

Purchase Order Change Acceptable but Backend Programming Changes are an Internal Control Weakness

Office of the Inspector General



Investigation Results

It was acceptable for Accounts Payable to request a change to the vendor on an approved purchase order after a Procurement Buyer inadvertently selected the incorrect vendor identification for the purchase order. The payment itself was proper. However, this led to the data on the purchase order no longer agreeing between BART's inventory management system, Maximo, and its financial system, PeopleSoft. Therefore, an employee was asked to make what the employee referred to as a "backend programming change." Such changes are an internal control weakness that circumvent established protocols and weaken safeguards that protect against fraud, waste, and abuse. They also make employees asked to make those changes vulnerable to accusations of theft or misconduct. Accounts Payable was not aware that purchase order data did not migrate back to Maximo when they requested a correction, and they had ensured they were making a proper payment when they requested the purchase order correction.


Accounts Payable, Procurement, and the Office of the Chief Information Officer (OCIO) discussed the employee's concerns about making backend programming changes. This helped address the miscommunication that took place regarding the needed correction. Together, they established new protocols that include the OCIO working on programming updates in PeopleSoft that will allow for automated changes in Maximo when a purchase order correction is necessary.

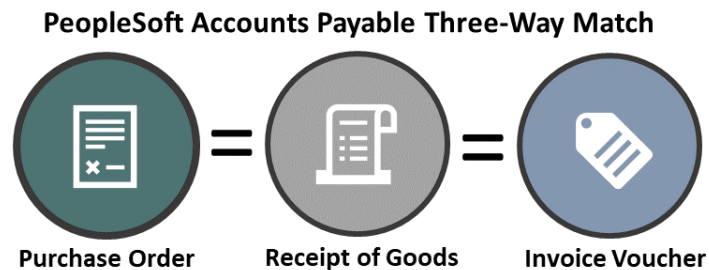
Recommendations


1. Require Buyers to verify remittance information with the selected vendor when creating a purchase order to avoid a need to make corrections.
2. Complete Peoplesoft programming updates so that vendor corrections made on a purchase order are automatically transmitted to Maximo.

Management accepted Recommendation 1 and proposed an alternative to Recommendation 2, which the OIG accepted. See page 4 for details.


Background and Investigation

 BART uses Maximo to track its use, availability, and purchase of inventory (supplies, parts, materials, equipment, and expendable tools). Logistics staff create purchase requisitions in Maximo that identify their inventory needs and transmit the purchase requisition to PeopleSoft. A Procurement Buyer receives the requisition, reviews it, selects a vendor, and creates a purchase order that includes the terms of the purchase, such as quantity, cost, and vendor. PeopleSoft transmits the approved purchase order back to Maximo and the Buyer submits the purchase order to the vendor for the purchase. When the parts are delivered, Logistics staff receive the goods in Maximo, and when the vendor submits the invoice, Accounts Payable staff create a voucher in PeopleSoft to show payment owed to the vendor. To make a payment, PeopleSoft must recognize a three-way match among the purchase order, receipt of goods, and invoice voucher. If the three-way match fails, Accounts Payable cannot pay the vendor. A three-way match is intended to safeguard against incorrect or fake invoices.



 We received a complaint alleging that a request for backend programming changes in Maximo or PeopleSoft is an internal control weakness that could result in BART paying the wrong vendor.

Key Findings

 In December 2020, BART initiated an inventory purchase from the Stadler Corporation. The Procurement Buyer who created the purchase order selected a vendor programmed into PeopleSoft for the Stadler domestic business unit, but the parts came from the Stadler international business unit, which is also programmed into PeopleSoft. While it is the same corporation, the two PeopleSoft records have different vendor identification numbers and are separate accounts. Therefore, when BART received the invoice for payment, Accounts Payable was unable to pay Stadler because the three-way match failed. It is not uncommon for a vendor to have multiple vendor records in PeopleSoft. There are legitimate reasons for this need, including a parent organization having multiple business units with differing remittance addresses. This makes it possible for a Buyer to inadvertently select the wrong vendor record when creating a purchase order.

To make a timely payment to Stadler, which had provided the parts at the specified price, Accounts Payable asked the Buyer to correct the vendor identification on the purchase order in PeopleSoft. All other pertinent data among the purchase order, receipt of goods, and voucher matched. The Buyer made the change in PeopleSoft. However, there is no communication from PeopleSoft back to Maximo



to make that change in the inventory management system. Therefore, an OCIO employee who provides Maximo system support was asked to make the change in the inventory system. Maximo does not allow for vendor corrections on approved purchase orders in the same manner as PeopleSoft. The OCIO employee said they would need to make a “backend programming change” in Maximo to update the vendor identification, which the employee declined to do, citing a concern that doing so was an internal control weakness that could result in paying the wrong vendor. The OCIO employee was not familiar with the PeopleSoft three-way match function and did not know that it ensured that all other pertinent data among the purchase order, receipt of goods, and voucher matched.

The employee who denied the backend programming change was correct in citing an internal control weakness. Making such changes overrides processes meant to protect against fraud and abuse and leaves the employee who made the change vulnerable to accusations of theft or misconduct. Accounts Payable was not aware that corrections to the purchase order in PeopleSoft would not transmit back to Maximo. Bringing the concern to our attention opened dialogue among Accounts Payable, Procurement, and the OCIO and led to them developing procedural improvements. This includes programming updates that will ensure that vendor corrections made on an approved purchase order in PeopleSoft will automatically transmit to Maximo.

The complainant alerted us to two other requests for what the complaint called “backend programming changes in Maximo.” The requests were different than the one we investigated but established that there is a potential practice of requesting changes without understanding the full implications. Given our limited resources, we determined it more efficient to focus this investigation on the issue brought forward with the original complaint and take a deeper dive into Maximo changes as part of our planned inventory audit series.

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BART OFFICE OF THE GENERAL MANAGER RESPONSE TO OIG FINDINGS & RECOMMENDATIONS

Report Title: Purchase Order Change Acceptable but Backend Programming Changes are an Internal Control Weakness

1	Recommendation:	Require Buyers verify remittance information with the selected vendor when creating a purchase order to avoid a need to make corrections.
	Responsible Department:	Procurement Department
	Implementation Date:	October 4 th , 2021
	Corrective Action Plan:	The Buyer will request remittance information from the vendor on our Request for Quotation Form, which will ensure not having the need to make any Supplier ID corrections.
2	Recommendation:	Complete Peoplesoft programming updates so that vendor corrections made on a purchase order are automatically transmitted to Maximo.
	Responsible Department:	Office of the CIO
	Implementation Date:	October 29, 2021
	Corrective Action Plan:	<p>The Maximo system, as designed and delivered by IBM, locks down the Vendor ID when a PO is already dispatched to the vendor. Instead of making programming updates to automatically transmit vendor correction from PeopleSoft to Maximo PO, OCIO will create necessary documentation and get authorization from stakeholders before making any backend changes to the Maximo system.</p> <p>OCIO will follow its change process with internal IT approvals and separation of duties between the Application Support Group and Database Administrators. This process change will create an auditable log which can be referenced in the future to verify any vendors modified in the Maximo system as a result of changes to the Peoplesoft system.</p> <p>OCIO will further work with the Procurement Department to minimize the use of backend process by identifying vendor id changes early on.</p>
		<p>OIG Note: Our recommendation is based on the programming updates proposed by a group of BART employees who proactively worked to address backend changes during our investigation. A group member shared the proposed changes with us during our investigation, which we then built into our report. The group included members of the OCIO and Logistics with managerial authority. The Assistant General Manager (AGM) of Technology and his team looked into the proposed changes further and concluded Maximo did not allow for the proposed changes. The AGM contacted us to discuss the limitations and proposed the alternative solution presented above. We considered the alternative solution acceptable as it addresses our finding. We appreciate both the proactive approach to solving the problem and the alternative solution to improve internal controls.</p>