



The University of Texas Medical Branch
Audit Services

Audit Report

Accounts Payable Processing

Engagement Number 2022-003

August 2023

The University of Texas Medical Branch
Audit Services
301 University Boulevard, Suite 4.100
Galveston, Texas 77555-0150

Accounts Payable Processing Audit

Engagement Number: 2022-003

Background

The Accounts Payable Processing Audit was completed by Audit Services as part of the Fiscal Year 2022 (FY22) audit plan to evaluate the effectiveness of internal controls over vendor payments and follow-up on recommendations accepted by UTMB as provided by SpendMend, a third-party vendor.

As an expansion of internal control, UTMB Health has maintained a contract with SpendMend since 2016 and is currently in the process of renewing and extending their contract through September 30, 2024. The contract is on a contingent basis. SpendMend receives thirty percent commission on recoveries not already initiated by Accounts Payable. During the period January 2016 through June 2023, SpendMend recovered a total of \$5.7M in overpayments for UTMB Health at a total contract cost of \$1.1M. For context, accounts payable processed in excess of \$9.7B during this span, resulting in an accuracy rate of 99.99%

During FY20, the Accounts Payable department initiated a partnership with SpendMend to conduct an in-depth analysis of the payment history data for The University of Texas Medical Branch (UTMB Health). This review encompassed the entire procure to pay process for two fiscal years and expenditures totaling approximately \$2B.

Following the conclusion of their assessment, SpendMend provided recommendations for enhancing the accounts payable process in the Audit Analysis and Management Report. The analysis identified and recovered a total of \$1.3M from UTMB Health vendors, representing a transaction processing accuracy rate of 99.97% by the Accounts Payable Department.

The chart below outlines the SpendMend recommendations UTMB Health accepted and elected to implement, and their current implementation status:

Ref No.	Description	Recommendation	Implementation Status
1	Duplicate Payments	Develop internal departmental duplicate payment reports and assign follow-up responsibilities to dedicated personnel.	In Progress
2	Duplicate Payments	Develop formal procedures to document guidelines for invoice keying, and periodic training.	Complete
3	Duplicate Payments	Reduce unintentional input errors and keying mistakes, develop formal keying documentation procedures, metrics, and training.	Complete

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Ref No.	Description	Recommendation	Implementation Status
4	Payment Methods/Checks	Continue to move vendors to the Single Use Account payment method to avoid lead time needed to timely pay invoices.	Complete
5	Payment Methods Voided Checks	Consider utilizing PeopleSoft's delivered bank reconciliation process	Complete
6	Payment Methods Monthly Reconciliation	Perform monthly reconciliations on Single Use Account/Chase Bank account to reduce the likelihood of duplicate payments related to voided Electronic Funds Transfer transactions.	Complete
7	Vendor Master File Terms	Develop policies and procedure to ensure vendor payment terms are included in the Vendor Master File.	Complete
8	Vendor Master Review	Implement a process whereby inactive vendors are reviewed every 18 months to determine if they can be inactivated, purged, or consolidate as appropriate.	Complete

Objective, Scope, and Methodology

Objective

The primary objective of this engagement was to evaluate the effectiveness of internal controls over accounts payable transactions and follow-up on the SpendMend recommendations UTMB Health elected to implement from the FY20 assessment. Emphasis was placed on the recommendations related to the opportunities identifying duplicate payments and maintenance of the Vendor Master File due to the significant impact they have on the financial statements.

Scope of Work and Methodology

The scope of the audit included a review of 521 thousand accounts payable transactions paid during the 12 months ended June 30, 2023, totaling approximately \$1.1B.

Specific methodologies included:

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- Interviewing key staff from the Accounts Payable, Finance and Supply Chain Departments.
- Analyzing selected payment and vouchers transactions during the 12 months ended June 30, 2023.
- Performing data analytics and developed continuous monitoring routines on accounts payable transactions to identify anomalies and exceptions.
- Examining supporting documentation to evaluate the status of the SpendMend recommendations.

Executive Summary

Overall, the internal controls over processing vendor payments are effective and ensure payments are accurate and timely. The Accounts Payable Department has proactively partnered with SpendMend on a contingency basis to enhance internal controls. The follow-up review of SpendMend recommendations accepted by UTMB confirmed seven of the eight recommendations had been fully implemented or addressed. The recommendations related to duplicate payments were in progress and the voided check recommendation will be implemented by December 2023 in conjunction with the implementation of a vendor setup validation software (Payment Works).

Detailed Results

Duplicate Payment Process

Although the Accounts Payable Department has implemented additional procedures and training to prevent and detect duplicate payments, SpendMend continues to identify duplicate payments each year. When addressing root causes, UTMB would benefit by documenting actions taken to address identified issues. This could include communication to appropriate parties, modification to policies or procedures, targeted training, PeopleSoft system enhancements, etc.

Recommendation 001 – Duplicate Payment Process:

Accounts Payable should continue efforts that are in progress to implement the SpendMend recommendations related to duplicate payments and document actions taken to address any instances identified.

Management's Response:

We are proud of the payment accuracy achieved and validated by our independent third-party partner and UTMB Audit Services. We will continue our efforts to provide high performing Accounts Payable services. We continue to address instances of duplicate payments and will work to prevent regardless of cause.

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Responsible Party: Mohammed Mohiuddin, Director of Disbursements

Implementation Date: January 15, 2024.

Conclusion

We would like to thank the Accounts Payable staff and management who assisted us during our review.

This audit was conducted in conformance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

Handwritten signature of Desolyn Foy in blue ink.

Desolyn Foy, CPA, CIA, MHA, ACDA
Vice President and Chief Audit Executive

Handwritten signature of W. Nathaniel Gruesen in blue ink.

W. Nathaniel Gruesen, MBA, CIA, CISA, CFE
Director, Audit Services