Interest Act.
	H.4	Document additional research of the: 1) VA Public Procurement Act on conflict of Interest, 2) Code of Henrico, 3) Personnel Rules and Regulations.
	H.5	DRAFT E-mail on Avoiding Conflict of Interest.
	H.6	Document final E-mail using the Authorized-Signature Mail List covering County Agency Heads and Financial Staff.
	SECTION I. 1099 PROCESS Objective: To document an understanding of the 1099 Process to ensure that the 1099 Process does not update the Vendor Master File and resolve employee conflict on certain object codes and thresholds.	
	I.1	Prepare a Section Index.
	I.2	Prepare a Section Conclusion.
	I.3	Document a general understanding of the 1099 Process.
	SECTION J. INFORMATION TECHNOLOGY Objective: To obtain an understanding of the systems used in the Vendor Master File Process.	
	J.1	Prepare Section Index.

INIT	STEP	DESCRIPTION	
	J.2	Prepare Section Conclusion.	
	J.3	Document preliminary meeting with Information Technology.	
	J.4	Document e-mail concerning employees on the Master Vendor File.	
	J.5	Document e-mail on how FAMIS+AIM+MAPS=Vendors.	
	J.6	Document e-mail on the duplicate vendor number process and order address in FAMIS.	
	J.7	Document e-mail on the investigation of AIM TO DO LIST and AIM edits.	
	J.8	Document e-mail on confirmation of purge criteria for one-time vendors.	
	J.9	Document e-mail on the temporary vendor number in the NEI system.	
	J.10	Document e-mail on the file layout and downloading of the vendor file data.	
	SECTION K. ONE TIME VENDORS Objective: To determine whether one-time vendor numbers are reused multiple times in a one year period of 7/99 – 6/00.		
	K.1.	Prepare a Section Index.	
	K.2.	Prepare a Section Conclusion.	
	K.3.	Auditor Peggy Walsh downloads FAMIS data into monthly files. Combine each monthly file and create a yearly file of one time vendor numbers. The identification is based on the one time vendor numbers starting with the number "9". From the file, perform the following:	
		A	Document the period of time and number of records.
		B	Review for use of one-time vendors on travel documents.
		C	Review for duplicate vendor names.
		D	Review for duplicate vendor addresses.
	K.4.	Statistically analyze one-time vendors based on: 1) Number created per month, 2) Number created per agency.	

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	K.5	In Section G at W/P G/3 Exhibit 19, preliminary information about one-time vendors was sent to Accounting. Discuss with Accounting how they have analyzed this data. Document determination of whether the prior audit recommendation from #97-02 Issued on 5/22/97 Recommendation #2 on establishing a process to monitor the usage of one time vendor numbers is open or closed.	
	SECTION L. VALID ADDRESSES AND TRANSACTIONAL ACTIVITY Objective: To test for valid addresses in the Master Vendor File.		
	L.1.	Prepare a Section Index.	
	L.2.	Prepare a Section Conclusion.	
	L.3.	Testing in this Section will be based on the following 2 files:	
		1	Transactional Data File Auditor Peggy Walsh downloads the transactional data monthly. Have the monthly transactional files merged into one file. This download includes only transactions that start with a “V” type. During the first few days of each month, some transactional data is not included in the download. When any type of summing is done for this file, some type of expectable error rate will need to be arrived at.
		2	Vendor Master File The Vendor Master File has been obtained from Information Technology. See file format at w/p J/10. This file does not include transactional data but includes yearly totals and totals from creation.
	L.4	NOT APPLICABLE – STEP COULD NOT BE PERFORMED BASED UPON DATA AVAILABLE. The Transactional Data File will have to be summed by Vendor. Once summed by Vendor, match to the Vendor Master File. Match will be on the total per the Transactional Data File by Vendor for the fiscal year to the Vendor Master File for fiscal year to date total column. Identify differences. Once the differences are identified an expectable limit will need to be determined once the file is fully analyzed. For vendors over the expectable limit, a determination will need to be made on which vendors to investigate.	
	L.5	From the Vendor Master File, select a random sample using the ACL Software – to set size of the sample. Select the sample. Trace address from the Vendor Master File to the Accounting Office Payment Files. (per W/P J/10 Exhibit 5 there are 21,550 records in this file this includes records that could have –0- balances).	

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	SECTION M. EMPLOYEES AS VENDORS Objective: Compare vendor information to employee information to ensure that employees have been properly identified and permanent vendor numbers established as needed.		
	M.1.	Prepare a Section Index.	
	M.2.	Prepare a Section Conclusion.	
	M.3	Testing in this section will be based on the following three files:	
		1	Transactional Data File Auditor Peggy Walsh downloads the transactional data monthly. Have the monthly transactional files merged into one file. This download includes only transactions that start with a "V" type. During the first few days of each month, some transactional data is not included in the download. When any type of summing is done for this file, some type of expectable error rate will need to be arrived at.
		2	Vendor Master File The Vendor Master File has been obtained from Information Technology. See file format at w/p J/10. This file does not include transactional data but includes yearly totals and totals from creation.
		3	MAPS File The Director of Internal Audit (with access to MAPS) will create an employee download to include: 1) Employee Name, 2) Employee Address, and 3) Employee Social Security Number. The download consists of 2 files: 1) Name and Number, and 2) Address and Number.
	M.4	Vendor Type "E"	
		1	Take the Vendor Master File and sort by vendor type. This file does not contain voucher type or object code. Create a subset of all vendors who have not been identified by the vendor type "e" – indicating employee.
		2	Compare the subset created in at M.4.1 to the MAPS File. Match on Name and/or address and/or SSN. This matching will produce a file made up of employee from MAPS who are vendors in the Vendor Master File but have not been properly identified with a vendor type "e".

INIT	STEP	DESCRIPTION	
		3	All matches are considered exceptions. A match would indicate that the employee is a vendor but has not been identified properly in the Vendor Master File as a vendor type "e". Research why this occurred. The Research should be based upon an evaluation of the vendor create date. Once this group is stratified based upon create date, discuss with Purchasing the reason why this impropriety occurred, what controls are in place to prevent this occurring in the future, what actions they will take to correct the vendor identified. Document exceptions in a discussion issue.
	M.5	Create a file for temporary vendors from the Master Vendor File who were identified as employees when the data is matched to MAPS. Document matches and investigation of matches.	
	SECTION N. EMPLOYEE TRANSACTIONS Objective: Compare vendor information to employee information for possible conflict of interest activity.		
	N.1.	Prepare a Section Index.	
	N.2.	Prepare a Section Conclusion.	
	N.3	Testing in this section will be based on the following three files:	
		1	Transactional Data File Auditor Peggy Walsh downloads the transactional data monthly. Have the monthly transactional files merged into one file. This download includes only transactions that start with a "V" type. During the first few days of each month, some transactional data is not included in the download. When any type of summing is done for this file, some type of expectable error rate will need to be arrived at.
		2	Vendor Master File The Vendor Master File has been obtained from Information Technology. See file format at w/p J/10. This file does not include transactional data but includes yearly totals and totals from creation.
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	N.4	Conflict Transactions	

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		1.	Take the "e" vendor types from the Vendor Master File and combine with matches from step M.4.3 to produce a new file of all vendors who are employees. Eliminate any vendors with FY00 activity below $500 since according to the Code of Virginia Section 2.1-639.9 amount under $500 is exempt.	
		2.	Take the one-time vendor file of transactions created in Section K (limited to transactions greater than $500) and match to the MAPS File based upon name.	
		3.	Take the Vendor Transactional File and delete: 1) all transactions under $500, 2) all object codes that are subject to the 1099 reporting process (object codes – 116-200-201-202-203-204-205-206-207-209-210-211-212-230-270), 3) all VA documents for Travel, 4) all VT documents for daily travel mileage, 5) Petty Cash Vendors, 6) Transactions to index 530337 Self-Insurance Worker's Compensation- Object Code 451 – Claims and Contingencies, 7) Object Code 470 – Clothing Reimbursement, and 8)Object Code 455 – Tuition.	
		4.	Match the subset created in M.6.1 to the subset created at M.6.3 by vendor number.	
		5.	On the matches from M.6.2 and M.6.4, perform the following:	
			a	Using the NEI on-line system or AIM, print the document related to the Transactional file data.
			b	Before send e-mail, consider transactions for possible irregularities, then evaluate and research exceptions by sending e-mail to the paying agency asking for an explanation of payment made to the employee which could result in a potential conflict of interest. Will need to ensure that the payment was made during the employee employment dates.
			c	Evaluate responses received from the Agency to determine whether or not there is conflict of interest violation and report accordingly.