



Internal Audit Department
NeighborWorks® America

Audit Review of AP/ACH Transactions

Project Number: NW.FIN.APACH.2021

Audit Review of AP/ ACH Transactions

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February 4, 2022

To: Members of the NeighborWorks America Audit Committee

Subject: **Audit Review of AP/ ACH Transactions**

Attached is our draft audit report for the AP/ ACH Transactions review. Please contact me with any questions you might have.

Thank you.

Frederick Udochi
Chief Audit Executive

Attachment

cc: M. Rodriguez
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K. Esmond
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**Function Responsibility and Internal Control Assessment
Audit Review of AP/ACH Transactions**

Business Function Responsibility	Report Date	Period Covered
Finance	February 4, 2022	October 1, 2020 Through July 9, 2021
Assessment of Internal Control Structure		
Effectiveness and Efficiency of Operations	Generally Effective¹	
Reliability of Financial Reporting	Not Applicable	
Compliance with Applicable Laws and Regulations	Not Applicable	

This report was reissued February 15, 2024 in accordance with a recommendation by the Government Accountability Office (GAO-23-105944, June 14, 2023).

¹ Legend for Assessment of Internal Control Structure: 1. **Generally Effective:** The level and quality of the process is satisfactory. Some areas still need improvement. 2. **Inadequate:** Level and quality of the process is insufficient for the processes or functions examined, and require improvement in several areas. 3. **Significant Weakness:** Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.

Executive Summary of Observations, Recommendations and Management Responses

Summarized Observation Risk Rating	Management Agreement with Observation (Yes/ No)	Internal Audit Recommendation Summary	Accept IA Recommendation (Yes/ No)	Management's Response to IA Recommendation	Estimated Date of Implementation (Month/Year)	Internal Audit Comments on Management Response
There are no observations to report with this review. Risk Rating: N/A	N/A	N/A	N/A	N/A	N/A	N/A

Risk Rating Legend

Risk Rating: High

A serious weakness which significantly impacts the Corporation from achieving its corporate objectives, financial results, statutory obligations or that may otherwise impair the Corporation's reputation.

Risk Rating: Moderate

A control weakness which could potentially undermine the effectiveness of the existing system of internal controls and/or operational efficiency, integrity of reporting and should therefore be addressed.

Risk Rating: Low

A weakness identified which does not seriously detract from the system of internal control and or operational effectiveness/efficiency, integrity of reporting but which should nonetheless be addressed by management.

Management Responses to The Audit Review of: AP/ACH Transactions		
# Of Responses	Response	Recommendation #
N/A	Agreement with the recommendation(s)	N/A
N/A	Disagreement with the recommendation(s)	N/A

Background

The Accounts Payable function is responsible for ensuring timely and accurate payments to internal and external customers of the organization. Departments have designated staff assigned to initiate purchase orders and staff who are delegated to approve the purchase order in accordance with the Delegation of Authority. Upon approval of purchase orders and the creation of vendors in the system, invoices can be received, uploaded, and then reviewed and paid by Accounts Payable. Accounts Payable represents the largest outflow of funds for the organization in terms of volume and frequency and as a result is an auditable activity reviewed annually.

Objective

The objective of this review was:

- To obtain a high-level understanding of the current policies and procedures in place which administer and monitor the Accounts Payable/ACH Transactions
- To obtain assurance that the steps which administer the Accounts Payable/ACH Transactions incorporate the procedures defined in the policies and procedures and are in line with best practices
- To obtain assurance that adequate internal controls exist and are operating effectively over the Accounts Payable/ACH Transactions process

Scope

Internal Audit conducted a review of disbursements between 10/1/2020 and 7/9/2021. Internal Audit also reviewed system generated reports for voided purchase orders, and the Accounts Payable Aging report along with the corresponding Accounts Payable reconciliations.

This review specifically excludes disbursements related to employee expense reimbursement as this was considered a separated activity and is identified as such in the audit universe. In addition, officer expense reimbursements are reviewed quarterly by Internal Audit separate from the AP Audit review.

Methodology

Internal Audit met with Finance to gain an understanding of any changes to the process that had taken place since the previous audit. Observations and recommendations contained in the FY2020 audit report were reviewed. In addition, current Accounts Payable policies and procedures and the updated Accounts Payable narrative were obtained and reviewed.

Internal Audit analyzed reports from NetSuite to identify voided or deleted purchase orders, duplicate purchase order numbers, and segregation of duties exceptions related to purchase orders. All system reports included all activity for the fiscal year through the date that the report was generated. The Vendor Additions Report, A/P Reconciliation and the corresponding Aging reports were also reviewed.

For the review of payments, a listing of payments that occurred between 10/1/2020 and 7/9/2021 was obtained as the population under review. The population data was then grouped by vendor category and analyzed to determine payment amounts and number of occurrences within each category. The three largest vendor categories (NWO, Non-NWO, and Consultant) were then stratified for the purposes of sampling. The Excel random number generator was used to determine the sample. All other vendor categories were subjected to the internal auditor's discretionary judgement to determine the sample (see Appendix A).

For each disbursement that was selected for detailed testing, Internal Audit reviewed information pertaining to the vendor, payment, approvals/delegation of authority, subsequent reviews, and any supporting documents. Internal Audit also reviewed documentation pertaining to check-runs that were completed during the scope of the audit. For the review of the check-runs, Internal Audit selected check-runs associated with the selected payments for detailed testing.

Observations and Recommendations

Based on the review conducted by Internal Audit, there are no significant observations to report at this time.

Conclusion

Based on the audit review of AP/ACH Transactions, the process appears to adhere to policies and procedures. Our interactions with the Finance team were collaborative and productive. We would like to take this opportunity to extend our thanks to the Controller and team for their cooperation and assistance during this review.

APPENDIX A: Population and Sampling Details

Vendor Categories	Occurrence	Amount	Percent Total
Blanks determined through review to be employees - excluded from population	506	\$203,298.79	0.15%
Banking Institution	10	\$486,354.55	0.35%
Benefit Administration Fee	8	\$6,888.25	0.00%
Company	3	\$10,300.00	0.01%
Computer Hardware/Software	62	\$1,139,941.17	0.83%
Consultant	1084	\$8,456,495.22	6.14%
Consultant - EXPENSES ONLY	1	\$750.00	0.00%
Consultant (including CPA & Law)	1	\$2,500.00	0.00%
Contributions/Staff Award	28	\$6,450.00	0.00%
Delivery/Shipping	8	\$4,520.00	0.00%
Entertainment	1	\$350.00	0.00%
Equipment Rental	26	\$131,405.29	0.10%
Expenses Non-Staff	21	\$45,373.83	0.03%
Facilities Management/Janitorial	60	\$106,023.07	0.08%
Government	2	\$2,095.87	0.00%
Grantee (NON-NWO)	172	\$8,062,590.27	5.85%
Grantee (NWO)	1455	\$105,573,467.22	76.62%
Hotel	7	\$175,064.00	0.13%
HR Reimbursements	2	\$3,456.72	0.00%
Insurance (Health, Dental, Other)	92	\$5,811,333.53	4.22%
Insurance (Liability)	3	\$347,167.59	0.25%
Internet	9	\$14,276.00	0.01%
Membership	7	\$47,500.00	0.03%
Office Lease	3	\$3,877.38	0.00%
Office Supplies	8	\$7,722.00	0.01%
Photography & Video	11	\$57,165.00	0.04%
Printing	29	\$129,845.10	0.09%
Refund (Training Fees/Hotel)	2	\$1,150.00	0.00%
Relocation/Moving Charges	1	\$6,050.00	0.00%
Rent	63	\$4,002,024.44	2.90%
Retiree	7	\$3,511.54	0.00%
Retiree Benefit	1	\$998.85	0.00%
Software License	44	\$571,458.39	0.41%
Sponsorship	7	\$67,500.00	0.05%
STEP (Tuition Fee)	16	\$58,439.00	0.04%
Subscription	49	\$624,651.98	0.45%
Telephone	25	\$117,724.28	0.09%
Temp Help	79	\$1,494,899.43	1.08%
Grand Total	3913	\$137,784,618.76	100.00%

Consultant	Sum	Count	Percent of Count	Percent of Total
Over \$20K	\$3,761,040.21	82	7.56%	44.48%
20K and Under	\$4,695,455.01	1002	92.44%	55.52%
Total	\$8,456,495.22	1084	100.00%	100.00%

NWO	Sum	Count	Percent of Count	Percent of Total
Over \$20K	\$95,198,231.47	432	29.71%	90.17%
20K and Under	\$10,375,235.75	1022	70.29%	9.83%
Total	\$105,573,467.22	1454	100.00%	100.00%

Non-NWO	Sum	Count	Percent of Count	Percent of Total
Over \$20K	\$7,265,000.00	26	15.12%	90.11%
20K and Under	\$797,590.27	146	84.88%	9.89%
Total	\$8,062,590.27	172	100.00%	100.00%