OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Analysis of Financial Management Information System (FMIS) Vendor Address Book

M-E-M-O-R-A-N-D-U-M

TO   :   Mark Grant, Controller
                OFFICE OF THE CONTROLLER

FROM   :

                Elizabeth Begay, CIA, CFE
                Auditor General
                OFFICE OF THE AUDITOR GENERAL

DATE   :   March 31, 2014

SUBJECT   :   FMIS Address Book

The Office of the Auditor General herewith transmits Report No. 14-11, Analysis of Financial Management Information System (FMIS) Vendor Address Book.

If you have any questions regarding this report, please call our office at (928) 871-6303.

Enclosure

Chrono

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SUMMARY

The Office of the Auditor General has conducted an analysis of the Navajo Nation Financial Management Information System (FMIS) Vendor Address Book. The analysis was performed to determine whether the address book system is properly maintained and managed by the Office of the Controller. For the 171,768 vendor records analyzed, the following issues were identified:

Issue I: Duplicate Vendor Records

Employees responsible for setting up vendor numbers are inconsistent in entering vendor name and address that allowed them to assign a different Address Book (AB) number to a vendor that has a unique tax ID number and physical address. In addition, Data Port users that entered incorrect vendor information which does not match in the system will automatically create a new vendor record. Overall, the analysis identified 84,806 duplicate vendor records which are 50% of the total vendor records in the FMIS Address Book.

Issue II: Duplicate Employee Records

The analysis found 2,480 employee records were also assigned additional search types such as participants (for financial assistance recipients) and suppliers/vendors. As a result, an additional 2,770 records were created for these 2,480 employees. Employees coded as participants means the employees were able to receive financial assistance from the Navajo Nation. Also, payments to employees coded as suppliers/vendors appear to be for work-related reimbursements, but other payments appear to be regular supplier/vendor payments. This means the employees were also paid as contractors.

Issue III: Vendor Records without a Tax ID Number

We found 13,004 vendor records that did not have a tax identification number. The Navajo Nation is unable to issue IRS Form 1099-MISC income to vendors without a tax ID number. The Navajo Nation could face potential fines and/or tax liabilities as a result of not issuing accurate Form 1099s for all vendors that are required to receive them.

Issue IV: Unused Vendor Records were not Archived

We found 87,231 vendor records in which no payments had been made to these vendors for the period FY2004 through FY2013. As a result, of the total 171,768 vendor records in the FMIS Address Book, 51% were not being used.

Issue V: Duplicate Payments

The analysis found potential duplicate payments were made as a result of input variations on the invoice number, the vendor number and/or the invoice date. For fiscal year 2011 through 2013, we identified possible overpayment to vendors totaling $663,567.

Issue VI: Access to the FMIS Address Book needs Improvement

Records indicate that 34 users including two outside consultants have action security level access to the FMIS Address Book regardless of their job description. Action security level access authorizes users to add, delete, revise or copy vendor records. It appears more users have action security level access than what may be required based on their job description. There is a risk that unauthorized changes can be made to the FMIS Address Book.

INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted an analysis of the Navajo Nation Financial Management Information System (FMIS) Vendor Address Book that is managed and maintained by the Office of the Controller. The Address Book is the foundation for any accounting system. The address book system is comprised of vendor/supplier credentials and information such as names, mailing/billing/shipping addresses, tax identification and phone numbers. This information is stored in several database tables to create a central depository of information. The Address Book system generally includes:

- Maintenance of complete information for employees, customers and suppliers.
- Ability to retrieve information by name, addresses, phone number, and search type.
- Classification of entries by search type for inquiry and reporting purposes.
- Management of tax information.
- Ability to associate multiple addresses with a single address book record.
- Effective dates for address changes.

The Address Book system is required in processing financial transactions, inquiries and reporting activities. The Address Book system is integrated with other FMIS components including but not limited to Accounts Payable and Receivables, Payroll, Personnel, Budgets and Fixed Assets. In order to provide accurate and timely address book processing activities, the address book data must maintain its integrity and reliability standards.

The integrity standards require the address book information be maintained to its utmost accurate and usable information in all its financial processing. The reliability standards require that the Navajo Nation address book information be available, safeguarded and continually updated for use in all the FMIS financial and data processing activities. The quality of information assures that information is reasonably free from error and represents what it purports to represent.

Objective, Scope and Methodology

This analysis was performed to determine whether the address book system is properly maintained and managed by the Office of the Controller (OOC).

To meet our objective, the following procedures were performed:

1. Reviewed the Plan of operation for OOC, Title 12, Chapter 2, to gain an understanding of the Controller's responsibility in the management of the FMIS address book.

2. Reviewed JD Edwards address book documentation to identify the existing components and processes of the FMIS address book.

3. Interviewed key individuals: OOC section managers and technical support staff and data port users from Navajo Nation departments (Navajo Nation Scholarship and Financial Assistance Program, Program for Self-Reliance, Division of Social Services, Credit Services, Workforce Development and Department of Personnel Management).

4. Contracted a consultant with extensive experience in data analyses. The consultant is certified and has expertise in using Audit Command Language (ACL) auditing software, which is used for data mining and fraud detection. ACL is a data extraction and analysis software used to find irregularities or patterns in transactions that could indicate control weaknesses and/or fraud. Scripts (or command language) are developed to analyze data.

5. Performed data analytics on the most recent version of the FMIS Vendor Master Address Book file (data file received was an Excel spreadsheet). Additionally, yearly GL expenditure files and payment detail files were obtained for analysis for the period FY2004 – FY2013. Data analysis tests that were performed included the following:

   a. Preliminary tests were performed on the Vendor Master data to ensure the following:

      - Vendors with more than one Tax ID number were not assigned more than one address number.
      - Vendors with the same name and same physical address were not assigned more than one address number.
      - Vendors with the same name and same physical address were not assigned more than one Tax ID number.

   b. Additional tests were performed on the Vendor Master data to ensure the following:

      - The same vendors were not assigned more than one address book number.
      - All vendors have a unique Tax ID number.
      - Identify any vendors that have the same name and the same physical address.
      - Identify any vendors that have not been used but are still set up as active vendors in the FMIS Address Book file.
      - Identify any vendors that had a blank Tax ID field or a blank Long Address field, or vendors that both have a blank Tax ID field and a blank Long Address field for the same record.

6. The impact of above-mentioned tests was assessed by looking for duplicate payments made to the vendors. Duplicates tests that were performed included looking for duplicate payments based on the same vendor number, same invoice number, same invoice date and same invoice amount. Another duplicate test was performed based on the same invoice number, same invoice date, and same invoice amount. A final duplicates test was performed based on the same vendor number, same invoice number, same invoice amount, and invoice dates different by one single day.

The special review covers the evaluation of the address book records for the period beginning FY2004 through FY2013. As of September 30, 2013, the FMIS address book has 171,768 vendor records. Table 1 lists the vendor records by search type.

[See Table 1 on next page]

Table 1 – Vendor Records by Search Type

Search Type	Search Description	Number of Records	Percent of Population
A	Applicants	2	0%
BSL	A/R Business Site Lease	249	0.14%
C	A/R Customers	789	0.46%
DCP	(unknown)	1	0%
DP	Dependent or Beneficiary	1	0%
E	Employees	6,533	3.8%
F	Facilities	1,161	0.68%
L	Clients	130	0.08%
N	New Hire	1	0%
O	Company	2,109	1.23%
P	Participants	76,018	44.26%
R	Role	12	0.01%
S	Scholarship	61	0.04%
T	TANF	1	0%
TAX	Tax Authorities	2	0%
V	Suppliers	56,514	32.9%
VX	Duplicate Vendors	728	0.42%
X	Ex-Employees	27,454	15.98%
Z2	Data Rep Test	2	0%
TOTAL:		**171,768**	**100%**

Source: JD Edwards search type description

The Office of the Auditor General expresses its appreciation to the Office of the Controller, and all other entities who contributed to this analysis.

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Issue I: **Duplicate Vendor Records**

Each unique vendor should have one vendor record in the FMIS with one unique vendor address book number. Using ACL, we performed six different analyses to identify duplicate vendor records and 84,806 duplicate records were identified. This is approximately 50% of the 171,768 total vendor records in the FMIS Address Book. The following tables show the results of each analysis. It should be noted that the results overlap meaning that the same vendor may have been identified in one or more of the analyses.

1. Analysis of vendor records, based on tax identification number, found 5,699 unique vendors (based on tax ID number) that were assigned more than one address book (AB) number. For instance, tax ID number xx-xxx4791 was assigned 56 different vendor AB numbers. A total of 12,225 vendor (AB) numbers were assigned to the 5,699 vendors, resulting in 6,526 unnecessary vendor records that were set up in the FMIS address book. The breakdown of the duplicate address book numbers is as follows:

Table 2 – Duplicate Address Book Numbers (of 5,699 unique vendors)

Search Type	Search Description	Number of Records	Percent of Population
V	Suppliers	8,734	71.44%
P	Participants	3,269	26.74%
X	Ex-Employee	208	1.70%
C	A/R Customers	14	0.11%
TOTAL:		**12,225**	**100%**

2. Analysis of vendor records, based on the tax identification number and the address field (Address 1 or Address 2) of the vendor, found 5,762 vendor records were created where the vendor tax ID number was the same but the address field was different. We identified 2,655 unique vendors (based on tax ID number). For instance, for vendor tax ID number xxx-xx-0565, there were 25 different vendor records in which the physical address is different but the tax ID is the same. As a result, 3,107 additional vendor records were set up in the FMIS address book.

While we recognize that many of these vendor records may be child records of another parent vendor, there was nothing in the FMIS file to indicate parent-to-child relationships of the different vendors. Also, we noted several vendor records in which the tax identification number was the same, and the physical address was different, but the vendors did not appear to be related. For instance, the Performance Institute and AHC Media had the same tax identification number (xx-xxx1276) but were at different addresses in two different states, and do not appear to be related. The breakdown of the duplicate records by tax ID numbers is shown on Table 3:

[See Table 3 on next page]

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Table 3 – Duplicate Vendor Tax ID Numbers

Search Type	Search Description	Number of Records	Percent of Population
V	Suppliers	4,392	76.22%
P	Participants	1,269	22.02%
X	Ex-Employee	94	1.63%
C	A/R Customers	7	0.12%
TOTAL:		**5,762**	**100%**

3.   Analysis of vendor records focusing on name and address fields (Address 1 or Address 2) found 5,168 unique vendors were assigned more than one AB number, although the vendor had the same name and address. As a result, 11,399 different vendor records were created in the FMIS Address Book. For instance, the SW Indian Polytechnic Institute has 118 vendor numbers assigned although all appear to be associated with the Financial Aid Office. Another example is the Lake Valley Chapter having 15 vendor numbers. As a result, 5,168 vendors were assigned 6,231 additional AB numbers that appear to be unnecessary. The breakdown of the duplicate address book number with the same name and address is as follows in Table 4:

Table 4 – Duplicate Address Book Number with the Same Name and Address

Search Type	Search Description	Number of Records	Percent of Population
P	Participants	6,391	56.07%
V	Suppliers	4,795	42.07%
C	A/R Customers	109	0.96%
X	Ex-Employee	104	0.91%
TOTAL:		**11,399**	**100%**

4.   Analysis of vendor records focusing on tax identification number, name, and physical address found 632 vendors with the same name and same physical address have more than one tax identification number assigned. For example, Navajo Tribal Utility Authority has one physical address but was noted in the FMIS Address Book file as having 12 different tax identification numbers. As a result, a total of 1,345 vendor records were created for the 632 vendors with multiple tax identification numbers. The differing tax identification numbers in the FMIS Address Book resulted in multiple vendor AB numbers being assigned to these vendors. The breakdown of the duplicate vendor tax ID number with the same name and physical address is shown in Table 5:

[See Table 5 on next page]

Table 5 - Duplicate Vendor Tax ID Number with the Same Name and Physical Address

Search Type	Search Description	Number of Records	Percent of Population
P	Participants	890	66.17%
V	Suppliers	443	32.94%
X	Ex-Employee	12	0.89%
TOTAL:		**1,345**	**100%**

5.   Analysis of vendor records focusing on the name and the physical address found 2,389 unique vendors (based on name and address) were identified where the vendor name and the physical address were the same, but multiple long address numbers (alternate vendor identification numbers) were assigned to these vendors. The total number of vendor records involved was 5,317 different vendor records in the FMIS Address Book. For example, Silver Creek Mortuary only had one unique physical address in the FMIS Address Book file, but was assigned 13 different long address numbers. As a result, the different long address field information in the FMIS Address Book has resulted in the creation of 2,928 additional vendor records. The breakdown of the duplicate long address numbers is as follows in Table 6:

Table 6 - Duplicate Long Address Numbers

Search Type	Search Description	Number of Records	Percent of Population
P	Participants	4,199	78.97%
V	Suppliers	1,062	19.97%
VX	Duplicate Vendors	53	1.00%
C	A/R Customers	3	0.06%
TOTAL:		**5,317**	**100%**

6.   Analysis of vendor records focusing on the name of the vendor and the physical address found 81,959 vendor records where the same physical address was being used by more than one vendor. For example, two different vendors (Designers Gold and Stationary House) had the same physical address in the FMIS Address Book file (1000 Florida Avenue, Hagerstown 21740). Because of variations on the input of the physical address, additional vendor records may have been created or vendor records may have been created where the wrong physical address information was input into the FMIS Vendor Address Book. The breakdown of the duplicate vendors with the same physical address is shown on Table 7.

[See Table 7 on next page]

Table 7 - Duplicate Vendors with the Same Physical Address

Search Type	Search Description	Number of Records	Percent of Population
P	Participants	50,685	61.84%
V	Suppliers	30,590	37.32%
C	A/R Customers	309	0.38%
VX	Duplicate Vendors	375	0.46 %
TOTAL:		**81,959**	**100%**

Employees responsible for setting up vendor numbers are inconsistent in entering vendor name and address. The inconsistency allowed the employees to assign a different AB number to a vendor that has a unique tax ID number and physical address.

In addition, Data Port users entered vendor information incorrectly into the system. If the information does not match in the system, Data Port will automatically create a new AB number and a new vendor record for the vendor. Furthermore, conversion vendor records that were transferred from the previous "FRS" accounting system into the FMIS Address Book resulted in creating numerous vendor records.

Recommendations:

The Office of the Controller should:

1. Not allow inputting more than one AB number to a unique tax ID number and the same physical address. The only exception to this situation is for vendors that have parent-child records. If there are special payers for a particular vendor, based on the parent-child relationship, the special payer field should be set up and utilized in order to indicate the vendor has a parent-child relationship.
2. Conduct training for Navajo Nation employees setting up vendors in the FMIS address book in order to maintain consistency and accuracy in entering vendor information.
3. Implement in the FMIS Address Book the functionality that indicates the parent-child relationship between vendors.
4. Perform a review of the records converted from the previous "FRS" system and clean up the data in the vendor records to eliminate any duplicate vendor records.
5. Perform a cost benefit analysis of the Data Port users.
6. Review the Data Port system to see if the system can be configured to trigger a notification if a vendor record does not match any vendors in the FMIS Address Book. At that point, a manual review of the vendor record can be performed by OOC to ensure a vendor record is not duplicated or set up multiple times.
7. Develop and implement standards for how data should be input for different fields (address information, tax ID numbers, long address numbers, etc.).

Issue II: Duplicate Employee Records

Each employee should have one unique AB number record in the FMIS address book. However, we found duplicate employee records as follows:

1. Analysis of vendor records focusing on employees noted six employees were assigned more than one AB number. A total of 12 records were created for the six employees, resulting in six additional employee records that were set up in the FMIS Address Book.

2. Analysis of the vendor records focusing on the Search Type (Sch_Typ) "E" noted 2,480 employee records in the FMIS Address Book were also assigned additional Search Types. Table 8 below lists the different employee records by search type.

Table 8 - Employee Records by Search Type

Search Type	Search Description	Number of Records	Percent of Population
E	Employee	2,480	47.24%
C	A/R Customers	4	0.08%
L	Clients	1	0.02%
N	New Hire	1	0.02%
P	Participants	1,098	20.91%
V	Suppliers	1,580	30.10%
VX	Duplicate Vendors	60	1.14%
X	Ex-Employee	26	0.50%
TOTAL:		5,250	100%

An additional 2,770 records were created for these 2,480 employees. Of this number, 1,098 employees were coded as participants. Employees coded as participants means the employees were able to receive financial assistance from the Navajo Nation.

Also, 1,580 records were set up for these employees as suppliers/vendors. Analysis of payments to these employees that were also coded as suppliers/vendors found 13,795 payments totaling $6.8 million were made to these employees during the period FY2004 – FY2013. Some payments appear to be for employee work-related reimbursements and other payments were for veteran loans disbursed to the employees and for meeting stipends. However, some payments appear to be regular supplier/vendor payments. This means the employees were also paid as contractors.

Recommendations:

The Office of the Controller should:

1. Ensure work-related reimbursements to employees are coded as "E" – Employees.
2. Ensure loans disbursed to employees are coded as "C" – A/R Customers.
3. Ensure meeting stipends paid to employees are coded as "E" – Employees.
4. Ensure payments to employees as contractors are coded as "V" – Vendors, which is also the code assigned to outside vendors/consultants that provided goods or services to the Navajo Nation.

Issue III: Vendor Records without a Tax ID Number

For each vendor record created, a unique tax identification number must be obtained and input for each vendor. We found 13,004 vendor records did not have a tax identification number. The Navajo Nation is unable to issue IRS Form 1099-MISC income to vendors without a tax ID number. The Navajo Nation could face potential fines and/or tax liabilities as a result of not issuing accurate Form 1099's for all vendors that are required to receive them.

In calendar year 2013, 187 different vendors, without a valid tax ID number, received payments from the Navajo Nation, totaling approximately $8.2 million dollars. In calendar year 2012, 233 different vendors, without a valid Tax ID number, received payments from the Navajo Nation, totaling approximately $8.5 million dollars. Lacking tax ID number, it appears these vendors were not issued a Form 1099.

Navajo Nation employees responsible for setting up vendor records are not always obtaining tax identification numbers for each unique vendor. The database was not created with check controls to prevent blank tax ID numbers and long address fields from being entered into the system. If these key fields are blank, the user should be prompted to review the record before allowing the system to progress with setting up a new vendor record automatically.

Recommendations:

The Office of the Controller should:

1. Prohibit payments to vendors that lack tax identification.
2. Create input validation check controls to prevent blank tax identification numbers and long address fields in order to force an entry by the user before allowing the vendor record to be saved or updated.

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Issue IV: Unused Vendor Records were not Archived

Unused vendor records must be archived from the FMIS Address Book file in a timely manner. We found 87,231 vendor records in the FMIS Address Book in which no payments had been made to these vendors for the period FY2004 through FY2013. As a result, of the total 171,768 vendor records in the FMIS Address Book, 51% were not being used. Overall, the Office of the Controller is not archiving unused or inactive vendor records from the FMIS Address Book file.

Recommendations:

The Office of the Controller should:

1. Review the FMIS Address Book file on a periodic basis, and any unused or inactive vendors should be archived from the FMIS Address Book file.
2. Block the unused or inactive vendors.
3. Ensure the FMIS Address Book system includes vendor record set up/creation date.
4. Ensure the FMIS Address Book system includes a last update field to record a date and track the aging of the vendor record.
5. Consider deleting unused and duplicate vendor records in order to clean up the FMIS Address Book and to make the FMIS Address Book easier to maintain.

Issue V: Duplicate Payments

Vendor payments should only be processed and paid once, for each unique vendor invoice. Three different types of duplicate payments tests were conducted for the periods FY2011 – FY2013 in order to determine if any duplicate payments were made:

1) The first duplicate test conducted searched for potential duplicate payments based on vendor number, invoice number, invoice date and invoice amount.

2) The second duplicate test conducted searched for potential duplicate payments based on invoice number, invoice date, and invoice amount (the vendor number was excluded from this test).

3) The third duplicate test conducted searched for potential duplicate payments based on vendor number, invoice number, and invoice amount (the invoice date was excluded from this test).

It appears the potential duplicate payments were made as a result of input variations on the invoice number, the vendor number and/or the invoice date.   For example, in FY2012, a potential duplicate payment of $3,738 was made and the invoice number was input as 148A for one record and 148-A for another record. Table 9 shows the duplicate payments by fiscal year (2011-2013).

Table 9 - Total Number of Potential Duplicate Payments by Fiscal Year

Fiscal Year	Total of Overpaid Amounts
2013	$38,734
2012	$110,367
2011	$514,466
TOTAL:	$663,567

Incorrect invoice information (different invoice numbers, different vendor numbers or different invoice dates) or entering the same invoice information multiple times may result in duplicate payments being made to vendors.

Recommendations:

The Office of the Controller should:

1. Put into place systematic controls that will only allow for one payment to be made for each unique invoice.
2. Review the duplicate payments identified in this report in order to determine if any money can be recovered for the duplicate payments.
3. Review payment activity on an ongoing basis to ensure duplicate payments are not made due to input errors on the vendor number, invoice number, or invoice date.

Issue VI: Access to the FMIS Address Book needs Improvement

Users of the FMIS Address Book should be given access based on their job description. Records indicate there are 34 users that have the action security level including two consultants and three system users accounts. The action security level in FMIS Address Book authorizes users to perform particular actions, such as the ability to add, delete, revise or copy vendor records in the Address Book.

It appears more users have action security level access than what may be required based on their job description. This shows lack of monitoring of access to the FMIS Address Book. There is a risk that unauthorized changes can be made to the FMIS Address Book.

Recommendations:

The Office of the Controller should:

1. Perform periodic reviews of access to the FMIS Address Book system to determine if users have appropriate access, based on their job description.
2. Ensure the OOC Systems Section maintains on file exception reports of unauthorized access to the FMIS Address Book system.
3. Review all authorized users who have access to the FMIS Address Book system in order to determine how many "Power Users" have access to the Action Security level in Address Book. If an excessive number of "Power Users" are identified or if "Power Users" have access to Address Book, but do not need access based on their job descriptions, this access should be removed.

CONCLUSION

The Office of the Controller did not adequately manage the FMIS Address Book. Employees, specifically data port users, are inconsistent in entering vendor name and address that resulted in the creation of duplicate vendor records. Vendor records were created without a tax ID number that could result in potential fines and/or tax liabilities to the Navajo Nation. Unused vendor records were not archived. In addition, users regardless of their job description, including two outside consultants were given action security level access which poses a risk of unauthorized changes to the FMIS Address Book. Furthermore, the analysis found potential duplicate payments were made as a result of input variations on the invoice number, the vendor number and/or the invoice date.

CLIENT RESPONSE

MEMORANDUM

TO: Elizabeth Begay, CIA, CFE
           AUDITOR GENERAL
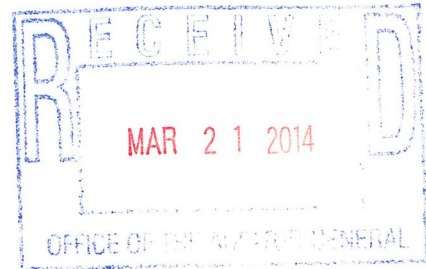   OFFICE OF THE AUDITOR GENERAL

Thru: _Mark Grant_
           Mark Grant, Controller
           OFFICE OF THE CONTROLLER

FROM: _L Eldridge_
           Lorena Eldridge, Accounting Manager
           OFFICE OF THE CONTROLLER

DATE: March 17, 2014

SUBJECT: FMIS Address Book

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OFFICE OF THE AUDITOR GENERAL

On behalf of the Office of the Controller, I would like to thank you and your staff for your final draft analysis of the FMIS Address Book, which was done in collaboration with Michael P. Keiffer, CPA, P.C. The Office of the Controller appreciates your team for its high level of professionalism and for the quality of the report.

This is the first time the Navajo Nation FMIS Address Book has been audited since its implementation in 2003. Since its implementation there have been many changes to the procedures to address issues as they arose. While we do hold ourselves to high standards in regards to accounting and compliance we agree that the monitoring of the Address Book has been inadequate in the past. Issues with old data from the previous system, issues with data port, accessibility of multiple users, and lack of training have all contributed to the deficiencies of the Address Book. In recent years, the Office of the Controller has implemented procedures and best practices to help mitigate some of the effects of the aforementioned issues. With this in mind, some of the data may be inaccurate in regards to old data that cannot be purged or deleted from the Address Book database.

The Office of the Controller has taken into consideration the recommendations, as well as the observations and suggestions for improvement contained in the report. This will help to strengthen policies and procedures as we move forward.

In closing, I would like to again thank you and your staff, and Michael Keiffer for undertaking this important work. I look forward to seeing the final report.

Please find the attached written response by OOC regarding the analysis. Should you have any questions please contact me at 928 871-6306 or leldridge@nnooc.org.

Cc: Accounting Managers/OOC
       Elsie Julian, Senior Accountant/OOC
       Nicole A. Begay, Associate Accountant/OOC