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# Final Audit Report

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Quick Pay Process

For the Period

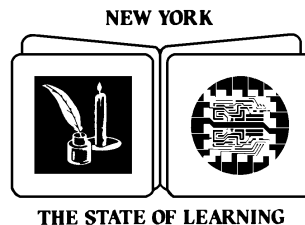
April 1, 1997 Through March 31, 1998

AI-0998-1

October 8, 1998

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The University of the State of New York  
**THE STATE EDUCATION DEPARTMENT**  
Office of Audit Services  
Albany, New York 12234



THE UNIVERSITY OF THE STATE OF NEW YORK  
**THE STATE EDUCATION DEPARTMENT**

**To:** Donald Juron  
**From:** Daniel Tworek  
**Subject:** Audit Report of Internal Audit - Quick Pay Process

**Date:** January 5, 2006

We have completed our audit of the Quick Pay Process. The preliminary audit findings were provided to you on October 1, 1998 and an exit conference was held on October 5, 1998. The attached draft report includes modifications based on your review and comments.

At this juncture in the reporting process, a written response to the audit is requested. The response you provide will be included in the final report as an appendix if it is received by October 7, 1998. The response may address any aspect of the report, as well as any comments you wish to make on the conduct of the audit.

Please address each recommendation that affects your office, indicating whether you agree or disagree. If you agree with a recommendation, please indicate what your specific plans are for implementation. If you disagree, please indicate the reasons. If you have any questions, please contact James Conway or me at 473-4516.

Attachment

cc: T. Sheldon  
R. Cate  
J. Conway  
B. Hahn

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# Introduction

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## Background

The Quick Pay Voucher (QP) process allows an agency to process invoices electronically which do not exceed a limit stated by the Office of the State Comptroller (OSC). The limits used during the audit period April 1, 1997 through March 31, 1998 were \$2,500 for vendor payments and \$500 for employee travel reimbursement. The QP process is designed to increase efficiency in processing invoices that do not exceed the limits, while maintaining an effective OSC pre-audit of these payments. Streamlining the process for high volume, low dollar payments benefits both State agencies and OSC.

In the New York State Education Department (Department), the Fiscal Management Unit is responsible for processing QP vouchers. The Fiscal Management Unit uses a two-step process to enter data into OSC's Central Accounting System (CAS). The first step is the QP Voucher Entry/Correct process, which is online entry of voucher information about the goods and services being paid. The second step is online certification of the QP voucher batches by finance officers/designates. With the CAS, OSC can pre-audit the "electronic voucher" and issue a check as early as the next day without requiring batches of paper vouchers and invoices.

OSC has allowed the Department to increase its respective QP limits to \$2,500 for vendor payments and \$500 for employee travel reimbursement, subject to the following conditions:

- an audit of the QP process must be completed annually and the final report issued must be provided to OSC;
- OSC retains the right to continue normal pre-audit and post-audit responsibilities; and
- OSC retains the right to reduce or terminate the QP authority to the Department should OSC become aware of any operating deficiencies or other circumstances that, in the opinion of OSC, warrant such action.

## Objectives, Scope, and Methodology

Pursuant to OSC's Procurement and Disbursement Guidelines, Bulletin No. G-158, the audit included a review of the internal controls, security and procurement practices for QP transactions. We audited selected management practices, records, and

documentation supporting QP payments. This was an internal control audit and our objectives were to:

- evaluate the adequacy and effectiveness of the Department's system of internal control for the QP process;
- determine if procedures are in effect to insure that all source documents are properly secured, controlled, and can be accounted for;
- obtain an understanding of the procedures to prevent the unauthorized use or the misuse of the terminals in the data entry and certification activities;
- determine that expenses are properly reported to OSC on the CAS in accordance with applicable guidelines and regulations; and
- determine if costs are adequately supported.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed the Department management and staff; examined records and supporting documentation; and sampled transactions on a statistical basis. We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance that the internal controls, security and procurement practices for the QP transactions are accurate.

An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying such other audit procedures as we considered necessary in the circumstances. An audit also includes assessing the estimates, judgements and decisions made by management. We believe that the audit provides a reasonable basis for our findings, conclusions and recommendations.

## **Comments of the Fiscal Management Officials**

Fiscal Management officials agree with the findings and recommendation. Their comments were considered in the preparation of this report. A copy of Fiscal Management's response is included as an appendix to this report.

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# Report on Internal Controls and Compliance with Laws, Regulations, and Policies

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Fiscal Management's senior administrators are responsible for ensuring compliance with laws, regulations and policies. In addition, the senior administrators are responsible for establishing and maintaining systems of internal controls. The objectives of these systems are to provide administrators with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded to permit the preparation of financial reports in accordance with generally accepted accounting principles, applicable laws, regulations and policies.

## **Supporting Documentation Attached**

A sample of QP vouchers processed between July 1, 1997 and September 30, 1997 was selected. During this period 6,104 vendor and 2,590 employee travel vouchers were processed. The sample included 85 vendor and 29 employee travel vouchers. The audit found no material errors in the supporting documentation or calculation of vouchers' totals.

The audit determined that Fiscal Management is in compliance with all material aspects of OSC's Procurement and Disbursement Guidelines Bulletin No. G-158.

## **Data Entry of Quick Pay Performed by a Certifier**

The audit noted that the data entry of QP batches was occasionally performed by a certifier. According to OSC's Bulletin No. A-266, any person who has a certifier ID cannot also perform QP data entry. Of the 6,104 vendor vouchers processed during the period July 1, 1997 through September 30, 1997, 282 vouchers were data entered by certifiers. In addition, 58 of the 2,590 travel vouchers processed during the period were data entered by certifiers.

The audit reviewed 15 of the vouchers that were data entered by certifiers during the audit period and found that five of the vouchers were certified by the individual who had data entered them. According to OSC's Financial Management Guide's, Internal Control Standards, management should ensure that "Key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals."

## **Recommendation**

1. Ensure certifiers do not data enter QP voucher batches.

## **Comments of Fiscal Management Officials**

Fiscal Management officials agree with the recommendation and have instituted interim controls to ensure an appropriate separation of duties. The Department's new financial reporting system will include security safeguards that will prohibit a certifier from performing data entry.

Quick Pay Process  
Contributors to the Report

- James Conway, Audit Manager
- Bonnie Lee Hahn, Senior Auditor