Office of the City Auditor
City of San Diego

ERP System Implementation Audit

Audit Committee Meeting, March 7, 2011

OCA
Independent · Objective · Accurate

Introduction

This audit was conducted in accordance with the *City Auditor's Annual Risk Assessment and Audit Work Plan for Fiscal Years 2009 through 2011.*

Objectives

We conducted a review of ERP implementation activities to

1.   Determine if the City's key financial activities are being adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system, and;

2.   Determine if the system was adequately tested prior to implementation.

Scope & Methodology

- We conducted our review between December 2008 and June 2010 in accordance with Generally Accepted Government Auditing Standards.

- We focused our scope on the planning, management and execution of the ERP implementation and conducted post-implementation testing to confirm security and on-going support was executed as planned.

Background

- The City began its Enterprise Resource Planning system implementation¡ nF ebruary 2007.

- The City chose SAP to replace and centralize its Financial, Logistic, and Human Resource systems.

- In December 2008, the City replaced the implementation consultant and modified the management team due to difficulties including project schedule and quality of work.

Summary of Findings

SAP Security

- ERP Technical Support users have too much access to the financial system and not enough controls or oversight to ensure SAP is secure from fraud, misappropriation of assets, or system modification.

Payment Controls

- Controls against the creation of vendors and payment of invoices should be strengthened.

Inconsistent Post Implementation Training

- Inconsistent on-going City training for utilizing the ERP system investment.

Finding 1

- **Standardized monitoring over high risk system access of the ERP Support Staff has not been implemented within the production SAP environment to ensure circumvention or misuse of Access will be identified.**

  - Monitoring over highest risk accounts was not standardized or enforced
  - SAP local support accounts did not require strong passwords, for the highest risk accounts
  - Segregation of duties between ERP support roles was not standardized

Finding 2

- **Additional controls should be added to reduce the risk of duplicate payments to vendors**

  - Duplicate vendors existed in the previous system, while reduced during cleansing, duplicates were imported into the new system, which increases the risk of duplicate payments.

  - Comptrollers has implemented strong controls around Purchase Order (PO) payments, however, risk still exists around non-PO payments.

Finding 3

- **Inconsistent Post-Implementation City training for utilizing the ERP system impacts the City's ability to fully utilize its ERP system**.

  - We found inconsistent post-implementation department training programs, primarily due to varying resource constraints.

Recommendations

- We made 6 recommendations to improve:

  - Security over the SAP Support team
  - Controls over Non-PO Invoice payments
  - SAP Training

- The Department agreed to implement all of our recommendations.