



# Accounts Payable Department

## Internal Audit Report



REPORT #: 005\_FY2021-2022

**MARTHA SMITH**  
INTERNAL AUDITOR

## Table of Contents

### Page

<b>Executive Summary</b>	<b>iii</b>
<b>Overview:</b>	
Background	1
Statement of Auditing Standards	1
Audit Due Professional Care and Inherent Risk	1
Audit Purpose and Objectives	2
Audit Scope, Methodology, and Exclusions	2
<b>Audit Observations and Recommendations:</b>	
1- Accounts Payable District Policy	3
2-Equal Distribution of Taxes	3
3-Lack of Communication	5
4-Maintenance of Substantiating Records	6
5-Verification of transaction Existence and Completeness	7
6-Lack of Data Integrity	8
7-Update Accounts Payable Manual	10
8-Unverifiable Transactions	11
9-Update User Role Information	11
<b>Conclusion</b>	<b>12</b>
<b>Acknowledgment</b>	<b>12</b>
<b>Appendix A: Organizational Chart</b>	<b>13</b>
<b>Appendix B: References</b>	<b>14</b>
<b>Appendix C: Glossary</b>	<b>17</b>

## EXECUTIVE SUMMARY

The Office of Internal Audit (OIA) has completed the compliance audit of the Accounts Payable (AP) Department in the Tucson Unified School District (District). The AP operational performance is administrated by the department's manager, and overall supervision is with the purview of the Executive Director of Finance.

The purpose of the audit was to determine if the department's processes were in adherence with the district policies, standard procedures, set guidelines, and applicable regulations.

The audit scope encompassed activities from January 1, 2020, through August 1, 2021.

The objectives were accomplished by conducting the following:

- Interviews with department's manager and staff.
- Review the accounts payable department processes and procedures.
- Evaluation of internal controls to determine undue spending, theft, and potential fraud.
- Verification of paid transactions from existence to completion (physically and electronically).
- Cross reference of pertinent data (i.e., requisitions, purchase orders, invoices, etc.).
- Determine segregation of duties within the iVisions application.
- Assess compliance with applicable standards and guidelines.
- Review due diligence and stewardship of assets.

Excluded from this audit were year-end reconciliations.

Conditions observed are listed below, in the order of their perceived risk:

1. **ACCOUNTS PAYABLE POLICY:** The district does not have written polices addressing management of vendor payment and related functions.
2. **EQUAL DISBURSEMENT OF TAXES:** Charges on purchases, such as applicable sales tax, shipping, freight, etc., are equally distributed amongst items in the system from vendor invoices.
3. **LACK OF COMMUNICATION:** Departments with overlapping and co-depending activities are not maintaining open and effective communication with each other.
4. **MAINTENANCE OF SUBSTANTIATING RECORDS:** Not all transactions had accurate supporting documentation in their physical folders.
5. **VERIFICATION OF TRANSACTION EXISTENCE AND COMPLETENESS:** Transactions are not adequately verified.
6. **LACK OF DATA INTEGRITY:** Sales tax percentages, in the control panel screen of iVisions, did not consistently match the sales tax percentages of the paid invoice(s).
7. **UPDATE ACCOUNTS PAYABLE MANUAL:** Several areas in need of correction were noted within the accounts payable manual.
8. **UNVERIFIABLE TRANSACTIONS:** Transactions that have been canceled, refunded, voided, or replaced are labeled "closed" in the system with minimal supporting documentation.
9. **UPDATE USER ROLE INFORMATION IN IVISIONS:** Employee information in the system needs to be updated.

**BACKGROUND**

Tucson Unified School District (District) has a centralized accounts payable division; it manages vendor payments and related activities generated by its 89 schools, administrative departments, and various established programs.

The Accounts Payable (AP) department's daily activities and functions are administered by the department's manager. The overall supervision of the AP department is under the Finance Service Department, overseen by the Executive Director of Finance.

The AP department is a high-volume activity center responsible for a critical function, ensuring payments for short-term liabilities are processed in an accurate and timely manner.

Hundreds upon hundreds of transactions are performed monthly. Each transaction includes a mesh activity that needs to be completed prior to being paid. These tasks include, but are not limited to, verifying the invoice amount with the purchaser, accurately tracking expenses owed versus billed by the vendors, ensuring billed totals are for actual goods received, verifying complete orders were delivered vs. partial orders, requesting adjustments for payments to reflect merchandise received, suspension of payments if issues occur, recalculating and verifying invoice totals, ensuring added cost are accounted for and properly calculated, allocating expenses, seeking approval for payments, processing disbursements in a timely manner, maintaining adequate supporting documentation and records.

Delineated activities and processes for the AP department can be found in its full 674-page manual; its table of contents lists common activities, such as entering invoices, to less common tasks, like "Locating sheriff's at fiscal closing".

The AP process is not automated or paperless. Many of the activities that are performed manually are duplicated into the District's Enterprise Resource Planning (ERP) system, known as Infinite Visions (iVisions). An efficient function of the iVisions application is its web portal; it permits parties from different departments to view, track, and communicate as a requisition moves through different stages of the process. This type of accessibility and convenience should make the processing of accounts payable more efficient and less cumbersome.

**STATEMENT OF AUDITING STANDARDS**

The following organizations and standards were used as criteria: District policies and procedures, Arizona State Regulations (ASR), Arizona Revised Statutes (ARS), Arizona Auditor General - Uniform System of Financial Records (USFR), Arizona Administrative Code by the State Board of Education, Arizona Department of Accounting (ADOA), Governing Accounting Standards (GAO), and Generally Accepted Government Auditing Standards (GAGAS). For observations that didn't meet any specified criteria, additional research was done to find suitable and acceptable industry standards, often referred to as best practices.

**Audit Due Professional Care and Inherent Risk**

Due Professional Care implies reasonable care and competence, not infallibility.

Internal audits are conducted to provide management with reasonable –not absolute- assurance that the organization's objectives will be met.

All audits contain an element of inherent risk; this is a limitation with countless reasons. Audits can only evaluate, analyze, and develop conclusions and recommendations on accessed District’s internal data, applicable records, and collaboration from management and leadership.

Audits are designed to add value, this can be done but is not limited to: Developing comprehensive objectives applicable to the operations/functions being assessed, scope adherence, sampling and authenticating methodologies, reliability and accuracy of data, techniques used for detecting potential fraud, identifying internal control weaknesses, evaluating risks in procedures, weaknesses in policies, promoting effective use of resources, and stewardship of assets.

**AUDIT PURPOSE AND OBJECTIVES**

The purpose of the AP compliance audit was to provide management with reasonable assurances of conformity with applicable standards.

The objectives were created to determine the department’s compliance with relevant measuring criteria. They involved evaluating the department’s processes, procedures, practices, efficiency of operation, and review of internal controls.

Objectives were accomplished by performing the following tasks:

- 1- Interviewing accounts payable manager and staff.
- 2- Reviewing the overall departmental processes and procedures.
- 3- Evaluating internal controls to determine undue spending, theft, and potential fraud.
- 4- Verifying paid transactions from existence to completion (physically/electronically).
- 5- Cross referencing pertinent data (i.e., requisitions, purchase orders, invoices, etc.).
- 6- Evaluating roles to determine segregation of duties within the iVisions application.
- 7- Assessing compliance with existing policies against applicable standards and guidelines.
- 8- Reviewing activities for due diligence and stewardship of assets.

**AUDIT SCOPE, METHODOLOGY, AND EXCLUSIONS**

The audit scope encompassed January 1, 2020, through August 1, 2021.

The testing sample was retrieved by using the interval method (also known as systematic); the sample was composed of 233 transactions that were retrieved and authenticated either physically (folder), or electronically (iVisions), or a combination of both.

The 233 transactions were further segmented into different categories (table below) for testing.

Description	School Year: 19-20		School Year: 20-21		School Year: 21-22	
	Folder	iVisions	Folder	iVisions	Folder	iVisions
Voucher:	12	N/A	15	N/A	3	N/A
Check:	8	N/A	6	N/A	4	N/A
Vendors Invoices:	15	55	15	55	5	15
Mileage Logs:	5	6	3	7	1	3

Excluded from this internal audit were payments unrelated to W-9 vendors, benefits managed by Human Resources, Payroll, and transactions not processed through the AP department.

Results of the internal audit were obtained by evaluating the department's activities to determine compliance with applicable district policies, procedures, regulations, laws, state standards and guidelines.

Applicable observations and findings were communicated to the account's payable manager during the exit meeting to confirm, verify, and obtain clarification were necessary.

Opportunities for improvement are listed below in the order of their perceived risk.

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### 1. ACCOUNTS PAYABLE DISTRICT POLICY

**Condition:** The district does not have written policies specifically addressing accounts payable processes and functions.

**Criteria:** USFE -VI-A- *Accounting Procedures* -Introduction: "An effective accounting system is essential to provide control and accountability over school district assets and accurate and timely financial information to stakeholders. The Legislature and state agencies use district financial information to make education policy decisions and ensure compliance with legal and contractual provisions. The governing board and district management use financial information to develop overall policies and procedures, assess the district's financial position and the efficiency and effectiveness of district operations, budget for operating and capital expenditures, and project future financing requirements."<sup>1</sup>

**Best practices:** Policies and procedures are designed to provide management authorized guidance for all major decisions and actions for activities that take place within the boundaries set by them. Procedures are the specific methods employed to express policies in action in day-to-day operations of the organization. Together, policies and procedures ensure that a point of view held by the governing body of an organization is translated into steps that result in an outcome compatible with that view.

**Effect:** Not having established policies and procedures diminishes management's ability to supervise a department's operation, prevent fraud, implement appropriate internal controls, create uniformity, and monitor responsibilities effectively and efficiently.

**Cause:** Management has not developed a policy to specifically address the accounts payable functions. A department manual is not a recommended substitute/replacement for a District Policy.

**Recommendation:**

The District should create an accounts payable policy.

### 2. EQUAL DISBURSEMENT OF TAXES

**Condition:** When invoices are entered into the system, sales tax amounts are being applied and distributed equally amongst line items.

**Criteria:** United States Government Accountability Office -GAO- Sales Taxes "In 1992, the Supreme Court ruled in Quill v. North Dakota that a state can only require a business to collect and remit sales tax if the business has substantial presence, referred to as nexus, in that state. However, the decision stated that Congress could pass legislation to overrule this limitation. In general, under present law, if a seller does not have nexus in a state, and therefore does not collect tax, then a purchaser is required to pay a use tax in the same amount to his or her state government."<sup>2</sup>

State of Arizona. House of Representatives. House Bill (HB) 2757 -"Arizona is an origin-based sourcing; this means, the vendor is responsible for applying the TPT rate determined by the ship-from address on all taxable sales." Furthermore, the bill "introduced a new economic (dollar-based) nexus standard for businesses that have no physical presence in the state."<sup>3</sup>

Arizona Department Of Revenue (ADOR) Publication 610 -Use Tax- : "... The use tax is imposed upon the purchaser of tangible personal property which is used, stored, or consumed in Arizona when the sale was not subject to the transaction privilege tax." Furthermore, "The state use tax rate is equal to the state transaction privilege tax rate...There is no county use tax."<sup>4</sup>

USFR -Accounting Procedures- Introduction- IX-1- "The information technology (IT) internal control guidelines presented in this section are provided to help school district officials and IT personnel develop and implement effective internal control for IT-based systems. These controls are intended to help provide reasonable assurance that the resulting data is accurate and reliable."<sup>5</sup>

**Effect:** Automatic disbursement of sales taxes by the system amongst line items on an invoice has resulted in expenses being applied to *non-taxable* line items, such as, labor and/or installations.



"Why do I need to pay sales tax when it wasn't on sale?"

(Image.1)<sup>6</sup> Cartoon Stock (2016)

**Cause:** The department manual does not differentiate distribution of added cost to non-taxable or non-shippable line items. Page 26 of the AP manual reads, "Distribute the freight and or tax among the lines (Ctrl + W for freight and Ctrl +X)." <sup>7</sup>



(Image 2)<sup>8</sup> Cartoon Stock (2009)

**Recommendations:**

- a. Update the AP manual. Consider including a list of items that are commonly not taxed and/or require no shipping/freight charges.
- b. Ensure due diligence is applied when distributing amounts in the system related to taxes, freight, and shipping and handling, to prevent charges on nonapplicable line items.
- c. Work with Technology Services to develop internal controls that will assist with identifying items that are non-taxable or that require no shipping/freight charges.

**3. LACK OF COMMUNICATION**

**Condition:** Departments with overlapping and co-depending activities are not maintaining open and effective communication with each other.

**Criteria:** USFR -VI-B-1- Introduction- "Accounting records and procedures (i.e., methods) comprise the accounting system through which a district identifies, assembles, analyzes, classifies, records, and summarizes its financial transactions and reports the district's financial position and results of operations. An accounting system's primary objectives are to provide management with reliable financial information in conformity with generally accepted accounting principles on a timely basis and to safeguard assets."<sup>9</sup>

Policy Code: DJE-R - *Purchasing Procedures*- "Under \$10,000,

A. Fiscal Year Cumulative District Purchases Costing Under \$10,000:

1. Obtain a current price quotation from...
2. Prepare and document on the requisitions: complete description of the material(s) or Services(s), quantity, date of quotation, quoter's name, firm price(s), freight charge, percent of sales tax, and any other pertinent information.



3. Electronically attach all information and documentation to the requisition."<sup>10</sup>

USFR's Procedures section, delineates the process of a transaction and the tasks performed, that overlap between different departments and their staff, as it moves from its initial stage (purchase requisition) to its completion (paid invoice).

**Effect:** Information, such as purchase order information, is being altered after creation and approval.

As a result of changes made in the system without communicating or documentation, unnecessary time and resources are wasted.

**Cause:** Lack of communication and missing information.

**Recommendation:**

- a. Properly communicate and/or document all changes made to previously existing documentation.
- b. Provide staff members an overview of how their actions or inactions impact the flow of transactions at different stages and in related departments.

**4. MAINTENANCE OF SUBSTANTIATING RECORDS**

**Condition:** Not all transactions had accurate supporting documentation in their physical folder.

**Criteria:** USFR -VI-B-2- Accounting Procedures- Accounting Records, "Accounting records provide the documentary support for account balances and must be properly maintained to provide financial accountability for the district. Accounting records include source documents, journals, registers, ledgers, and other supplementary records."<sup>11</sup>

DJE-R -Purchasing Procedures – *Quotation Procedures* – #2 of Section: A & B, read "Prepare and document on the requisition: complete description of the material(s) or service(s), quantity, date of quotation, quoter's name, firm price(s), freight charge, percent of sales tax, and any other pertinent information."<sup>12</sup>

Policy Code: DKC – *Expense Authorization/Reimbursement*- "School employees who incur expenses in carrying out their authorized duties shall be reimbursed by the District upon submission of allowable supporting receipts, provided that prior authorization has been granted by the Superintendent or designee.

Reimbursement amounts shall not exceed the maximum amounts established by the Department of Administration of the State of Arizona."<sup>13</sup>

**Effect:** 233 transactions were reviewed and tested: 192 items electronically, and 41 physically. The following oversights were observed:

Sample Size 233		
Transactions	Finding	Description
192	49	Variances between docs., info. in system, taxes, & shipping charges.
	16	Unverifiable transactions with no supporting documentation.
	7	No milage records or logs in the system.
41	3	Partial vs. complete orders w/different invoices not in same location.
	4	Non-legible copies/images of the purchase quote, no purchase order.
	2	Miss-filed; found in a different location than indicated by records.
	1	Filed under different vendor name, related, but not documented.
	3	Were found to be paid/processed that were missing staff's initials.
	2	Incorrect documents were mixed in with supporting information.

**Cause:** The department processes numerous transactions at a fast pace; the tasks are mainly manual, which creates inefficiencies, oversights, and duplication of effort.

**RECOMMENDATIONS:**

- a. In collaboration with the Purchasing department, verify pertinent information follows DJE-R.
- b. Streamline the accounts payable process and minimize manual processing where possible.
- c. Have internal controls (i.e., check points, check lists) throughout the process to ensure correct and legible supporting documents are filed and maintained.

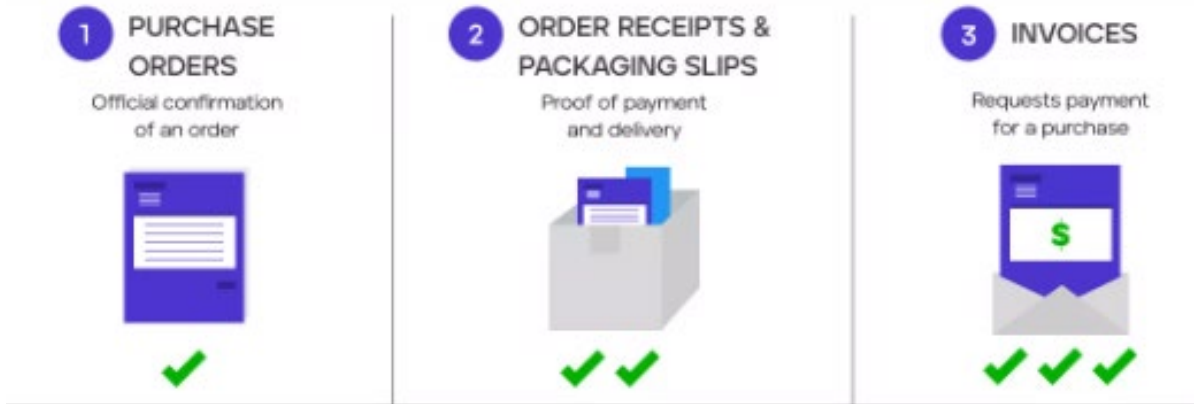
**5. VERIFICATION OF TRANSACTION'S EXISTENCE AND COMPLETENESS**

**Condition:** Transactions are not adequately verified.

**Criteria:** USFR -VI-B-2- *Source documents*- "Source documents are used to initiate accounting transactions and should be retained to support each entry recorded in the accounting records. Examples of cash receipts source documents include prenumbered cash receipt forms, validated treasurer's receipts, cash register tapes, and validated bank deposit receipts. Examples of cash disbursements source documents include requisitions, purchase orders, reports, and vendor invoices."<sup>14</sup>

Best accounting practices indicates that the three-way-match is one of the most important steps in the AP process; this is where the AP staff compares and matches the amounts in the purchase order, receiving report, and vendor's invoice. If there are any deviations between these three documents, the accounts payable team needs to decide if an investigation is necessary or reconcile as needed, and document it.

Example of a three-way-match: Comparing either the requisition/winning quote/or purchase orders to the Receiving Receipt/Receiving Reports, to vendor's invoice(s).

(Image 3)<sup>15</sup> Nanonets

**Effect:** This is a preventative internal control that assists the accounts payable in confirming that the invoice being processed is valid, correct, and substantiated by supporting documentation.

**Cause:** Invoices are processed and paid without properly documenting inconsistencies between supporting documents. Doing so creates a breakdown in the reliability of the verifying process between documents and their usefulness.

**Recommendation:**

- a. Upload all necessary documents to the system or into the physical folder to support changes and variances within the transactions (i.e., purchase order, change orders, corrections, etc.)
- b. Enter sufficient notes addressing what caused the discrepancies between supporting documents from one step to the next until the transaction is closed.

## 6. LACK OF DATA INTEGRITY

**Condition:** Sales tax percentages, in the control panel screen of iVisions, did not consistently match the sales tax percentages of the paid invoice(s).

**Criteria:** USFR -VI-B-1- Accounting Records -Introduction: "Accounting records and procedures (i.e., methods) comprise the accounting system through which a district identifies, assembles, analyzes, classifies, records, and summarizes its financial transactions and reports the district's financial position and results of operations. An accounting system's primary objectives are to provide management with reliable financial information in conformity with generally accepted accounting principles on a timely basis and to safeguard assets."<sup>16</sup>

USFR – IX-1- Accounting Procedures- Introduction: "The information technology (IT) internal control guidelines presented in this section are provided to help school district officials and IT personnel develop and implement effective internal control for IT-based systems. These controls are intended to help provide reasonable assurance that the resulting data is accurate and reliable."<sup>17</sup>

**Effect:** When accounts payable manually processes payments of an invoice, the amounts in the Control Panel screen are automatically updated to reflect the line items paid; this includes the distribution and allocation of taxes paid per line item.

Purchase order reflects sales tax at 8.7%; however, this is an out of state vendor.

**Purchase Order** TUCSON UNIFIED SCHOOL DISTRICT  
 1010 E 10TH STREET  
 TUCSON AZ 85719

PO Issued To:  
 VEX ROBOTICS INC  
 1010 WINTERVILLE ST N  
 GREENVILLE TX 75402

APPROVAL SIGNATURES: \_\_\_\_\_

Sub-Total:	\$5,056.97
Freight:	\$247.95
Tax:	\$439.96
<b>Total Amount:</b>	<b>\$5,744.88</b>

iVisions reflects tax payment of \$439.96, an 8.7% sales tax, not the 10% shown on the iVisions screen, nor the use tax- of 5.6%.

Phone: 903.465.2802  
 Fax: 214.281.1284  
 Email: sales@vex.com

Greenville TX 75402  
 USA

**Invoice: 100100** **INVOICE** Page: 1 of 1  
 Date: 5/11/2020

Sold To: Tucson Unified School District  
 Ship To: Property Control Warehouse

Payment Schedule		
Due Date	Amount	
1 6/10/2020	5,304.92	
<b>Total</b>	<b>5,304.92</b>	

**Total: \$ 5,304.92**

The system does not automatically change/update the sales tax percentage from its defaulted 10% sales tax.

<b>Requisition Information</b> Req. Number: 52 Date: 8/26/2020 Vendor: VEX ROBOTICS INC Ship To: SERVICES DAC: Services Requester: [User] W9 Rcvd Buyer: [User]	<b>Order Information</b> Order Via: Email Project: None Date Required: 8/26/2020 Order Type: Purchase Order Reference: GENERAL Award Number:	<b>PO Information</b> PO Number: 30 PO Date: 8/26/2020 Revision: 0 Req. App.: Yes Closed Date: 08/28/2020 Status: Closed
---	--	--

Qty	Unit	Part Number	Description	Unit Price	Ext Price	Tax	Freight	Line Total
4.000000	EA	2767030	V5 Competition Starter	999.0000	\$3,996.00	\$347.65	\$247.95	\$4,591.60
1.000000	EA	2781501	Competition Field Perimeter Kit	799.9900	\$799.99	\$69.60	\$0.00	\$869.59
1.000000	EA	2765156	Field Perimeter Rubber Foot (20 pack)	10.9900	\$10.99	\$0.96	\$0.00	\$11.95
1.000000	EA	2767175	VRC Anti Static Full Field Tile Kit	249.9900	\$249.99	\$21.75	\$0.00	\$271.74
				7.000000	\$5,056.97	\$439.96	\$247.95	\$5,744.88

Hold Account   
  Submit for Approval   
 Sales Tax Percent: 10.0000%   
 Use Tax Percent: 5.6000%

Mode: Edit (1 of 1)

0	08/26/2020	\$5,744.88	Closed	\$5,588.12	\$156.76	AP
---	------------	------------	--------	------------	----------	----

(Image 4, 5, 6) iVisions

**Cause:** iVisions does not automatically update initial sales tax percentages in the sales tax box on the control screen; this causes a mismatch between supporting documents, data entered by AP in the system, and auto defaulting percentages in the control panel screen.

**Example:** Paid invoice with an 8.7% sales tax vs. iVisions purchase order screen shows a sales tax of 10% and a use tax of 5.6 %.

**Recommendation:**

For accuracy and consistency of records, it is suggested:

- a. For the control panel screen to reflect the actual paid sales tax percentage on invoice. Any differences between supporting documents should be noted when it results in a variance.
- b. Implement and ensure that all quotes and/or purchase orders include vendor provided taxes and shipping costs when they are obtained, as indicated in District policy Code DJE-R.
- c. Adherence to DJE-R will eliminate the need to have a sales tax default of 10% in iVisions.

## 7. UPDATE ACCOUNTS PAYABLE MANUAL

**Condition:** Several areas in need of correction were noted within the accounts payable manual.

**Criteria: Government Auditing Standards (GAS) 21-368G:** - states, "...Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight."<sup>19</sup>

Best business practices identify reference materials, such as department manuals, instruction guides, written operating procedures, etc., as an important tool that contains key elements to effectively manage a department, train staff, and assist with steps necessary to perform essential activities. If the referencing documents contain are outdated, noncompliant, irrelevant, contradictory, and/or any combination thereof, their functionality is diminished.

**Effect:** For a departmental manual to be considered useful, its content must be in compliance with applicable policies, procedures, and guidelines, and contain information that is accurate, relevant, and reliable.



" IT LOOKS LIKE THEY'RE BRINGING IN THE NEW REGULATIONS MANUAL."

(Image 7)<sup>22</sup> Cartoon Stock (2008)

**Cause:** Accounts Payable Management is aware the department's manual needs to be updated. The delay in updating the manual has been created due to a combination of factors, such as a high daily volume of transactional activities, shortages of AP staff, and training of inexperienced new employees.

**Recommendation:**

- a. Update the department's manual to reflect accurate, useful, and reliable information.
- b. Ensure that the manual is in compliance with applicable policies and regulations.
- c. Consider working with Technology Services to maintain an electronic manual that can be updated as needed.

## 8. UNVERIFIABLE TRANSACTIONS

**Condition:** Transactions that have been canceled, refunded, voided, or replaced are labeled "closed" in the system with minimal supporting documentation.

**Criteria:** USFR –VI-A -*Accounting Procedures*- Introduction: "The policies, procedures, and recordkeeping methods described throughout the Accounting Procedures section provide an effective accounting system and control environment for districts. Specific controls should be tailored to each district's needs, and alternative procedures may be used if they provide at least the same level of internal control."<sup>21</sup>

USFR -VI-B-2 -*Accounting Procedures*- Accounting Records: "Districts should implement a system that prenumbers and numerically controls journal entries. Each journal entry should contain explanations, attachments, or references to documentary evidence supporting the entry, and the signature or initials of the individual making the entry and the official authorized to approve it. Journal entries should identify the account codes to be debited and credited."<sup>22</sup>

**Effect:** Without supporting documentation and/or proper notes in the system, it was not possible to determine why transactions were canceled, refunded, voided, or replaced.

**Cause:** Staff did not consistently document the reason, or upload supporting documents to substantiate some of the incomplete, but closed, transactions.

**Recommendation:** Ensure incomplete transactions are properly documented.

## 9. UPDATE USER ROLE INFORMATION

**Condition:** Employee information in the system needs to be updated.

**Criteria:** USFR -IX-2- General Controls – Access Controls – "Special attention should be paid to security-related controls over access to IT systems and data. Physical and logical access controls help ensure that only those individuals authorized by management to access and use IT systems and data are able to do so."<sup>23</sup>

**Effect:** Role information for the department needs to be updated. New employee was not listed in the provided "User\_Role\_Listing\_AP\_User".

**Cause:** Delays due to staff shortages in Technology Services.

**Recommendation:** Ensure timely and accurate processing of staff members in the system.

CONCLUSION

The audit was performed to determine the Accounts Payable department’s compliance with applicable standards and regulations. The objectives were designed to assist with the evaluation of the department’s overall operation, including but not limited to, their efficiency of their processes, implementation of procedures, and strength of their internal controls. The objectives were achieved by conducting interviews, reviewing transactions, analyzing data, testing internal controls, and assessing applicable policies and procedures. Observations resulting from the tested sample have been listed in the body of this report; they indicate areas in need of improvement to minimize risks and enhance overall compliance.

Internal audits can only provide reasonable assurances, never absolute assurances, on audits performed.

The OIA findings are based on district policies, department’s handbook for standard operating procedures, applicable guidelines, and governing standards.

A follow up audit may be conducted within six months from the date of the final report.

ACKNOWLEDGMENT

The Office of Internal Audit wishes to express its appreciation to the manager and staff of the Accounts Payable department and the manager of the Accounting Department for their time and assistance during this audit.

Management’s responses were provided in a separate document; they can be found at the end of this report.

Report No. 005 SY 2021-2022; scheduled to be provided to the Governing Board on April 25, 2022.

Martha Smith                      4/25/2022  
Martha Smith                      Date  
Internal Auditor

Report Distributed:

Honorable Chairwoman and  
Members of the Governing Board:

Adelita Grijalva, President  
Natalie Luna Rose, Clerk  
Sadie Shaw, Member  
Leila Counts, Member  
Dr. Ravi Grivois, Member

Superintendent and Management:

Dr. Gabriel Trujillo, Superintendent  
Robert Ross, Legal Counsel  
Fina, Johnson, Director of Finance  
Cindy Hewitt, Manager of Accounts Payable

Audit Committee Chair and Members:

Dr. Kelly, Chair  
Bernie Wiegandt, Co-Chair

Sarina Martinez, Member  
Jodi Perin, Member

FINANCIAL SERVICES ORGANIZATIONAL CHART 2020-2021

TUCSON UNIFIED SCHOOL DISTRICT

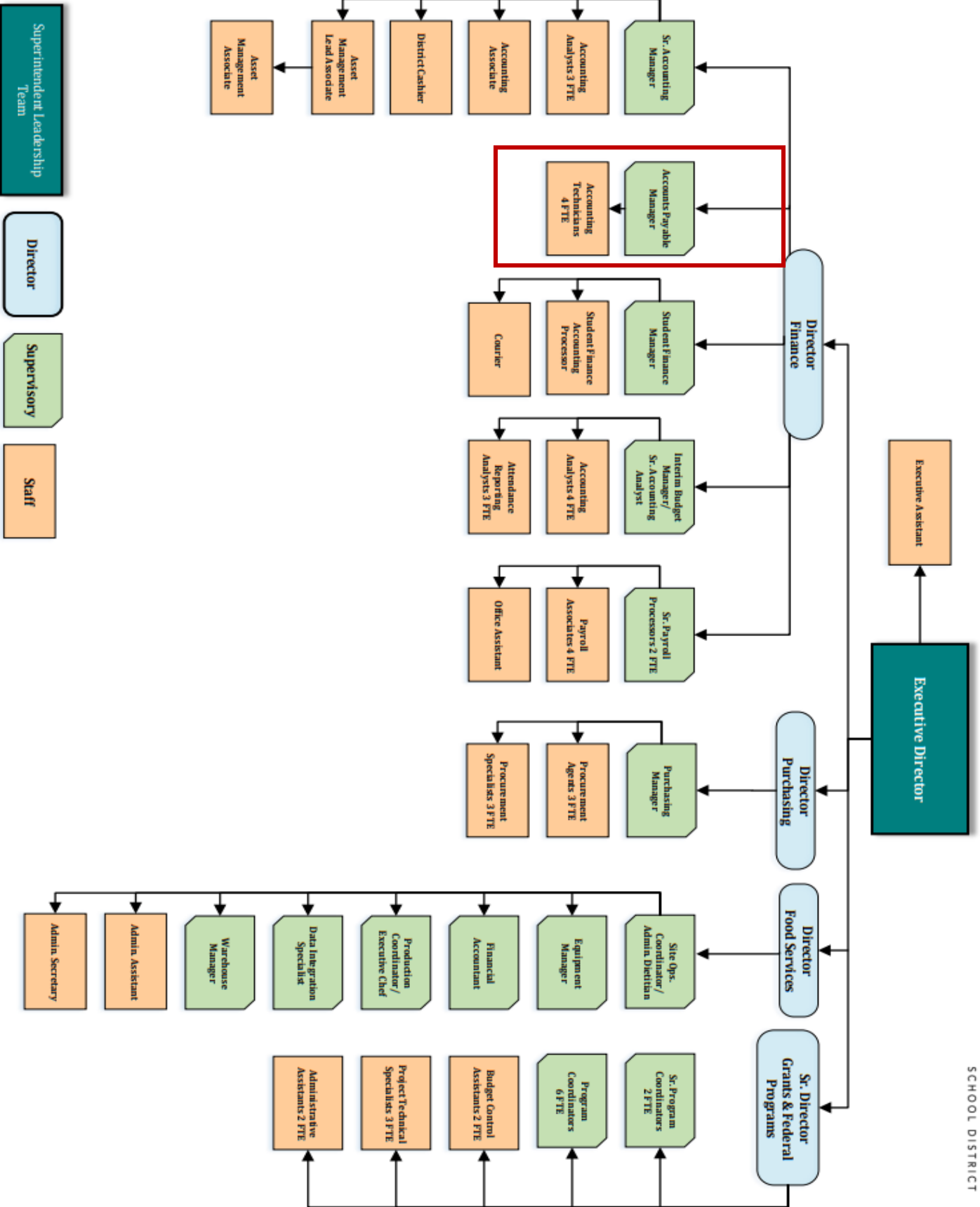


FIGURE 1



**REFERENCES**

1. **Uniform System of Financial Records (USFR) -VI-A- Accounting Procedures-Introduction:** "An effective accounting system is essential to provide control and accountability over school district assets and accurate and timely financial information to stakeholders. The Legislature and state agencies use district financial information to make education policy decisions and ensure compliance with legal and contractual provisions. The governing board and district management use financial information to develop overall policies and procedures, assess the district's financial position and the efficiency and effectiveness of district operations, budget for operating and capital expenditures, and project future financing requirements." <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>
2. **United States Government Accountability Office-GAO- Sales Taxes** "In 1992, the Supreme Court ruled in *Quill v. North Dakota* that a state can only require a business to collect and remit sales tax if the business has substantial presence, referred to as nexus, in that state. However, the decision stated that Congress could pass legislation to overrule this limitation. In general, under present law, if a seller does not have nexus in a state, and therefore does not collect tax, then a purchaser is required to pay a use tax in the same amount to his or her state government. (Pg. 1; November 2017) -GAO Highlights GAO-18-114: *State Could Gain Revenue from Expanded Authority, but Businesses Are Likely to Experience Compliance Costs* - <https://www.gao.gov/assets/gao-18-114.pdf>
3. **State of Arizona House of Representatives.** House Bill (HB) 2757 -"Arizona is an origin-based sourcing; this means, the vendor is responsible for applying the TPT rate determined by the ship-from address on all taxable sales." "H.B. 2757 - introduced a new economic (dollar-based) nexus standard for businesses that have no physical presence in the state." <https://azdor.gov/transaction-privilege-tax/retail-sales-subject-tpt/out-state-sellers>
4. **Arizona Department of Revenue (ADOR) Publication 610** Difference between the Transaction Privilege Tax and the Use Tax -" The transaction privilege tax is imposed upon income or proceeds derived from engaging in a taxable business within the State of Arizona. -Use Tax- The use tax is imposed upon the purchaser of tangible personal property which is used, stored, or consumed in Arizona when the sale was not subject to the transaction privilege tax. Out-of-state retailers or utility businesses that sell to Arizona customers are required to collect the Arizona use tax and remit it to the department." (4/2019\_pg.1) [https://www.azdor.gov/sites/default/files/media/PUBLICATION\\_610.pdf](https://www.azdor.gov/sites/default/files/media/PUBLICATION_610.pdf)
5. **USFR -IX-1- Accounting Procedures- Introduction:** "The information technology (IT) internal control guidelines presented in this section are provided to help school district officials and IT personnel develop and implement effective internal control for IT-based systems. These controls are intended to help provide reasonable assurance that the resulting data is accurate and reliable." <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>
6. **CartoonStock – Sales Tax- Cartoonist: Nate Fakes (10/19/2016).** <https://www.cartoonstock.com/search?type=images&keyword=Sales+tax&page=1&expanded=CS290704>
7. **Accounts Payable (AP) Manual- (Page 26) – Manual:** "Distribute the freight and or tax among the lines (Ctrl + W for freight and Ctrl +X)." AP Manual.

8. **Cartoon Stock-Equal Tax Distribution** -Cartoonist: Jack Corbett (9/27/2009).  
<https://www.cartoonstock.com/search?type=images&keyword=sales+tax&page=1&expanded=CS396387>
9. **USFR -VI-B-1- Introduction:** "Accounting records and procedures (i.e., methods) comprise the accounting system through which a district identifies, assembles, analyzes, classifies, records, and summarizes its financial transactions and reports the district's financial position and results of operations. An accounting system's primary objectives are to provide management with reliable financial information in conformity with generally accepted accounting principles on a timely basis and to safeguard assets." <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>
10. **District Policy Code: DJE-R -Purchasing Procedures-** "Under \$10,000, A. Fiscal Year Cumulative District Purchases Costing Under \$10,000:
  1. Obtain a current price quotation from a reasonable source, including a sales representative's email quote, a vendor internet price, a sales flyer, or other suitable alternative. Solicit a firm quotation with shipping and tax whenever practicable to assure maximum value.
  2. Prepare and document on the requisitions: complete description of the material(s) or Services(s), quantity, date of quotation, quoter's name, firm price(s), freight charge, percent of sales tax, and any other pertinent information.
  3. Electronically attach all information and documentation to the requisition."  
<https://govboard.tusd1.org/Portals/TUSD1/GovBoard/docs/sectD/DJE.pdf>
11. **USFR - VI-B-2 - Accounting Procedures-** Accounting Records, Introduction, "Accounting records provide the documentary support for account balances and must be properly maintained to provide financial accountability for the district. Accounting records include source documents, journals, registers, ledgers, and other supplementary records." (Pg. 102), <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>
12. **DJE-R -Purchasing Procedures – Quotation Procedures – A & B 2.,** read "Prepare and document on the requisition: complete description of the material(s) or service(s), quantity, date of quotation, quoter's name, firm price(s), freight charge, percent of sales tax, and any other pertinent information." <https://govboard.tusd1.org/Policies-and-Regulations/Regulation-Code-DJE-R>
13. **Policy Code: DKC – Expense Authorization/Reimbursement-** "School employees who incur expenses in carrying out their authorized duties shall be reimbursed by the District upon submission of allowable supporting receipts, provided that prior authorization has been granted by the Superintendent or designee.  
Reimbursement amounts shall not exceed the maximum amounts established by the Department of Administration of the State of Arizona." <https://govboard.tusd1.org/PoliciesandRegulations/Policy-Code-DKC>
14. **USFR --VI-B-2- Source documents:** "Source documents are used to initiate accounting transactions and should be retained to support each entry recorded in the accounting records. Examples of cash receipts source documents include prenumbered cash receipt forms, validated treasurer's receipts, cash register tapes, and validated bank deposit receipts. Examples of cash disbursements source documents include requisitions, purchase orders, reports, and vendor invoices." <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>

15. **Nanonets** -Image 3- Three-way match retrieved from nanonets automated data capture -Three-Way Matching Guide: Concept, Processes, Automation (nanonets.com)
16. **USFR -VI-B-1-** Introduction- "Accounting records and procedures (i.e., methods) comprise the accounting system through which a district identifies, assembles, analyzes, classifies, records, and summarizes its financial transactions and reports the district's financial position and results of operations. An accounting system's primary objectives are to provide management with reliable financial information in conformity with generally accepted accounting principles on a timely basis and to safeguard assets." <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>
17. **USFR – IX-1 - Accounting Procedures-** Introduction: "The information technology (IT) internal control guidelines presented in this section are provided to help school district officials and IT personnel develop and implement effective internal control for IT-based systems. These controls are intended to help provide reasonable assurance that the resulting data is accurate and reliable." <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>
18. **iVisions** -Images: 4: Purchase order uploaded into iVisions; Image 5: Copy of the paid invoice uploaded into iVisions; Image6: Of iVisions Control Panel and Editing Screen.
19. **Government Accountability Office (GAO)** -*Government Auditing Standards* -GAS-21-368G: 7.23 -Application Guidance: Findings –" Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. Importantly, waste can include activities that do not include abuse and does not necessary involve a violation of law. Rather, waste relates primarily to mismanagement, inappropriate actions, and inadequate oversight." <https://www.gao.gov>
20. **Cartoon Stock** -Image 20- Delivery of Regulation Manual- Cartoonist: Dave Carpenter (3/13/2006). <https://www.cartoonstock.com/search?type=images&keyword=+accounts+payable+department&page=2&expanded=CS171716>
21. **USFR –VI-A -Accounting Procedures-** Introduction: "The policies, procedures, and recordkeeping methods described throughout the Accounting Procedures section provide an effective accounting system and control environment for districts. Specific controls should be tailored to each district's needs, and alternative procedures may be used if they provide at least the same level of internal control." <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>
22. **USFR -IX-2 -General Controls - Access Controls—**"Special attention should be paid to security-related controls over access to IT systems and data. Physical and logical access controls help ensure that only those individuals authorized by management to access and use IT systems and data are able to do so." <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>

## GLOSSARY

**Best Practice** - "A procedure that has been shown by research and experience to produce optimal results and that is established or proposed as a standard suitable for widespread adoption." Defined by Merriam Webster

**Blanket Purchase Order:** "A blanket order, blanket purchase agreement or call-off order<sup>[1]</sup> is a purchase order which a customer places with their supplier to allow multiple delivery dates over a period of time, often negotiated to take advantage of predetermined pricing. It is normally used when there is a recurring need for expendable goods. Blanket orders are often used when a customer buys large quantities and has obtained special discounts. Based on the blanket order, sales orders ('blanket releases' or 'release orders') and invoice items can be created as needed until the contract is fulfilled, the end of the order period is reached or a pre-determined maximum order value is reached." <sup>[2]</sup> [https://en.wikipedia.org/wiki/Blanket\\_order](https://en.wikipedia.org/wiki/Blanket_order)

**Cause** - Defined by Standard 6.25 in GAS: "The cause is the factor or factors responsible for the difference between the condition and the criteria and may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of program management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the key factor contributing to the difference between the condition and the criteria." <https://www.gao.gov/assets/gao-21-368g.pdf>

**Criteria** -Defined by Standard 6.25 in GAS: "Criteria: For inclusion in findings, criteria may include the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations in the report. In a financial audit, the applicable financial reporting framework, such as generally accepted accounting principles, represents one set of criteria." <https://www.gao.gov/assets/gao-21-368g.pdf>

**Condition-Defined by Standard 6.26 in GAS:** Condition: Condition is a situation that exists. The condition is determined and documented during the audit. <https://www.gao.gov/assets/gao-21-368g.pdf>

**Construction** – Defined by the Arizona State Legislature: "' Construction" means the process of building, altering, repairing, improving, or demolishing any school district structure or building, or other public improvements of any kind to any school district real property. Construction does not include the routine operation, routine repair or routine maintenance of existing structures, buildings or real property." <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/15/00213-01.htm>

**Contract** - Defined by Arizona state legislature: "means all types of state agreements, regardless of what they may be called, for the procurement of materials, services, construction, construction services or the disposal of materials." <https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/41/02503.htm>

**Control** - The Institute of Internal Auditors (IIA) defines control as "any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved." <https://global.theiia.org>

**Cost Benefit Analysis** – “It is a process used to make decisions. It takes into account both quantitative and qualitative factors for analysis of the value for money for a particular project or investment opportunity. Benefits to costs ratio and other indicators are used to conduct such analyses. The objective is to ascertain the soundness of any investment opportunity and provide a basis for making comparisons with other such proposals.”

<https://economictimes.indiatimes.com/definition/cost-benefit-analysis>

**Due Diligence** – “Due diligence is the process of obtaining and reviewing documentation to verify that the procuring entity procured contracts pursuant to the School District Procurement Rules and determining that the contract price and terms are favorable to the district to receive the best value for the good or service desired.

Whether administering or purchasing from a cooperative purchasing agreement, districts are responsible for ensuring that procurements are done in accordance with School District Procurement Rules.” Defined by HG Legal Resources <https://www.hg.org/legal-articles/what-is-the-relevance-of-industry-standards-under-the-law-36794>

**Effect** - Defined by Standard 6.28 in GAS: or potential effect: “The effect or potential effect is the outcome or consequence resulting from the difference between the condition and the criteria. When the audit objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the audit, effect is a measure of those consequences. Effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.” <https://www.gao.gov/assets/gao-21-368g.pdf>

**Generally Accepted Government Auditing Standards (GAGAS):** Also known as the Yellow Book, are “the guidelines for audits created by the Comptroller General and the audit agency of the United States Congress, the Government Accountability Office.” <https://www.gao.gov/yellowbook/overview>

**Industry Standard** – “Is the average by which those in a particular field govern themselves. It is the ordinary manner of doing things in that field and can serve to establish different things in various legal settings.” Defined by HG Legal Resources <https://www.hg.org/legal-articles/what-is-the-relevance-of-industry-standards-under-the-law-36794>

**Internal Auditing** – IIA’s definition: “Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organization’s operations. At its simplest, internal audit involves identifying the risks that could keep an organization from achieving its goals, making sure the organization’s leaders know about these risks, and proactively recommending improvements to help reduce the risks.” Additionally, “Internal auditors are explorers, analysts, problem-solvers, reporters, and trusted advisors. They bring objectivity and a variety of skills and expertise to the organization.” <https://global.theiia.org/about/about-internal-auditing/pages/about-internal-auditing.aspx>

**Incremental Budgeting** — “Incremental budgeting requires that each budget line item be considered for an increase, a decrease, or no change. Increases and decreases are usually tied to factors such as inflation or changes in enrollment. This method assumes that resources are being properly distributed in the current period and that existing programs should be continued.”

<https://www.azauditor.gov/sites/default/files/USFR21122.pdf>

**Internal Control** – “A plan of organization under which employees' duties are arranged, and records and procedures are designed, to make it possible to exercise effective control over processes. Internal control procedures which call for proper authorizations by designated officials for all actions performed that must be specified and followed.” <https://global.theiia.org>

**Market Basket** – “A market basket or commodity bundle is a fixed list of items, in given proportions. Its most common use is to track the progress of inflation in an economy or specific market. That is, to measure the changes in the value of money over time. A market basket is also used with the theory of purchasing price parity to measure the value of money in different places.” [https://en.wikipedia.org/wiki/Market\\_basket](https://en.wikipedia.org/wiki/Market_basket)

**Marketplace**: “Any place (physical, online or electronic) where tangible personal property is sold. This includes a store, booth, website, catalog, etc.” <https://azdor.gov>

**Marketplace Facilitator**: “Any person or business operating a marketplace (e.g., website), and facilitating transactions between a buyer and retailer/wholesaler, and accepting payment on behalf of the retailer/wholesaler. TPT filing is required if in the current or previous calendar year a marketplace facilitator makes more than \$100,000 sales into Arizona.” <https://azdor.gov>

**Marketplace Seller**: “Any remote seller that makes all sales through a marketplace.” <https://azdor.gov>

**Nexus**: “The connection required to exist between a state and a potential taxpayer such that the state has the constitutional right to impose tax. States have a physical nexus (physical presence) requirement before they impose tax collection responsibilities on taxpayers. Following the Wayfair decision, many states have implemented economic (dollar-based) nexus rules that require taxpayers to collect and remit taxes where they have specific threshold sales into the state.” <https://azdor.gov>

**Object-of-Expenditure Budgeting** — “Object-of-expenditure budgeting requires budget requests to be based on the types of expenditures to be made, such as the number of people to be hired or specific goods or services to be purchased. District administrators should then compile, modify, and submit an overall budget request.” <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>

**Organizational Chart** – “Organizational charts are the presentation of reporting relationships and employee roles in an enterprise. A well-structured organizational structure would help improve productivity, but a poor organizational structure can weak the organization.” <https://www.orgcharting.com/poor-organizational-structure/>

**Program Budgeting** — “Program budgeting requires combining planning objectives with the budgeting process. Budgets are prepared at the program level and then merged to build a budget at the department or school level. These budgets are then combined to establish a district budget.” <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>

**Remote Seller**: “Any person or business selling or shipping products into Arizona but does not have a physical presence. TPT filing is required if in the current year or previous calendar year a remote seller has more than \$200,000 (2019), \$150,000 (2020) or \$100,000 (2021 and beyond) in sales to Arizona customers. Includes sales through any medium (online, catalog, etc.)” <https://azdor.gov>

**Tangible Personal Property**: “The personal property which may be seen, weighed, measured, felt or touched or is in any other manner perceptible to the senses. (A.R.S. § 42-5061(17)).” <https://azdor.gov>

**Transaction Privilege Tax (TPT)** – “This is a tax placed on the vendor for the privilege of doing business in the state. It differs from the sales tax imposed by most states, because unlike a true sales tax, TPT is measured by the value of tangible personal property sold by the vendor in Arizona. Meaning, TPT is levied on income the seller derived by the seller that is legally allowed to pass on the tax burden to the purchaser/consumer.” <https://azdor.gov>

**Use Tax** – “Is a tax on any Tangible Personal Property (TPP) bought from an out-of-state vendor that is stored, used or consumed in Arizona, and no tax was paid to the state of sale. The consumer is liable for use tax if TPP was purchased with no tax paid to the state of sale. If there is no nexus with the state, a vendor may collect use tax for the convenience of the customer.

Since 1955, Arizona residents have been required to self-assess and report use tax liability to the Arizona Department of Revenue. The use tax was instituted to protect Arizona sellers who otherwise would be at a competitive disadvantage when out-of-state sellers make sales of goods to Arizona customers without charging tax. All states that impose sales tax also impose use tax.” [Understanding Use Tax | Arizona Department of Revenue \(azdor.gov\)](https://azdor.gov)

**W-9** – Arizona Department of Administration -General Accounting Office (GAO) “... While the Federal Form W-9 satisfies tax reporting and withholding responsibilities, only the GAO-W-9 both satisfies tax-related responsibilities and collects information necessary to comply with State fiscal reporting requirements. Because of its dual nature, the Form GAO-W-9 should be collected from all vendors to whom the State issues payments. Generally, vendors enter the State’s automated systems by vendor self-entry through the Arizona Procurement Portal (APP). New or modified APP vendor entries are copied to AFIS each night. Adjunct to this process, a TIN-matching procedure is run that checks the legal name and Taxpayer Identification Number provided by the vendor against records maintained by the Internal Revenue Service. If there is a mismatch between the vendor-supplied information and the IRS’ data, the GAO inactivates the vendor.... Vendors, also known as contractors, are those individuals and organizations that provide goods or services (and, if services, not under an arrangement that would categorize the provider as an employee) for an agreed upon price, often as a result of a competitive procurement process.” <https://gao.az.gov/sites/default/files/4541%20Form%20W-9%20190610.pdf>

**Zero-Based Budgeting** — Zero-based budgeting requires the budget process to start from zero each year to build a new budget. The district must evaluate its goals and objectives to justify its programs on the basis of benefits provided versus the cost of providing them. <https://www.azauditor.gov/sites/default/files/USFR21122.pdf>

Internal Audit Draft Report – Responses 4/25/2022

Audit Observations and Recommendations

1. Accounts Payable District Policy
  - A. Will contact Legal to develop an AP Policy.
  
2. Equal Disbursement of Taxes
  - A. There is a written process about taxable and non-taxable items. I will add it to the AP manual.
  - B. AP already distributes the tax/shipping against the appropriate lines. I will update the verbiage in the AP manual.
  - C. Work with Purchasing to develop internal controls.
  
3. Lack of Communication
  - A. AP works closely with Purchasing when we have an invoice discrepancy against the Purchase Order.
  - B. Update staff on PD days the impact of their actions.
  
4. Maintenance of Substantiating Records
  - A. Mileage records are attached to the physical file copy. Mileage is a reimbursement not a purchase, this is why no requisition is put in the system. To upload all of the mileage forms into Visions is very time consuming and we don't have enough space on the server, which is why a physical copy is kept.
  - B. AP is always looking to minimize manual processing. The system has limitations. We will continue to work on this.
  - C. AP does have a checks and balance system in place that is followed when verifying invoices against file copies to ensure proper payee name /payment amount/address etc. is correct. I will update the AP manual with this process.
  
5. Verification of Transactions Existence and Completeness
  - A. AP currently does a manual three-way match as the system does not do this. We make sure the invoices match the Purchase Order and that the Receiving was done by the site. Any discrepancies with the Purchase Order we contact Purchasing to advise. If it's a receiving issue, we contact the site/school to complete the process.
  - B. AP does pay invoices at the appropriate tax rate based on the vendor. When the invoice comes in at 8.7% tax which is lower than the PO, we process the invoice. Going forward will



document the reason in the Control Panel. If the tax/freight is higher on the invoice, it will be up to Purchasing to document the reasoning.

6. Lack of Data Integrity
  - A. Control panel will be noted if invoice tax/freight paid at a lower percent then the Purchase Order. Again, if the tax/freight on the invoice is higher than the Purchase Order, this will be up to Purchasing put in the notes.
  - B. Will work with Purchasing to update vendor files to be at the appropriate tax rate per vendor. Once all the vendors rates are set up at the Vendor level, there will be no differences on the Control panel screen.
  - C. 10% sales tax default is in the settings – this will be eliminated once B above is completed.
  
7. Update Accounts Payable Manual
  - A. AP Manual is updated daily to reflect changes when internal policies are streamlined.
  - B. AP Manual stays in compliance.
  - C. Completed. I just had TS update the TOC and I will manually update page numbers as I'm adding/removing/updating processes.
  
8. Unverified Transactions
  - A. The only thing that AP can "Void" in the system are checks. Voided checks are documented on a void report, this void report gets attached to the physical file copy. Notes are added during this process in the system, for ex. "Check cut to wrong vendor" - The system doesn't allow you to go view the notes. Therefore, we have a printout of the void report. The only transactions that are "closed" in the system would be Purchase orders. AP closes Purchase Orders when we are paying a final invoice. If there are no transactions against a Purchase Order, and the PO gets "closed" that would be up to Purchasing to document the reason for the closure.
  
9. Update User Role information
  - A. User Roles are updated with TS. We did have a new employee not listed in the User Role Listing but that's only because we were going through the hiring process while going through the audit. The employee was only on her second day on the job when I was going through my initial audit entrance interview.