



# INTERNAL AUDIT REPORT

GENERAL LEDGER

JANUARY 1, 2013 - JUNE 30, 2014

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## TRANSMITTAL LETTER

Audit Committee  
Port of Seattle  
Seattle, Washington

We have completed an audit of the management controls and transaction processing in the General Ledger. We reviewed information relating to the General Ledger processing from January 1, 2013 - June 30, 2014.

We conducted the audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to management and staff of the Accounting and Financial Reporting Department for their assistance and cooperation during the audit.



Joyce Kirangi, CPA, CGMA  
Internal Audit, Director

AUDIT TEAM	RESPONSIBLE MANAGEMENT TEAM
Ruth Riddle, Senior Auditor, Auditor-in-Charge	Debbi Browning, Assistant Director, AFR
Ben Wolfgram, Senior Auditor	Rudy Caluza, Director, AFR
Jack Hutchinson, Audit Manager	

## EXECUTIVE SUMMARY

### AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether management controls over the General Ledger are adequate to ensure:

1. Access to the general ledger is proper.
2. Journal entries to the general ledger are proper and accurate.
3. All journal entries are accounted for.

We reviewed information for the period January 1, 2013 - June 30, 2014. Details of our audit's scope and methodology are on page 5.

### BACKGROUND

The General Ledger (G/L) module is the central repository in PeopleSoft for all financial data. There are six PeopleSoft applications that interface to the G/L. There are other applications that also interface to the G/L. The Port has used the PeopleSoft package since 1997, and has undergone five upgrades since that time. The latest upgrade went live in September 2013.

### AUDIT RESULT

Management controls over the general ledger are adequate to ensure access is proper, entries are proper and accurate, and all journal entries are accounted for.

## BACKGROUND

The General Ledger (G/L) is the core of the PeopleSoft Financial Management System. The PeopleSoft subsystem applications, such as payables and receivables, create accounting entries that are processed in the journal generator. The journal generator creates the appropriate journals from the accounting entries and sends them to the General Ledger for posting. From the G/L, the Port produces monthly detailed and summary accounting information and annual financial reports. The Port has used the PeopleSoft Financial Management System since 1997. The latest upgrade (Version 9.1) was implemented in September 2013. AFR is currently deploying system updates/bundles to all six PeopleSoft Financial modules which also incorporate an upgrade to PeopleTools scheduled to be completed by October 2014.

There are six PeopleSoft applications that interface with the G/L:

1. Purchasing
2. Accounts Payable
3. Projects
4. Asset Management
5. Billing
6. Accounts Receivable

The other applications that interface with the G/L are the following:

1. Payroll (HRMS)
2. Budget (Clarity)
3. Maximo (Maintenance)
4. Sympro (Investments)

The majority of G/L journal entries are generated through interface files from the aforementioned accounting subsystems. However, subsystem staff and managers also prepare manual journal entries. Each journal entry is input to the G/L system by the preparer and routed for approval via workflow.

## HIGHLIGHTS AND ACCOMPLISHMENTS

- The Port has streamlined its process by leveraging technology and implementing online electronic journal generation and work flow review/approvals.
- Journal entry support is maintained online as of the latest PeopleSoft upgrade in September 2013. This online functionality has eliminated the necessity of maintaining most hard copy supporting documents.

## AUDIT SCOPE AND

We reviewed information for the period January 1, 2013 - June 30, 2014. We utilized a risk-based audit approach from the planning to testing phase. We gathered information through research, interviews, observations, and analytical reviews, in order to obtain a complete understanding of the management controls and transaction processing in the General Ledger. We evaluated and tested controls to determine whether they were operating as intended.

The key management controls we tested related to the following:

1. Access to the General Ledger
  - a. We identified the process that controls access to the General Ledger.
  - b. We determined whether there was adequate management oversight of user accounts to ensure the users were current and valid.
2. Segregation of conflictive responsibilities
  - a. We identified the conflictive responsibilities over manual journal entries, which are:
    - i. Preparer responsibility
    - ii. Approver responsibility
  - b. We determined whether these responsibilities were segregated.
3. Accounting for all journal entries
  - a. We identified the numbering convention for journal entries.
  - b. We determined whether the process was adequate.

Based on our risk assessment, following the above control testing, we conducted additional detailed audit procedures in the areas with the highest likelihood of significant negative impact.

We conducted the following procedures:

1. To determine whether access to the general ledger is proper:
  - a. We tested a sample of 56 high-risk manual journal entries.
    - i. We determined whether the preparer and approver of the entries had current authorized access to the general ledger.
    - ii. We determined whether the preparer/approver of the journal entries were different (i.e., these conflictive functions were segregated).
  - b. We tested 100% of the preparer/approver of the journal entries for the period October 2013 - June 2014, to determine whether these functions were segregated within the automated system.

2. To determine whether journal entries to the general ledger are proper and accurate:
  - a. We tested a sample of 56 high-risk manual journal entries.
  - b. We determined whether the following attributes were met:
    - i. Journal entry properly supported.
    - ii. Account coding accurate.
    - iii. Journal entry reflects proper use of Port resources (e.g., proper movement of cash among funds, proper reclassification of revenue/expense, proper adjustment of revenue/expense to asset/liability).
3. To determine whether all journal entries are accounted for:
  - a. We queried the journal numbers for the entire period under audit.
  - b. We identified whether there were gaps in numerical sequence.
  - c. We identified compensating controls and obtained explanations for any gaps identified.

## CONCLUSION

Management controls over the general ledger are adequate to ensure access is proper, entries are proper and accurate, and all journal entries are accounted for.