Internal Audit Report: Assurance Review of Global Accounts Payable

1. Executive Summary

Objectives: The primary objective of this audit was to evaluate the design and operating effectiveness of internal controls within the Accounts Payable (AP) department, specifically focusing on vendor master file maintenance, invoice processing, and payment disbursements.

Background: The Global Accounts Payable team processes approximately $150M in monthly disbursements across 12 regions. Recent system migrations have introduced new automated workflows that require validation to ensure financial integrity and compliance with Sarbanes-Oxley (SOX) requirements.

Scope: The audit covered transactions and processes from January 1, 2023, to June 30, 2023. Specific focus areas included the segregation of duties (SoD) within the ERP system, the vendor onboarding process, and the accuracy of duplicate payment detection controls.

2. Details

Observation	Risk	Risk Rating	Recommendation	Status
Lack of Segregation of Duties (SoD): Three senior analysts possess both the ability to create new vendors and process payments.	High risk of unauthorized disbursements and fraudulent activities.	**INADEQUATE**	Revoke payment processing rights from users responsible for vendor master file maintenance immediately.	Open
Stale Vendor Data: Approximately 15% of the vendor master file consists of inactive vendors (no activity > 24 months), increasing the risk of data phishing.	Moderate risk of administrative errors and potential fraud targets.	**FOR IMPROVEMENT**	Implement an automated quarterly purge or deactivation process for vendors with no activity over 18 months.	In-Progress
Duplicate Invoice Detection: Automated system alerts for duplicate invoices were found to be bypassed manually by junior staff without secondary approval.	High risk of financial loss due to double payments.	**INADEQUATE**	Update the ERP configuration to require a supervisor's digital signature for any duplicate invoice override.	Open

3. Recommendations

1. **System Access Review:** Conduct a comprehensive User Access Review (UAR) for all Finance team members to ensure the "Principle of Least Privilege" is enforced.
2. **Training:** Provide mandatory fraud awareness and system security training for all Accounts Payable staff.
3. **Policy Update:** Formalize the AP Desktop Procedures to include the new override requirements for system-flagged duplicates.

4. Management Action Plan

- **Action 1:** The IT Security team will remove conflicting permissions for the identified senior analysts by October 15th.
- **Action 2:** The AP Manager will initiate a cleanup of the Vendor Master File by end of Q4.
- **Action 3:** A new approval workflow for duplicate overrides will be developed and tested by the ERP support team by November 1st.