

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Follow-up Review of the Office of the Controller FMIS Address Book Corrective Action Plan Implementation


**Report No. 17-40
June 2017**

**Performed by:
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TO : Pearline Kirk, Controller
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FROM : 
Elizabeth O. Begay, CIA, CFE
Auditor General
OFFICE OF THE AUDITOR GENERAL

DATE : June 29, 2017

SUBJECT : A Follow-up Review of the Office of the Controller FMIS Vendor Address Book Corrective Action Implementation

The Office of the Auditor General herewith transmits Audit Report no. 17-40, A Follow-up Review of the Office of the Controller FMIS Vendor Address Book Corrective Action Implementation. The follow-up was conducted to determine the status of the corrective action plan, which was developed by the Office of the Controller in response to the 2014 data analysis of the FMIS Vendor Address Book. The 2014 report and the corrective action plan were approved by the Budget and Finance Committee on October 9, 2014 per resolution BFO-26-14.

Follow-Up Results

The corrective action plan listed 11 key corrective measures to address the issues with the FMIS Vendor Address Book. Of the 11 corrective measures, the Office of the Controller implemented 2 (or 18%) corrective measures, leaving 9 (or 82%) not implemented. The follow-up results are summarized in the body of the report.

Conclusion

The Office of the Controller did not implement the corrective action plan. Consequently, the issues with the FMIS Vendor Address Book reported in the 2014 report remain unresolved. Pursuant to 12 N.N.C., Section 9, the Office of the Controller is subject to sanctions as follows: 1) withhold 10% of the Office of the Controller's operating budget per Section 9 (b) and 2) withhold 20% of the salary of the Controller per Section 9 (c). However, the current Controller started employment on February 13, 2017 and was not responsible for the failure of her office to implement the Corrective Action Plan. Accordingly, we recommend to delay the enforcement of the sanctions to be effective six (6) months upon the approval of this report by the Budget and Finance Committee.

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INTRODUCTION AND BACKGROUND

The Office of the Auditor General performed a follow-up review to determine the current status of the Financial Management Information System (FMIS) Vendor Address Book corrective action plan.

The Office of the Auditor General conducted an analysis of the Navajo Nation FMIS Vendor Address Book and issued audit report no. 14-11 in March 2014. The analysis was performed to determine whether the address book system is properly maintained and managed by the Office of the Controller. The analysis revealed six major issues with the Vendor Address Book. The report and corrective action plan developed by the Office of the Controller were approved by the Budget and Finance Committee on October 9, 2014 per resolution no. BFO-26-14.

PROGRAM PURPOSE AND ORGANIZATION

The FMIS Vendor Address Book is the foundation for the financial management information system. It is a database that serves as the central depository of data regarding vendors, suppliers, employees, participants (i.e., financial assistant recipients), etc. The database comprises of information such as names, mailing/billing/shipping addresses, tax identification and phone numbers.

As the central depository of data, the Vendor Address Book integrates with the various modules of the FMIS including, but not limited, to Accounts Payable, Accounts Receivables, Payroll, Personnel, Budgets and Fixed Assets. Further, in addition to the Office of the Controller, there are a number of departments and programs who rely on the FMIS Vendor Address Book to process their financial transactions, monitor their financial activities and generate reports.

Objective, Scope and Methodology

In accordance with 12 N.N.C., Section 7, the following objective was established for the follow-up review:

1. Determine whether the Office of the Controller implemented its corrective action plan for the FMIS Vendor Address Book.

The follow-up review primarily focused on the approved corrective action plan. However, if other significant issues were noted during the review, such issues were further evaluated for materiality and risk to determine whether the issues warranted presentation in this report. Any issues of materiality and risk could have an adverse effect on the program operations and hinder the achievement of program goals and objectives.

To meet the objective, we performed the following procedures:

- Obtained written confirmation from the Office of the Controller on the current status of the corrective actions. If corrective actions were confirmed as implemented, these actions were verified. Corrective actions that were confirmed as not implemented were reported as such.
- Reviewed applicable records to obtain an understanding of FMIS Vendor Address Book including any system or policy changes that may have occurred since the initial analysis.
- Analyzed the FMIS Vendor Address Book database as of August 2016 by an ACL certified consultant. The consultant performed the same data analysis from the initial analysis.
- Performed a comparison of the data analysis results from the current period to the initial results; noted the changes (i.e., increases, decreases).
- Collaborated with the consultant to present the results of the comparison of data analysis with the Accounts Payable staff and obtained their representation to the results.
- Interviewed Accounts Payable staff to clarify corrective actions and their progress to date.
- Interviewed JDE consultant (developer of FMIS) to clarify the FMIS system functionality with regards to detecting duplicate records and archiving Vendor Address Book records.

The scope for this follow-up review was for the period beginning October 1, 2015 through August 31, 2016. As of August 31, 2016, the FMIS Vendor Address Book has 192,871 vendor records.

The Office of the Auditor General expresses their appreciation to the Office of the Controller staff and all other entities who contributed to this audit for their cooperation and assistance through the audit.

PRIOR FINDINGS, CORRECTIVE ACTIONS AND CURRENT STATUS

Prior Finding 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 identification (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.”

Prior Finding 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.”

Prior Finding 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 1099’s for all vendors that are required to receive them.”

Prior Finding 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.”

Prior Finding 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.”

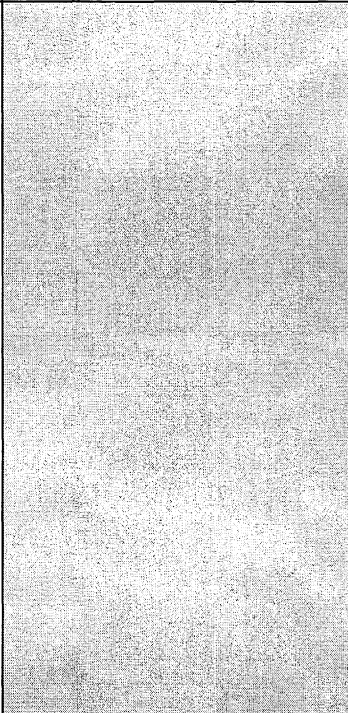
Prior Finding VI:

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.”

Corrective Actions	<i>Current Status of Corrective Actions</i>	<i>Appendix - Data Analysis Results</i>
1. Set up vendor records according to remittance address.	<i>Not Implemented:</i> Based on the data analysis, vendor records continue to be created based on multiple addresses rather than just the remittance address.	Table 1(b) shows 7,282 vendor records that have the same tax ID number but different addresses. This is an increase of 1,520 from the initial analysis.
2. Create Parent/Child relationship and make notations on all related vendor records.	<i>Not Implemented.</i> According to the Accounts Payable Section, by defining the parent/child relationship for the vendors in the Vendor Address Book, this would clarify the 7,282 vendor records with duplicate tax ID numbers detected by the data analysis. However, since the initial analysis, the parent/child relationship was defined for only 209 vendor records.	Table 1(b) shows 7,282 vendor records that have the same tax ID number but different addresses.
3. Verify correct tax ID and classification before: a) allowing data port users to add new vendor records b) issuing payments to any vendor	<i>Not Implemented.</i> The data analysis shows there are vendors that do not have a tax ID number. The Office of the Controller paid vendors with no tax ID number approximately \$266,490 in 2016 and \$92,144 in 2015. In addition, the analysis revealed increases in duplicate vendor records due	Table 1(a)(b)(d) all show increases in duplicate vendor records based on analyses involving tax ID numbers. Table 3 shows over 12,000 vendor records with no tax ID number.

Corrective Actions	<i>Current Status of Corrective Actions</i>	<i>Appendix – Data Analysis Results</i>
	to multiple tax ID numbers and/or tax ID numbers with multiple addresses.	
4. Modify how all data ports are processed, utilizing the original data port configuration provided through JDE.	<i>Not Implemented.</i> Currently, there are eight data port users utilizing the Vendor Address Book. However, the data port processes have not been modified to utilize the original data port configuration. This may explain why the overall number of vendor records increased since the initial analysis and these are attributable to all users rather than just the data port users.	Table 1 shows increases in duplicate vendor records.
5. Work with the Department of Personnel Management to utilize only one address book number in the future to decrease the number of duplicate employee records set up.	<i>Not Implemented.</i> The current data analysis revealed a nominal decrease in duplicate employee records. Despite this decrease, there are still over 2,000 duplicate records that have not been addressed. As of March 2017, the Office of the Controller has finally begun to collaborate with Department of Personnel Management to start addressing the duplicate employee records.	Table 2 shows 2,750 duplicate employee records that have not been addressed.
6. Continue to update W-9s with correct vendor information.	<i>Not Implemented:</i> W-9 forms were not updated for all vendors. The data analysis revealed approximately 12,000 vendor records that still have no Tax ID numbers.	Table 3 shows over 12,000 vendor records detected with no tax ID number.
7. Move all old data into the new Archive module.	<i>Not Implemented.</i> Upon further discussions with the JDE consultant, the vendor records within the Vendor	Table 4 shows an increase of approximately 6,900 vendor records that

Corrective Actions	<i>Current Status of Corrective Actions</i>	<i>Appendix - Data Analysis Results</i>
	<p>Address Book cannot be archived and can be purged but only after they are verified as unnecessary. Currently, there are over 192,000 vendor records and the data analysis revealed over 94,000 of unused vendor records that could be purged. To date, the Office of the Controller has only purged approximately 2,000 vendor records. Under the direction of a new controller, the Office of the Controller has devised a plan to better define their current process for purging and deactivating unused vendor records in the address book.</p>	<p>were unused. Table 7 shows an increase in vendor records by 21,103 since the initial analysis.</p>
<p>8. Train:</p> <ul style="list-style-type: none"> a) All data port users to research vendor records before setting up new address book numbers b) Staff on all capabilities of FMIS c) Staff on setting up vendor records using remittance addresses d) Staff on invoice entry methods without clear invoice numbers 	<p>Not Implemented. The Office of the Controller provided FMIS recertification records for its Accounts Payable staff to show their proficiency with the FMIS including the Vendor Address Book. However, there were no records to show training for data port users and staff specifically on creating vendor records using remittance addresses and implementing invoice entry methods. From the data analysis, the increase in potential duplicate payments also supports the notion that training was not provided.</p>	<p>Table 5 shows potential duplicate payments in fiscal years 2015 (\$536,734) and 2016 (\$1,161,593).</p>
<p>9. Create a Section within the Office of the</p>	<p>Not Implemented: The Office of the Controller did not</p>	<p>Table 6 shows a decrease in the</p>

Corrective Actions	<i>Current Status of Corrective Actions</i>	<i>Appendix - Data Analysis Results</i>
<p>Controller primarily to work on FMIS Vendor Address Book.</p>	<p>create a section specifically designated for the Vendor Address Book. Although a position was created in the Accounts Payable Section to work primarily on the database, this position is currently vacant. The Office of the Controller also has not reviewed security access to the Vendor Address Book to ensure only those authorized can add, delete, revise or copy vendor records. Overall, not much progress has been made with the address book since the initial analysis. The current data analysis revealed an increase in the total number of vendor records within the Vendor Address Book database since the initial review.</p>	<p>number of users that can add, delete, revise or copy vendor records by 10, resulting in 24 total users that still have access to the Vendor Address Book. Table 7 shows an increase in vendor records by 21,103 since the initial analysis, resulting in an overall total of 192,871 Vendor Address Book records.</p>
<p>10. Incorporate into the FMIS Address Book training manuals:</p> <ul style="list-style-type: none"> a) updating W-9 b) creating parent/child relationships c) modifying how data ports are processed d) moving old data to new archive module e) incorporating cross usage search type f) implementing the automation process flow g) using remittance addresses to set up vendor records 	<p><i>Implemented.</i></p>	

Corrective Actions	<i>Current Status of Corrective Actions</i>	<i>Appendix - Data Analysis Results</i>
h) verifying tax ID numbers		
11. Provide standard invoice methodology to staff for processing stipends, veteran assistance, etc.	<i>Implemented.</i>	

APPENDIX - Data Analysis Results

The appendix of this report summarizes the comparison of the data analysis results from the initial analysis to the current analysis. These results further support the status of the corrective actions noted in the body of the report.

Table 1 shows the comparison of the results from the 2014 duplicate vendor records analysis to the results from the current analysis of the FMIS Address Book:

**Table 1
Duplicate Vendor Records Analysis
Prior and Current**

Analysis	Prior Analysis	Current Analysis	Overall Results
	Vendor Records		
a. Unique vendors, based on tax ID number, were assigned more than one vendor records.	5,699	6,318	619 (Increase)
b. Duplicate vendor records were created where the vendor tax ID number was the same but the address field was different.	5,762	7,282	1,520 (Increase)
c. Unique vendors were assigned more than one vendor record, although the vendor had the same name and address.	5,168	5,396	228 (Increase)
d. Vendors with the same name and same physical address have more than one tax ID number assigned.	632	667	35 (Increase)
e. 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 creating additional vendor records.	2,389	2,755	366 (Increase)
f. Vendor records with the same physical address was used by more than one vendor.	81,959	81,389	570 (Decrease)

Table 2 shows the comparison of the results from the 2014 duplicate employee records analysis to the results from the current analysis of the FMIS Address Book:

Table 2
Duplicate Employee Records
Prior and Current

Analysis	Prior Analysis	Current Analysis	Overall Results
	Vendor Records		
a. Employees were assigned more than one AB number.	12	6	6 (Decrease)
b. Employee records in the FMIS Address Book were also assigned additional Search Types.	2,770	2,750	20 (Decrease)

Table 3 shows the comparison of the results from the 2014 duplicate vendor records without a Tax ID number analysis to the results from the current analysis of the FMIS Address Book:

Table 3
Vendor Records without a Tax ID Number
Prior and Current

Analysis	Prior Analysis	Current Analysis	Overall Results
	Vendor Records		
Based on vendor records that did not have a tax ID number.	13,004	12,033	971 (Decrease)

Table 4 shows the comparison of the results from the 2014 unused vendor records not archived analysis to the results from the current analysis of the FMIS Address Book:

Table 4
Unused Vendor Records Not Archived
Prior and Current

Analysis	Prior Analysis	Current Analysis	Overall Results
	Vendor Records		
Based on no payments to vendors from fiscal year 2004 through fiscal year 2016.	87,231	94,122	6,891 (Increase)

Table 5 shows the comparison of the results from the 2014 potential duplicate payments analysis to the results from the current analysis of the FMIS Address Book:

**Table 5
Potential Duplicate Payments
Prior and Current**

Analysis	Prior Analysis	Current Analysis
Based on potential duplicate payments.	FY11 - \$ 881,461	
	FY12 - \$ 175,129	
	FY13 - \$ 76,318	
	FY14 - \$ 85,192	
		FY15 - \$ 536,734
		FY16 - \$1,161,593

Table 6 shows the comparison of the results from the 2014 FMIS security level users analysis to the results from the current analysis of the FMIS Address Book:

**Table 6
Security level access users
Prior and Current**

Analysis	Prior Analysis	Current Analysis	Overall Results
Action Security Level Users	34	24	10 (Decrease)

Table 7 shows the comparison of the 2014 total address book vendor records to the total vendor records in the current FMIS Vendor Address Book along with a summary of the current vendor records based on key search types:

**Table 7
Total address book vendor records
Prior and Current**

Analysis	Prior Analysis	Current Analysis	Overall Results
Address Book Vendor Records	171,768	192,871	21,103 (Increase)

Search Type	Search Description	Number of Vendor Records	Percent of Population
V	Suppliers	61,715	32%
E	Employees	5,690	3%
P	Participants	79,028	41%
All others	All others	46,438	24%
TOTAL:		192,871	100%