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Audit of New Finance Voucher Processing

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AUDIT OF NEW FINANCE VOUCHER PROCESSING

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DELAWARE RIVER PORT AUTHORITY

OFFICE OF THE INSPECTOR GENERAL

AUDIT OF NEW FINANCE VOUCHER PROCESSING

A. Objective / Scope / Methodology

The Office of the Inspector General (OIG) conducted an audit of the Delaware River Port Authority's new Finance Voucher processing. The audit was conducted by Mark Zitzler, Auditor. An Authority initiative to discontinue the use of the old "i-forms" and replace them with new Adobe (DC) based electronic forms has been in progress, and as a result of this initiative new DRPA and PATCO Finance Vouchers were created and implemented in April 2020 to minimize the distribution of hard-copy documents and to make the process more efficient for users, approvers, and the Accounts Payable staff. The Authority's Finance Voucher is predominantly used for the purpose of processing memberships for Chiefs / Directors, invoices that exceed the amount on a Purchase Order, health care benefits payments, settlements, etc. The audit objectives included:

- evaluating compliance with the prescribed usage of the Finance Voucher;
- assuring appropriate supporting documentation is provided and retained;
- assuring the appropriate level(s) of approval is documented;
- evaluating the inherent electronic form-based controls to assure protection of the content and approvals within the new Finance Voucher; and,
- determining that the new Finance Vouchers are processed and paid in a timely manner.

The scope of the audit covered related transactions occurring during the time period since the new Finance Voucher has been implemented (April 2020) to September 15th, 2020.

To assist in the evaluation of the new Finance Voucher processing audit, OIG was provided access to requested information and documentation, including:

- the new Adobe (DC) based electronic Finance Voucher form including procedures on when to use the form and how to use it, which was circulated by the Chief Financial Officer (CFO) in April 2020;
- Accounts Payable reports which included transactional information related to Finance Vouchers (within SAP); and,
- "read only" access to supporting documentation for the Accounts Payable Finance Voucher transactions (within SAP).

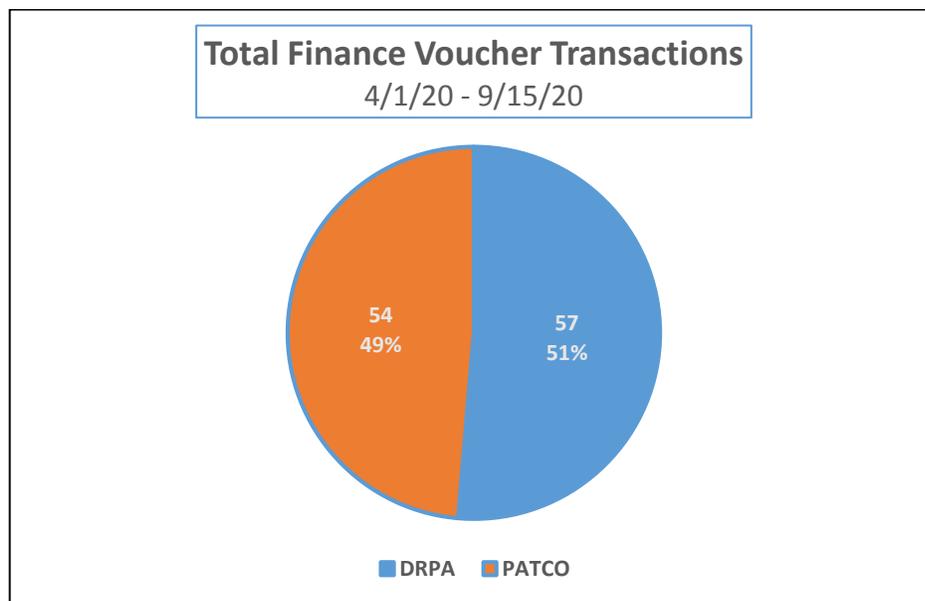
In addition to being provided the documentation noted, OIG communicated with the CFO, Director of Finance for DRPA, Director of Finance for PATCO and the Finance Staff during the course of the audit.

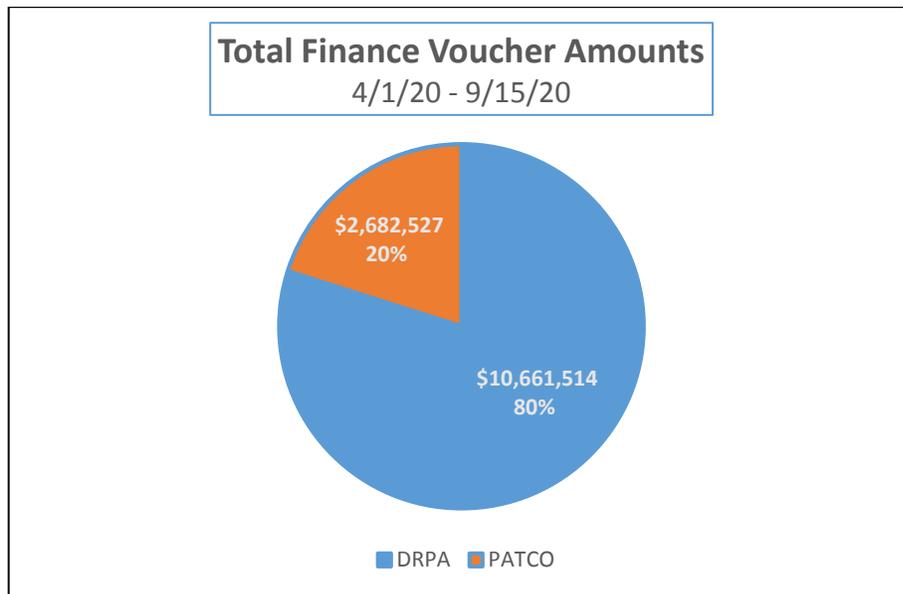
B. Background

Since employees have started working virtually due to the pandemic, the hard copy, manual Finance Voucher was redesigned to help reduce paper flow and to allow for electronic signatures. Generally, when submitting a non-PO (Purchase Order) invoice, an invoice cover sheet form is used. According to the New Finance Voucher Procedures (created and circulated by the CFO, April 2020), the Finance Vouchers should be used only for the following purposes:

- subscriptions and memberships for Chiefs and Directors (until a new procedure is finalized);
- legal settlements;
- PATCO Impact Community Subsidy payments and redevelopment fee (Note, these payments are now being made via Invoice Cover sheets);
- benefit payments; and,
- Purchase Order (PO) related invoices that exceed the authorized dollar limit of the PO. In this circumstance, the related PO should be closed out (if not already) and no further orders should be made against that PO.

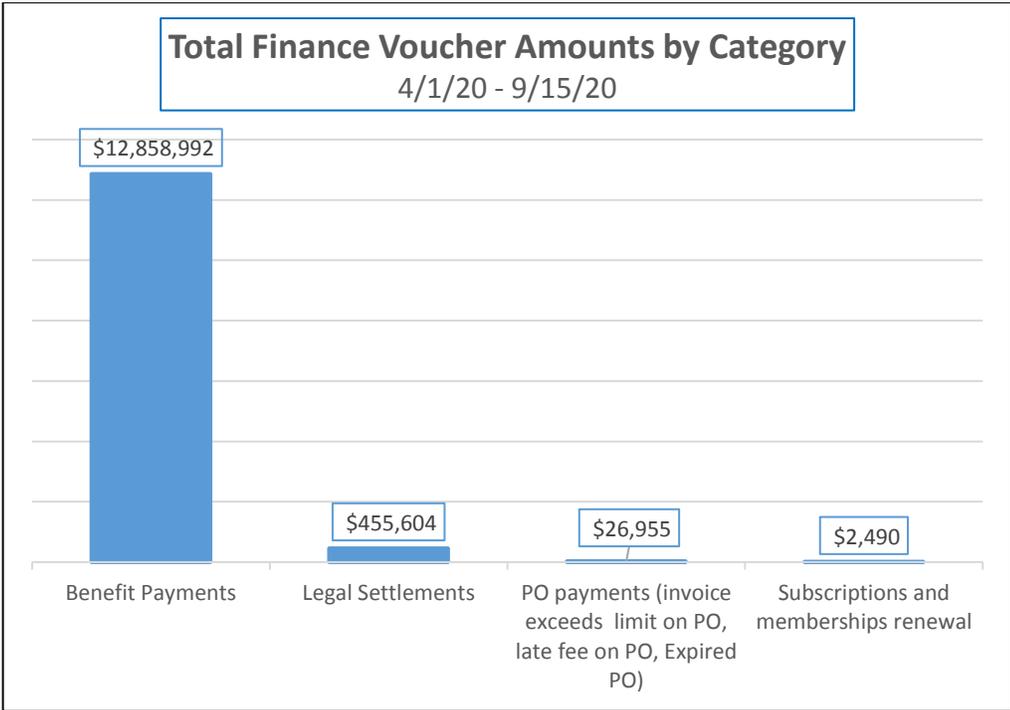
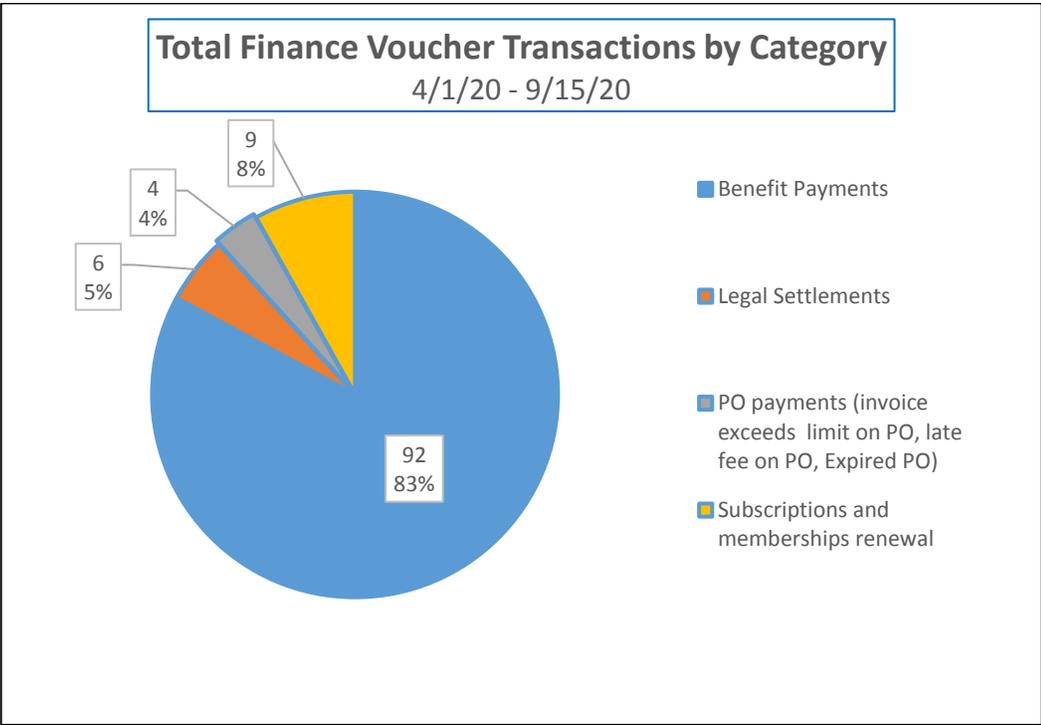
To obtain the Finance Vouchers for testing, OIG ran an Accounts Payable report for all Non-PO transactions posted from April 1st, 2020 to September 15th, 2020. OIG reviewed the supporting documentation for all vendors that were paid with Non-PO payments to determine which payments were made through Finance Vouchers. There was a total of 111 transactions processed during that time period which were valued at \$13,344,041. The total amounts for DRPA and PATCO Finance Vouchers from April 1st, 2020 to September 15th, 2020 are listed below:





The total number of transactions were split relatively even between DRPA and PATCO with 57 transactions associated with DRPA and 54 for PATCO. The total dollar amounts for DRPA was \$10,661,514, which is \$7,978,987 (approximately 75%) higher than the PATCO amount of \$2,682,527. This difference is primarily due to processing quarterly State Employee Retirement System (SERS) payments; two quarterly payments for DRPA totaled \$7,542,028, while two quarterly payments for PATCO totaled \$1,143,229.

The chart below reflects the different categories in which a payment was made using Finance Vouchers and associated activity.



As reflected within the charts above, the majority of the Finance Voucher payments are for Benefit related payments. 92 (83%) of the total 111 transactions reviewed and \$12,858,992 (96%) of the total dollar amount transacted and reviewed, \$13,344,041. Other categories include payments for

legal settlements, payments for Purchase Order contracts that do not have an active Purchase Order to match the Invoice, and subscription / membership renewals.

C. Audit Summary

Based on conversations with Authority management and testing performed, OIG determined that the new Finance Voucher process is functioning properly and in compliance with the established procedures. In summary, based on the completion of our audit, the following was determined and communicated to the CFO, Director of Finance (DRPA), and the Director of Finance (PATCO):

- A documented procedure does exist for the new Financial Voucher Process; however, it has not been promoted to the Authority’s intranet policy repository allowing for ease of access and reference by Authority management and staff.
- Finance Vouchers were paid with proper authorization as required by the documented procedure (98.2% or 109 transactions of 111 tested); full documented approval was secured after the fact in a few cases (in all instances either the CFO or Finance Directors had reviewed and approved the transactions).
- Accurate supporting documentation was obtained for all 111 Finance Voucher transactions.
- Finance Vouchers are processed and paid in a timely manner.
- The Finance Voucher procedure states that Finance Vouchers should be used for Director level or above employees; however, three (1.8%) of the 111 Finance Vouchers were for membership renewals for employees that were not at the Director level or above.
- Finance management, under the direction of the CFO, should review the purpose of all finance vouchers to determine if there are alternate means to process these transactions (i.e. SAP, Procurement Card). Can contracts / purchase orders be established for larger valued, recurring payments so that they can be processed and monitored using established processing and approval workflows within our SAP ERP system; for lowered valued non-recurring transactions, determine if transaction can be processed using the existing Authority’s Procurement Card (PCard) program.
- Controls associated with the new Adobe based electronic Finance Voucher form appear adequate for its intended purpose.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

These summarized findings and associated recommendations are presented in more detail within the report.

D. Finance Voucher Detail Testing (Approval, Timeliness, Supporting Documentation and Usage)

OIG reviewed all 111 Finance Voucher transactions from April 1st, 2020 to September 15th, 2020. OIG used the procedures along with the new Adobe (DC) - based electronic Finance Voucher form that were circulated by the CFO in April 2020 as a guideline to test the following:

- assure proper approvals were documented;
- assure proper supporting documentation was provided within each transaction;
- determine compliance with prescribed usage; and,
- assure transactions were processed and paid in a timely manner.

Audit Finding #1: Although there are procedures that were associated with the release of the new Finance Voucher process distributed via email by the CFO, OIG noted that a formal documented standard operating procedure (SOP) was not promoted to the Authority’s intranet policy repository allowing for ease of access and reference by Authority management and staff.

Audit Recommendation #1: OIG recommends that a formal documented (SOP) should be created, communicated and saved to the Authority’s intranet policy webpage repository for the new Finance Voucher process allowing for easy access and reference for Authority management and staff.

Management Response #1: The CFO concurs with the finding and recommendation. Finance Vouchers, as cited in the report, are rarely used, except for memberships and healthcare/benefit payments. While there has been some minimal confusion about the new process and the use of the form, the original guidance provided to DRPA/PATCO personnel has been helpful to staff in moving from a manual initiation process to an electronic process. Finance is pleased that the new process has addressed the challenges created by the pandemic, with only very minor hiccups, and agrees that additional and new minor changes to the guidelines need to be more formally, communicated, to Directors and Chiefs.

Finance management will draft and distribute an updated communication / procedure to Authority staff classifying when a Finance Voucher should be used by February 28th, 2021. Additionally, Finance management will update the formal procedure and have it available for Authority reference on the DRPA intranet (E.NET) by March 31st, 2021.

(Note: While posting of the instructions may be helpful, we are considering attaching basic instruction in the form similar to how such instructions are imbedded in the Invoice Cover Sheet. DRPA/PATCO personnel are probably more likely to review instructions or those conveyed in an electronic email.)

Review of Required Approval Process

OIG reviewed the approval process to ensure each Finance Voucher was properly approved as per the procedures with the new Adobe (DC) based electronic Finance Voucher form circulated by the CFO in April 2020. Once the originator prepares and signs the document the approval process is as follows:

1. Director/Chief approval;
2. Budget approval;
3. CFO approval; and,
4. CEO approval (for Finance Vouchers over \$500, unless a membership is involved)

Of the 111 Finance Vouchers reviewed, 98 transactions (83%) were fully and properly approved prior to payment processing; 19 (17%) were paid before the required approvals were obtained. In all but two transactions, full approval and acknowledgement was ultimately secured. Below is a table

showing the months that each of the noted 19 Finance Vouchers were paid in advance of securing all proper approvals.

New Finance Vouchers which were Paid during 2020 Prior to Securing Full Approval (by Month)							
	April 2020	May 2020	June 2020	July 2020	August 2020	September 2020	Total
DRPA	2	3	0	1	0	0	6
PATCO	2	3	4	3	0	1	13
Total	4	6	4	4	0	1	19

The table shows that the majority of the unapproved transactions were made in the first couple of months, during the initial implementation of the new form and process. The process has improved with only one transaction that was paid without full required approvals in the last month and a half tested (August 1st thru September 15th).

The CFO communicated that there was a learning curve in the first months after implementation. This was in part due to the fact that the process changed mid-stream from email approvals to approvals via electronic signature, and the challenges of remote circulation of the vouchers once a newly designed Finance Voucher, with attachment capabilities, was designed and distributed.

Most of the payments processed by Finance Vouchers are large value benefit payments and will cause a lapse in coverage if they are paid late. In addition, most of these payments are standard, recurring monthly payments which have been previously authorized by the Authority's Board of Commissioners. The key authorizing signatures for Finance Vouchers, are the Divisional Chief, the CFO and the CEO. While the Budget or Finance Director signatures are valuable, it is not always necessary for the benefits payments. This explains why certain payments may not have those signatures prior to payment as they should be approved, at a minimum by either the CFO or CEO in order to process the check to make sure the payments are received on time by the vendor.

With the exception of two PATCO Finance Vouchers, valued under \$500 each, all required approvals were obtained (some were obtained after payment was made). The two transactions missing CFO approvals were due to some confusion as to whether the Finance Vouchers needed CFO approval on the PATCO side if they are under \$500 in value. After communicating with the CFO and obtaining proper supporting documentation, it was determined that the CFO should be approving all Finance Vouchers, including the transactions under \$500 in value.

Audit Finding #2: Two of the 111 (1.8%) Finance Vouchers (under \$500) did not have the appropriate and required approval at the CFO level.

Audit Recommendation #2: OIG recommends that all Finance Vouchers should be approved by the CFO as per the current procedures. Additionally, the SOP / Finance Voucher form should be updated to clearly state which approvals are required for Finance Vouchers under \$500 and the SOP should be formally documented and communicated as part of Recommendation #1.

Management Response #2: The CFO concurs with the finding and recommendation. During the course of the audit, the CFO communicated to the Finance staff that Finance Vouchers under \$500 require the CFO's approval. Finance management has worked with Information Services

to update the Finance Voucher Adobe (DC)-based electronic form by repositioning the location of the existing language on the approval process for Finance Vouchers under \$500. This change in formatting has been completed and will be posted to the Intranet by March 31st, 2021. This change will make the process clearer to Finance personnel approving or processing the payment.

Review for Appropriate and Required Supporting Documentation

OIG reviewed the documentation attached within SAP that supports each Finance Voucher transaction to assure that it was complete and appropriate. Supporting documentation for all 111 Finance Vouchers were obtained and considered complete and appropriate.

Review for Timely Processing

OIG reviewed the New Finance Voucher payments to determine if the Finance Vouchers are processed and paid in a timely manner. OIG concluded that Finance Vouchers are processed and paid in a timely manner. All 111 finance vouchers were processed to payment within 30 days from when the originator signed the Finance Voucher or the document date.

Review of Compliance with Prescribed Usage

OIG evaluated compliance with the prescribed usage of all 111 Finance Vouchers reviewed. The categories of the Finance Vouchers are listed in the previously supplied chart in this report's Background section (see Page 3 - 4).

Audit Finding #3: Three (1.8%) of the 111 Finance Vouchers were for membership renewals for employees that were not at the Director level or above.

Audit Recommendation #3: According to the Finance Voucher procedure, membership renewals should be paid through Finance Voucher only for Director level or above. Also consider the use of the existing Procurement Card program to process these infrequent and lower valued transactions.

Management Response #3: The CFO concurs with the finding and recommendation. Finance management will revisit the process for membership renewals as part of the development of formal procedures (see Recommendation 1). In addition, there will be an overall evaluation of identifying alternative established methods of processing Finance Voucher transactions (see Recommendation 4).

The CFO shared that the use of the Finance Voucher process gives Finance an opportunity to review submissions and make the necessary accounting changes to the vouchers, especially for health care / benefits payments. The CFO communicated that the need for processing healthcare / benefit payments through the Finance Voucher process may be revisited since there is already previously provided Board approval for the payments through the associated Summary Statement & Resolutions approved by the Board of Commissioners.

Audit Recommendation #4: OIG recommends the CFO and his Finance management team review the current and historical usage of Finance Vouchers to determine if there are alternate established means to process the associated transactions (i.e. SAP, Procurement Card). Can contracts / purchase orders be established for larger valued, recurring payments so that they can be processed and monitored using established processing and approval workflows within

our SAP ERP system; for lowered valued non-recurring transactions, determine if transactions can be processed using the existing Authority's Procurement Card (PCard) program.

Management Response #4: The CFO concurs with the finding and recommendation. Some of the Finance Voucher transactions / payments have already been discussed for use of alternative processing methods. It was determined through discussion that benefit payments, which are associated with the majority of the Finance Voucher payments, cannot be paid using the purchase order process. Finance management will continue to evaluate the Finance Voucher process and investigate alternate means to process the related transactions. In addition, Finance personnel will continue to provide guidance to those submitting transactions using the Finance Voucher process.

E. Evaluation of New Electronic Finance Voucher Form Controls

OIG reviewed the new electronic Finance Vouchers as part of a preliminary assessment before they were implemented. OIG reviewed the controls to assure protection of the content and approvals within the new Finance Voucher.

Key features and controls of the new form observed include:

- The new form allows the information in various sections to be locked at various stages:
 - Payee and address information will be locked after the Chief signs electronically. No further changes can be made to this section after the Chief signs. The middle section of the form, description, dollar amount, and account is locked after the CFO signs electronically.
- Finance voucher allows for the attachment of required supporting documentation.
- Once the Director signs the form, the Originator signature is locked.
- Password requirements associated with creation and accessing of a processor's e-signature require the use a minimum of 6 characters.

[REDACTED]