City Auditor's Report to
Audit Committee
2016 October 20

ISC: UNRESTRICTED
AC2016-0747
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VENDOR MASTER FILE AUDIT (DATA ANALYTICS)

EXECUTIVE SUMMARY

The City Auditor's Office issued the Vendor Master File (Data Analytics) Audit Report to Administration on October 3, 2016. The report includes Administration's response to seven recommendations raised by the City Auditor's Office to strengthen current processes and implement additional controls to mitigate risk. Recommendations were made to improve the integrity of the Vendor Master File (VMF) by formalizing the governance and communication of VMF management processes, define and consistently use persistence, inactivate old vendors and monitor for duplicates. Administration accepted all recommendations and has committed to the implementation of action plans by March 31, 2018. The City Auditor's Office will track the implementation of these commitments as part of our ongoing follow-up process.

> ### RECOMMENDATIONS
> 1. That Audit Committee receive this report for information; and
> 2. That Audit Committee recommend that Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2016 Annual Audit Plan was approved on December 10, 2015. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2016 Annual Audit Plan. The objective of this audit was to assess the effectiveness of controls to manage the integrity of the Vendor Master File (VMF) and focused specifically on data setup and monitoring processes. Our review included an assessment of whether access to the VMF was restricted, duties were adequately segregated, and changes to vendor information was being monitored and approved.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The audit, which utilized data analytics to examine all vendor data, highlighted to Administration that the number of vendors in the VMF have increased substantially (32%) from 2010 to 2016. Anomalies in the VMF were identified and investigated and root cause analysis was performed. Although the risk of duplicate or other erroneous payments increases in proportion to the size of the VMF, audit testing of the anomalies did not identify these types of errors. Root cause analysis and control effectiveness testing provided insight for Administration to substantially reduce the size of the VMF through a series of low cost control improvements: formalizing the governance of VMF management, expanding the utilization of automated vendor inactivation scripts, implementing existing name change functionality not currently in use, and actively monitoring for duplicate vendors.

Stakeholder Engagement, Research and Communication

This audit was conducted with Finance acting as the principal audit contact within Administration. Additional support and cooperation was provided by The City Clerk's Office, Law, Supply and Information Technology.

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Strategic Alignment
Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)
N/A

Financial Capacity
Current and Future Operating Budget:
N/A

Current and Future Capital Budget:
N/A

Risk Assessment
The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure.

The data stored in the VMF is used to process payments to City of Calgary vendors (approx. $2.8 Billion in 2015). The VMF has grown in size in the last six years which increases the risk of duplicate or other erroneous types of payment. An overburdened VMF poses additional risks as it increases the difficulty of collecting and analyzing spend data for contract negotiations. In addition a smaller VMF can reduce payables and procurement processing time as vendor selection is faster and more accurate.

REASONS FOR RECOMMENDATIONS:
Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

ATTACHMENT
AC2016-0747 Vendor Master File (Data Analytics) Audit