



Cobb County...Expect the Best!

INTERNAL AUDIT DEPARTMENT

Report Number: 2019-007

***FINAL REPORT – Review of the Effectiveness and
Efficiency of the Vendor Self Service System***

October 1, 2019

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COBB COUNTY INTERNAL AUDIT

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Director

October 1, 2019

MEMORANDUM

TO: Rob Hosack, County Manager

FROM: Latona Thomas, CPA, Director 

SUBJECT: FINAL REPORT: Review of the Effectiveness and Efficiency of the Vendor Self Service System

Attached for your review and comments is the subject final audit report. The overall objective of this review was to evaluate the effectiveness and efficiency of the Cobb County (the County) Vendor Self Service (VSS) system.

Impact on the Governance of Cobb County

The recommendations, when implemented, will help to improve the utilization of the VSS system and increase the overall efficiency of processing vendor applications using the VSS system.

Executive Summary

The results of our preliminary survey procedures revealed that the VSS system is operating effectively, in that vendors are able to use the VSS system to complete and submit the vendor registration, self-service application for review and approval; however, we were unable to determine if the VSS system utilization is consistent with the County's expectations, goals, and objectives. We also determined that the VSS system is efficient for the vendor interfacing portal, but an additional improvement is needed to ensure the timely approval of the vendor registration application. Our conclusion on the efficiency does not extend to the County's internal process of uploading, indexing, and approving of vendor registration information, as we did not test that process. In addition, we noted two other opportunities to strengthen the internal control activities over the VSS system process. We found segregation of duties weaknesses within the internal creation, modification, and approval of vendor registration applications and within the oversight responsibilities of the VSS system. We also found that conflicting confirmation information provided to the prospective vendors at the conclusion of the vendor registration application needs to be corrected.

Recommendations

We made six (6) recommendations to address the improvements needed within the VSS system. Recommendations will address the need for:

- Clear countywide goals and objectives regarding the utilization of the VSS system;
- A centralized function or position to oversee, monitor, and report on the continued operating effectiveness and efficiency;
- A cost-benefit analysis to re-explore the option of enabling the functionality to upload the IRS Form W-9s into the VSS system portal;
- Adequate segregation of duties controls throughout the vendor creation, modification, and approval process;
- An evaluation of the current internal control framework and structure of the oversight responsibilities regarding the VSS system; and
- Coordination with the Information Services Department to correct the conflicting information, within the email confirmation sent to prospective vendors at the completion of the registration process using of the VSS system.

See the 'Results of Review' section beginning on Page 3 for further discussion.

Responses

The County Manager provided a response to our draft report and concurred with each of our recommendations. The complete responses to the draft report are included in Appendix VI. Due to the deactivation of the VSS system, we will not perform a follow-up on corrective actions as required by the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*. County management should continue its efforts to implement the corrective actions and assumes the risk if not completed. A copy of this report will be distributed to those affected by the report recommendations. Please contact me at (770) 528-2559 if you have questions or Michelle Swaby, PT Senior Auditor at (770) 528-2642.

Background

In 1994, Cobb County (the County) acquired CGI Advantage Financial¹ to process all purchasing, financial, and personnel transactions. In 2003, the County upgraded to the web-based version of this systems and implemented the Vendor Self Service (VSS)².

In order to become a qualified vendor to the County, each individual/business is required to complete a Vendor Application form. The application can be downloaded, completed manually and submitted via mail, email or walk-in, or the application can be completed and submitted electronically using the County's VSS system.

Overview of the VSS System

VSS is a convenient way for new vendors interested in conducting business with the County to register and manage their own account information and view their financial transactions. It allows a potential vendor to submit their registration application online, at the Purchasing Department's website at www.cobbcounty.org/purchasing/vendor-registration, and permits an existing vendor to update their account information, as needed. VSS was not only launched for vendors to easily manage their own account information, it was also implemented to streamline the process of onboarding new vendors and free up County personnel to spend time on tasks that cannot be automated.

Roles and Responsibilities of the VSS System

The overall management and responsibility of the VSS system is shared by the Finance and Purchasing Departments. The Accounts Payable Division administers the VSS system which includes the responsibility of creating new vendor profiles by entering and uploading, modifying, approving, and processing vendor registration applications within the County's financial system for the County, which includes both paper-based and electronic applications. The Purchasing Department's responsibility includes the procurement of good and services from these approved vendors, serves as primary contact, facilitates vendor questions and inquires, and coordinates with the Finance Department to resolve vendor issues.

¹ Formerly known as AMS Advantage Financial.

² Source: Cobb County's Agenda Item Number 17, dated July 8, 2014.

Trend Analysis³ of Vendor Registration Utilization and Activity

Below is a thirteen-year trend analysis for vendor registration activities (annual number of vendors registered) between fiscal years⁴ FY2005 and FY2017⁵.

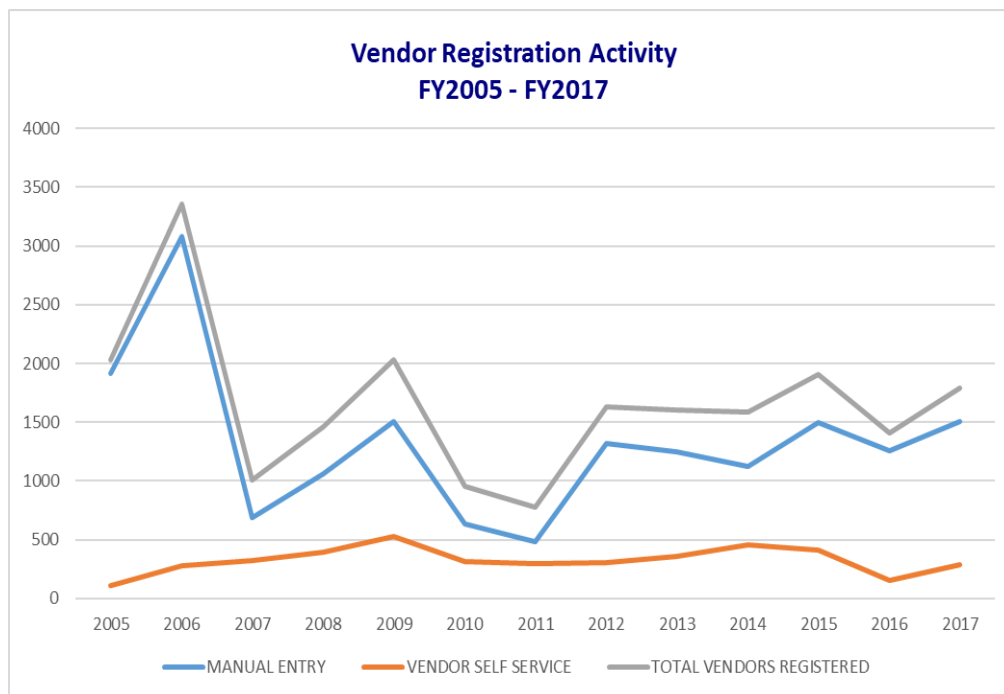


Chart 1 – Data Source: Finance Department and the County’s financial system.

Based on the trend analysis of utilization and activity above, there is a decline in the utilization rate of the VSS system, but this trend is in line with the overall decline of vendors registered with the County. Manual entries⁶ remain the main method of initiating new vendors registration applications, which is inconsistent with the desired outcome of an increase in use of VSS to create vendor profiles. Between FY2005 and FY2017, the percentage range of vendors registered using the VSS system was between 6% and 38%, which is a material difference from the only identified, written goal of 80%⁷.

The scope of our review period covered VSS system registration applications for FY2017 through as of July 2, 2018, except where otherwise indicated. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

³ The trend analysis is for informational purposes only, developed from data provided by the Finance department, we did not validate the accuracy of the details behind the annual totals, and therefore it should not be used for any other purposes than previously mentioned.

⁴ The County’s fiscal year is October 1st through September 30th.

⁵ FY2018 was a partial year, at the time of our fieldwork, and was excluded from the trend analysis chart.

⁶ Vendor registrations initiated using paper-based applications.

⁷ Source: Cobb County FY2011-12 Biennial Budget Book, Purchasing Department Goals, Page 303.

Results of Review

Our overall objective was to evaluate the effectiveness and efficiency of the Cobb County (the County) Vendor Self Service (VSS) system. We performed our preliminary survey procedures which included, but was not limited to, conducting interviews with key personnel from the Finance, Purchasing, and Information Services (IS) Departments; performing an independent walkthrough of the vendor registration portal; observing the Finance Department's process to upload, index, and approve vendor registrations; and analyzing various vendor registration activity reports. Based on the results of preliminary survey procedures, we gathered evidence to conclude on the overall effectiveness and efficiency of the VSS system. As such, we judgmentally elected to conclude our procedures and report the results.

The results of our preliminary survey procedures revealed that the VSS system is operating effectively, in that vendors are able to use the VSS system to complete and submit the vendor registration, self-service application for review and approval; however, we were unable to determine if the VSS system utilization is consistent with the County's expectations, goals, and objectives. We also determined that the VSS system is efficient for the vendor interfacing portal, but an additional improvement is needed to ensure the timely approval of the vendor registration application. Our conclusion on the efficiency does not extend to the County's internal process of uploading, indexing, and approving of vendor registration information, as we did not test that process. In addition, we noted two other opportunities to strengthen the internal control activities over the VSS system process. We found segregation of duties weaknesses within the internal creation, modification, and approval of vendor registration applications and within the oversight responsibilities of the VSS system. We also found that conflicting confirmation information provided to the prospective vendors at the conclusion of the vendor registration application needs to be corrected. In the accompanying pages are recommendations to address the additional guidance and improvements needed within the VSS system.

Additional Guidance is Needed to Increase the Utilization of the VSS System

In the preliminary phase of our review, we determined that the VSS system is operating effectively as designed; however, additional guidance is needed to ensure the VSS system utilization is consistent with County leadership expectations, goals and objectives. We noted the absence of established countywide goals and objectives; a methodology for tracking and monitoring system utilization; and clearly defined roles and responsibilities. These key elements are needed to provide adequate guidance and proper directives to ensure the VSS system is meeting established goals and objectives.

Countywide Goals and Objectives over the VSS System Need to be Established

We were unable to locate evidence of written or verbally communicated countywide goals and/or objectives for the operation and performance of the VSS system. The Purchasing Department established a departmental goal to "achieve an online account activation rate of at least 80% of all vendors in the VSS system by September 2012⁸", but we found no other evidence to support a VSS goal prior to or beyond this date.

⁸ Excerpt, with minor formatting changes, from the FY2011-2012 Biennial Budget Book, Page 303.

The administration of the VSS system was transferred⁹ to the Finance Department Accounts Payable Division; however, we found no evidence that the previous VSS online activation goal was accepted and implemented. Having clearly established goals and objectives for the VSS system at the County level serves as a reminder of the expectations of County leadership and provides guidance and direction to persons responsible for the administration and facilitation of the VSS system. Established goals and objectives also serve as a benchmark to evaluate whether the VSS system is operating as expected and when changes should be incorporated. The absence of clearly defined goals and objectives for the VSS system resulted in an unclear strategy, decreased awareness, and unspecified priorities. Having clear goals and objectives will enable employees responsible for the VSS system to better identify, assess, and manage the process risks¹⁰ related to the administration and management of the VSS system.

A Methodology for Tracking and Monitoring VSS System Utilization and Activity Needs to be Implemented

We found no documented methodology for tracking and monitoring the VSS system utilization and activity. We noted the availability of two system activity reports that can be used to track and monitor VSS system utilization, which can be generated from the CGI Advantage Financial System (the financial system): ‘Active Vendor’ and ‘Outstanding W-9¹¹’. The ‘Active Vendor’ report captures various system data fields such as the alphanumeric vendor code; vendor name and active status; vendor creation date and user identification (ID) that initiated the creation; modifications and approvals to the vendor registration by user ID and date; and the actual vendor registration date. The ‘Outstanding W-9’ report captures system data fields such as the vendor modification document code and id; document creation date; vendor name and code; and status of W-9 upload. Each of these reports and the corresponding system data fields can be used individually and/or collectively to track and monitor the VSS system activity and utilization. Examples of potential system utilization measures include, but is not limited to the overall rate of utilization by vendors; the ratio of vendor registrations initiated manually by County employees versus online by vendors; the number and aging of incomplete vendor registration submissions; and the amount of employee time spent on initiating and modifying vendor registrations and its impact on existing County operations. Although the two reports are periodically generated, the results are not analyzed for business making decisions and/or distribution to persons responsible for making decisions related to the VSS system.

We analyzed the ‘Active Vendor’ report for the period FY2005 through FY2017¹² and noted both a downward trend in new vendor registrations, and a decrease in the ratio of vendors with registrations initiated through the VSS portal versus those manually entered by County staff. Specifically, more vendor registration applications are being initiated by County staff rather than by the vendors.

⁹ We were unable to establish a specific transfer date and no documented evidence was readily available.

¹⁰ The risks of economic, stakeholder, or reputational loss when a business activity process lacks efficiency and effectiveness.

¹¹ IRS Form W-9: Request for Taxpayer Identification Number and Certification [Source: www.irs.gov]

¹² FY2018 was a partial year, at the time of our fieldwork, and was excluded from our analysis.

In addition, our analysis¹³ revealed an average of 22% of vendors have been registered using the VSS system since the inception in FY2005. See Chart 1 on Page 2 of the 'Background' section for a pictorial representation of our analysis. This percentage is directly contradictory to the projected 80% online activation presented in the Purchasing Department' FY2012 budgetary documents. See "Countywide Goals and Objectives over the VSS System Need to be Established" on Page 3 for further discussion.

To achieve the best results of any system or process, periodic tracking and monitoring control activities of the system's activity and utilization are needed. Reviewing system performance analyses, benchmarks, and reports are key control activities used to evaluate the effectiveness and efficiency of the system's design and operations; measure the extent to which goals and objectives are being achieved; serve as a basis for detecting problems or unusual conditions; and provide insight to County management that fosters accurate and timely business decisions. The absence of VSS performance measures, analysis, and reviews could result in poor system performance going undetected and ineffective efforts to increase the use of the system by vendors.

Clearly Define Roles and Responsibilities Need to be Established

There is no single, centralized function that is charged with overseeing the management, administration, operating effectiveness, and efficiency of the VSS system. Both the Finance and Purchasing Departments are referenced as contacts in the VSS system instructions and applications, however, we noted inconsistencies in roles, responsibilities, and workflow as communicated by staff from both departments. Based on our interviews and preliminary procedures performed, the Finance Department administers the VSS system, but the Purchasing Department is referenced as the primary contact with questions. In addition, we noted no process to log, track, monitor, and resolve vendor reported issues by neither the Finance or Purchasing Departments. We also found little to no communication and/or coordination between the two departments regarding the operating effectiveness and efficiency of the VSS system. Finally, no position or function was able to speak on the overall County requirements and expectations of the VSS system.

As a part of the County's overall commitment to its stakeholders, County management is responsible and accountable for the proper management and stewardship of public resources. Two main methods of proper management are clarifying the roles and responsibilities of available resources and appointing a centralized function over those resources to monitor and report on the resource performance. When roles and responsibilities are assigned, clearly communicated, and properly documented, confusion between departments will be eliminated. Having a centralized function will ensure that the VSS system is being properly monitored and the performance periodically reported. The absence of clearly defined roles and responsibilities and a designated authority, coupled with a lack of communication, resulted in the lack of strategic actions to ensure that the VSS system is producing results the desired results.

¹³ We did not validate the completeness and accuracy of the 'Active Vendor' report, nor independently recreated the report, but relied solely on its source, the Finance Department.

Recommendations

The County Manger should:

Recommendation 1: Establish clear countywide goals and objectives regarding the management and utilization expectations of the VSS system. These goals, objectives, and expectations should include, but not be limited to the following:

- Vendor utilization expectations;
- Specific utilization performance metrics such as:
 - Overall rate of utilization by vendors (i.e. the number of vendors that successfully initiated and completed registration applications through the VSS system);
 - Ratio of vendor registrations initiated manually by County employees versus online by vendors;
 - Number and aging of incomplete vendor registration submissions, to include a description of outstanding information; and
 - An analysis of the amount of employee time spent on inputting manual vendor registrations and/or modifying online vendor registrations and its impact on existing County operations;
- Methodology for tracking and monitoring vendor reported issues;
- Frequency of periodic monitoring and reporting requirements;
- Distribution recipients of reports; and
- Other best practices regarding the administration and utilization of online business systems.

These goals, objectives, and expectations should be communicated to persons responsible for the oversight and management of the VSS system, monitored for consistency, and periodically reviewed for necessary updates.

Auditee Response: **Concur.** Support Services Director and Purchasing Director to identify persons/positions within Purchasing Department to develop goals, objectives and expectations by October 1, 2019 (with target date for deliverables of February 28, 2020).

Recommendation 2: Designate a centralized function or position to oversee, monitor and report on the continued operating effectiveness and efficiency of the VSS system. This function or position should serve as the County's primary contact and perform the following, at a minimum:

- Identify the key roles, responsibilities, and workflows needed;
- Develop strategic actions needed to increase the utilization rate of the VSS system;
- Facilitate any system changes needed;
- Coordinate with the Information Services Department to ensure the VSS system is operating at an optimum level; and
- Develop a comprehensive VSS system procedures manual for use by County employees task with performing key aspects of the VSS system process.

This recommendation should be considered in conjunction with Recommendation 5 on Page 9.

Auditee Response: **Concur.** With the current technical problems with VSS, use of the system will be temporarily discontinued until problems can be resolved and the system is functional. After the system is determined to be functional, the Finance and Purchasing Departments will work collaboratively to designate a centralized function to oversee the system. Expected completion date contingent on resolution of technical issues with VSS.

Additional Auditor Comment: This centralized function is anticipated to be in conjunction with the auditee response to Recommendation 5.

An Improvement is Needed to Ensure the Timely Approval of the Vendor Registration Applications

The current VSS system functionality does not allow the vendor to upload a copy of their Internal Revenue Service (IRS) Form W-9¹⁴ (the W-9 form) during the registration application process. As such, the W-9 form must be submitted by mail, email, or walk-in subsequent to the completion of the vendor registration application process via the VSS system. The W-9 form is required to become a registered vendor with the County and is used to obtain the taxpayer identification number (TIN) or employer identification number (EIN) in order to report amounts paid to the respective vendors or other amounts reportable to the IRS. During our independent walkthrough of the vendor registration portal, there was an available functionality to upload the required W-9 form along with the registration application submission that had not been enabled. Finance Department staff were aware of the functionality and indicated that the function to upload the W-9 form within the VSS system could be enabled at an additional cost, but we were unable to determine the overall cost-benefit of enabling the upload feature nor was a cost-benefit analysis readily available.

Vendor registration applications submitted via the VSS system cannot be finalized and approved until their W-9 form is received by the Accounts Payable Division of the Finance Department. We requested a list of vendors that have submitted their registration applications via the VSS system but had not subsequently submitted their W-9 form. We received an 'Outstanding W-9' report for the period October 1, 2018 through January 8, 2019¹⁵, and noted 335 vendors had not submitted their W-9 form, and thus had not completed the process to become a registered County vendor. Finance Department staff verbally indicated that they review the 'Outstanding W-9' report on a monthly basis, but they do not contact the vendors for this missing information. Subsequent to this discussion, we received written procedures to indicate that vendors are contacted; however, no evidence was provided to substantiate this assertion. An efficient online registration system would allow for the most optimized experience of the system end user. This is done by ensuring that all the important features in the system are enabled, and that all the steps for the end users can be completed within the system itself, rather than having an additional manual step for the completion of the process.

¹⁴ IRS Form W-9, 'Request for Taxpayer Identification Number and Certification'. [Source: <https://www.irs.gov/pub/irs-pdf/fw9.pdf>]

¹⁵ Available information as of the fieldwork date.

Recommendation

The County Manager should:

Recommendation 3: Designate a position with the responsibility of performing a cost-benefit analysis to re-explore the option of enabling the functionality to upload the IRS Form W-9s into the VSS system portal. This analysis should include a timetable of completions and related costs.

Auditee Response: **Concur.** The Finance and Purchasing Departments will work together to designate a position(s) with the responsibility to re-explore the feasibility of uploading W9s into the VSS system portal. Expected completion date, February 28, 2020.

Other Control Activities Need to be Implemented

We found two control activities that need to be implemented to strengthen the internal control activities over the VSS system process. Adequate segregation of duties controls are needed, and conflicting information communicated within the VSS system needs to be corrected.

Segregation of Duties Weaknesses Need to be Strengthened

During our preliminary survey, we identified areas of weaknesses in the segregation of duties control activities within the creation, modification, and approval of vendor registration applications, and within oversight responsibilities role of the Finance Department in vendor management process.

Segregation of Duties Needed Within the Vendor Creation¹⁶, Modification, and Approval Process

We noted instances on the ‘Active Vendor’¹⁷ report, where the same user entered/uploaded, modified, and/or approved manual vendor registrants, and other instances where the same user modified and approved online vendor registrants. The Finance Division Manager provided us with a detailed ‘Active Vendor’ for the 15-year period from 2003 to 2018¹⁸, which includes the user identification (ID) for the creator, modifier, and approver of the vendor registration. We analyzed the report and compared the user IDs of the creator, modifier and approver, and noted instances where the person who created the vendor registration was the same person who modified and/or approved the vendor as an active vendor. In other instances, we found that the vendor creation was initiated by the vendor registration using the VSS system, but the person who modified the vendor registration was the same person who approved the vendor registration as an active vendor. In each of these instances, no evidence or documentation was available to substantiate that the activity was verified by an independent person. Per discussion with Finance Department staff, this weakness occurs when one of the two persons designated with processing and/or approving manual vendor registration applications is absent. Having the same individual possessing the ability to create, modify and/or approve vendor registration applications, without an independent compensating control, increases the risk of errors or fraud going undetected. Proper segregation of duties control activities are needed to eliminate or reduce this risk to an acceptable level. In some instances, it may not be feasible to segregate all these functions; therefore, compensating controls (i.e. detailed supervisory review) may be used to mitigate the risk.

¹⁶ Vendor creation includes the functionality of entering and/or uploading from the manual vendor application into the County’s financial system as a part of the vendor registration process.

¹⁷ See Page 4 for further discussion.

¹⁸ As of July 7, 2018.

Segregation of Duties Needed Within the Oversight Responsibilities of the Vendor Registration Process

There is a segregation of duties weakness among the oversight responsibilities of the Accounts Payable Division of the Finance Department as it relates to the vendor registration process and its other functions. The Accounts Payable Division administers¹⁹ the VSS system which currently includes the functionality to enter/upload, modify, and approve new vendors within the County's financial system.

This functionality of the entering, modifying, and approving vendors directly conflicts with the Accounts Payable Division's responsibility for managing, processing, and settling vendor payments and related transactions. While some of the activities within the Accounts Payable Division are performed by various staff, there is no documented evidence of compensating controls (i.e. detailed supervisory review) to ensure the segregation of duties weakness is eliminated or reduced to an acceptable level. Best business practices demand that segregation of duties controls exist within the vendor management and payment processes and among departments, where feasible. No employees should possess the responsibility or access to create vendors, pay vendors, record vendor transactions, and/or modify vendor files, without adequate compensating controls. The lack of adequate segregation of duties controls increases the risk that transactions or process errors or fraud could go undetected, fictitious vendors could be created and paid via unauthorized financial transactions, and other potential loss of funds.

An effective system of segregation of duties not only has different employees/departments performing different functions, but the access to the ability to perform a conflicting or unassigned function is adequately restricted. The separation of a potentially risky combination of functions is all-important in reducing the risk of errors, theft, misappropriation, and fraud, and it is necessary in the maintenance of a strong financial transaction control environment. Adequate segregation of duties should always be maintained in a financial process, to support the transparency and integrity of the County and its departments.

Recommendations

The County Manager should:

Recommendation 4: Designate a position with the responsibility of developing and implementing adequate segregation of duties controls throughout the vendor creation, modification, and approval process for both manual and online vendor registration applications. Where possible, system access restrictions should be implemented based on the assigned roles and responsibilities. If segregation of duties is not feasible, additional compensating controls should be implemented.

Auditee Response: **Concur.** The Finance and Purchasing Department will work collaboratively to designate a position for positions within both departments to implement adequate segregation of duties controls. Expected completion date, February 28, 2020,

¹⁹ See 'Clearly Define Roles and Responsibilities Need to be Established' on Page 5 for further discussion.

Recommendation 5: Evaluate the current internal control framework and structure of the oversight responsibilities regarding the VSS system, along with other vendor creation responsibilities, and explore the option of re-assigning the role to the Purchasing Department. This re-assignment should include adequate segregation of duties controls at all levels within the Purchasing Department. This recommendation should be considered in conjunction with Recommendation 2 on Page 6.

Auditee Response: **Concur.** The Finance and Purchasing Departments will work together to analyze the work load associated with Purchasing assuming this responsibility and addressed adequate segregation of duties. At this time, it's uncertain if Purchasing has the staff available to fully assume this responsibility. Estimate completion date, March 25, 2020.

Misleading Confirmation Information Needs to be Revised

An email confirmation generated by the VSS system and sent to prospective vendors, upon completion of the online vendor registration application process, contains conflicting information. The first paragraph of the email confirmation states that the vendor number will not be issued until the W-9 form has been received, processed, and the vendor registration application approved; however, a vendor number is provided in the same email confirmation. The vendor number provided does not include any other instructions or any further indication as whether the receipt of a vendor number reflects an active, approved, and/or properly registered vendor.

As such, this conflicting information increases the risk that vendors will not complete the registration process which includes the submission of the W-9 form. As noted in section 'An Improvement is Needed to Ensure the Timely Approval of the Vendor Registration Applications' on Page 7, there is a significant number of vendors who have not submitted their W-9 form. We were unable to determine why these vendors had not submitted their W-9 form, but this conflicting information could be a contributing factor. Per discussion with Finance Department staff, this issue had been previously identified, logged with the external system support professionals, but no timetable exists for resolution.

Information provided to the vendor at the completion of the vendor registration application process should be accurate and consistent. If a vendor has not submitted the appropriate documents to complete the registration approval process (i.e. the W-9 form), then a vendor number should not be communicated. The resolution of this issue is critical, since a vendor may interpret that the receipt of a vendor number, regardless of whether a W-9 is submitted, means that their registration is complete, reviewed and approved.

Recommendation

The County Manager should:

Recommendation 6: Designate a position with the responsibility of coordinating with the Information Services Department to resolve the conflicting information within the email confirmation of the VSS system.

Auditee Response: **Concur.** This recommendation will be addressed as soon as the VSS system is functional. Estimated completion date contingent on resolution of technical issues with VSS system.

Detailed Objectives, Scope, and Methodology

We conducted this review as part of our annual audit plan and in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Our objective was to evaluate the effectiveness and efficiency of the Vendor Self Service (VSS) system. Our review period covered VSS system registration applications for FY2017 through July 2, 2018, except whether otherwise indicated. The project was initiated but subsequently deferred to allow completion of other departmental priorities and staff changes; however, the original scope did not have to be revised.

Based on the results of preliminary survey procedures, we gathered evidence to conclude on the overall effectiveness and efficiency of the VSS system. As such, we judgmentally elected to conclude our procedures and report the results. To accomplish our objective, we performed the following preliminary survey procedures:

- A. Interviewed key personnel from the Finance, Purchasing, and IS Departments;
- B. Performed independent walkthrough of the vendor registration portal;
- C. Observed the Finance Department's process to upload, index, and approve vendor registrations;
- D. Obtained and analyzed various vendor registration activity reports; and
- E. Performed other procedures as referenced throughout the report.

Abbreviations

VSS	Vendor Self Service
IS	Information Services Department
IRS	Internal Revenue Service
TIN	Taxpayer Identification Number
EIN	Employer Identification Number

Major Contributors to the Report

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FINAL Report Distribution List

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Joe Tommie, Purchasing Director
Bill Volckmann, Finance Director/Comptroller
Cobb County Audit Committee

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on County governance. These benefits will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

Type and Value of Outcome Measure:

- Efficient and effective use of resources – Recommendations, when implemented, will increase vendor utilization of the VSS system and reduce the number of staff hours needed to enter/upload, modify, and/or timely approve vendor registration applications. (See Pages 3 – 10).

Methodology Used to Measure the Reported Benefit:

- We analyzed the thirteen-year (FY2005 - FY2017) trend for vendor registration activities and found the percentage range of vendors registered using the VSS system was between 6% and 38%. Our analysis²⁰ also revealed an average of 22% of vendors have been registered using the VSS system since the inception in FY2005. See Chart 1 on Page 2 of the ‘Background’ section for a pictorial representation of our analysis. This percentage is directly contradictory to the projected 80% online activation presented in the Purchasing Department’ FY2012 budgetary documents. See “Countywide Goals and Objectives over the VSS System Need to be Established” on Page 3 for further discussion.

²⁰ We did not validate the completeness and accuracy of the ‘Active Vendor’ report, nor independently recreated the report, but relied solely on its source, the Finance Department.

Auditee's Response to the Draft Report



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Rob Hosack
County Manager

DATE: September 20, 2019
TO: Latona Thomas, CPA, Director, Internal Audit
FROM: Rob Hosack, County Manager *RH*
SUBJECT: DRAFT REPORT - Review of the Effectiveness and Efficiency of the Vendor Self Service System

Several recommendations were made and our response to those recommendations are below.

Recommendations

The County Manager should:

Recommendation 1: Establish clear countywide goals and objectives regarding the management and utilization expectations of the VSS system. These goals, objectives, and expectations should include, but not be limited to the following:

- Vendor utilization expectations;
- Specific utilization performance metrics such as:
 - Overall rate of utilization by vendors (i.e. the number of vendors that successfully initiated and completed registration applications through the VSS system);
 - Ratio of vendor registrations initiated manually by County employees versus online by vendors;
 - Number and aging of incomplete vendor registration submissions, to include a description of outstanding information; and
 - An analysis of the amount of employee time spent on inputting manual vendor registrations and/or modifying online vendor registrations and its impact on existing County operations;
- Methodology for tracking and monitoring vendor reported issues;
- Frequency of periodic monitoring and reporting requirements;
- Distribution recipients of reports; and
- Other best practices regarding the administration and utilization of online business systems.

These goals, objectives, and expectations should be communicated to persons responsible for the oversight and management of the VSS system, monitored for consistency, and periodically reviewed for necessary updates.

Response: Concur

Support Services Director and Purchasing Director to identify persons/positions within Purchasing Department to develop goals, objectives and expectations by October 1, 2019 (with target date for deliverables of February 28, 2020).

Recommendation 2: Designate a centralized function or position to oversee, monitor and report on the continued operating effectiveness and efficiency of the VSS system. This function or position should serve as the County's primary contact and perform the following, at a minimum:

- Identify the key roles, responsibilities, and workflows needed;
- Develop strategic actions needed to increase the utilization rate of the VSS system;
- Facilitate any system changes needed;
- Coordinate with the Information Services Department to ensure the VSS system is operating at an optimum level; and
- Develop a comprehensive VSS system procedures manual for use by County employees task with performing key aspects of the VSS system process.

This recommendation should be considered in conjunction with Recommendation 5.

Response: Concur

With the current technical problems with VSS, use of the system will be temporarily discontinued until problems can be resolved and the system is functional. After the system is determined to be functional, the Finance and Purchasing Departments will work collaboratively to designate a centralized function to oversee the system.

Expected Completion Date: Date contingent on resolution of technical issues with VSS.

Recommendation 3: Designate a position with the responsibility of performing a cost-benefit analysis to re-explore the option of enabling the functionality to upload the IRS Form W-9s into the VSS system portal. This analysis should include a timetable of completions and related costs.

Response: Concur

The Finance and Purchasing Departments will work together to designate a position(s) with the responsibility to re-explore the feasibility of uploading W9s into the VSS system portal.

Expected Completion Date: February 28, 2020

Recommendation 4: Designate a position with the responsibility of developing and implementing adequate segregation of duties controls throughout the vendor creation, modification, and approval process for both manual and online vendor registration applications. Where possible, system access restrictions should be implemented based on the assigned roles and

responsibilities. If segregation of duties is not feasible, additional compensating controls should be implemented.

Response: Concur

The Finance and Purchasing Department will work collaboratively to designate a position for positions within both departments to implement adequate segregation of duties controls.

Expected Completion Date: February 28, 2020

Recommendation 5: Evaluate the current internal control framework and structure of the oversight responsibilities regarding the VSS system, along with other vendor creation responsibilities, and explore the option of re-assigning the role to the Purchasing Department. This re-assignment should include adequate segregation of duties controls at all levels within the Purchasing Department. This recommendation should be considered in conjunction with Recommendation 2.

Response: Concur

The Finance and Purchasing Departments will work together to analyze the work load associated with Purchasing assuming this responsibility and address adequate segregation of duties. At this time, it's uncertain if Purchasing has the staff available to fully assume this responsibility.

Estimated Completion Date: March 25, 2020

Recommendation 6: Designate a position with the responsibility of coordinating with the Information Services Department to resolve the conflicting information within the email confirmation of the VSS system.

Response: Concur

This recommendation will be addressed as soon as the VSS system is functional.

Estimated Completion Date: Date contingent on resolution of technical issues with VSS system.