



January 24, 2024

To: Finance and Administration Committee

From: Darrell E. Johnson, Chief Executive Officer

Janet Sutter, Executive Director
Internal Audit

Subject: Accounts Payable Operations, Internal Audit Report No. 23-504

Overview

The Internal Audit Department of the Orange County Transportation Authority has completed an audit of Accounts Payable operations. Based on the audit, controls to ensure payments are processed in compliance with policies and procedures are generally adequate; however, the Internal Audit Department is making two recommendations to improve system controls and to ensure consistent enforcement of the Payment Request Policy.

Recommendation

Direct staff to implement two recommendations provided in Accounts Payable Operations, Internal Audit Report No. 23-504.

Background

The Accounts Payable (AP) section of the Accounting and Financial Reporting Department within the Finance and Administration Division is responsible for processing all payments on behalf of the Orange County Transportation Authority. AP staff review invoices for accuracy, reasonableness of documentation, compliance with applicable policies and procedures, and proper signature authority. AP staff are also responsible for vendor file maintenance within the Central Square Finance Enterprise System.

During the scope period of January 1, 2022, through June 30, 2023, AP staff processed a total of 14,820 payments, of which 12,326 were conventional check payments and 2,494 were electronic payments. Approximately 80 percent of the payments made were to vendors under contract and 20 percent were for small

dollar disbursements or other routine disbursements, such as utility payments, travel reimbursements, and right-of-way property acquisitions.

All payments processed are subject to AP policies and procedures, including the Accounts Payable Invoice Review Policy, Vendor Payment Policy, Payment Authorization Policy, Payment Request Policy (PR Policy), and the Check Signature Policy. The PR Policy outlines rules for payments made without an underlying purchase order, contract, cooperative agreement, or travel expense report, such as payroll taxes, judgements and settlements, utility payments, refunds, real estate purchases, and membership dues.

AP utilizes the Central Square Enterprise System (accounting system) to perform vendor file maintenance and process payments. Access to the accounting system is controlled and requires a supervisor or manager to submit a Computer Access Request form to an accounting system administrator for user access to be granted. Accounting system administrators have the ability to set up users, change a user's system rights, or inactivate a user, as needed.

Discussion

There is no control in place to prevent the same user from creating or editing a vendor in the accounting system and processing a payment to that vendor. In addition, controls to grant and periodically monitor accounting system access for appropriateness should be strengthened. The Internal Audit Department (Internal Audit) recommended management separate the ability to create or edit vendors from the ability to process payments, require a Computer Access Request form for all user access requests, enhance the annual accounting system access review, and restrict the number of users granted administrative rights. Management agreed and indicated that the recommendation will be implemented.

Internal Audit identified 17 invoices paid using a PR form that did not comply with the PR Policy. Internal Audit recommended management review and update the PR Policy and related form and that project managers and AP staff be reminded of the proper use of PRs. Management agreed and indicated that the PR Policy and related form will be updated and has informed AP staff not to process exceptions without approval.

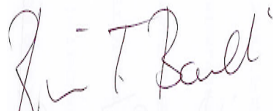
Summary

Internal Audit has completed an audit of accounts payable operations and has offered two recommendations that management has agreed to implement.

Attachment

A. Accounts Payable Operations, Internal Audit Report No. 23-504

Prepared by:



Ricco Bonelli
Principal Internal Auditor
714-560-5384

Approved by:



Janet Sutter
Executive Director, Internal Audit
714-560-5591