September 4, 2014

TO: Michael Keneker  
   Associate VP and Controller  

   Christy Harrison  
   Executive Director and Assistant Controller

FROM: Sherri Magnus  

SUBJECT: Procurement Card Account Review  
Control Number 2014 – 252

Project Overview:

Internal Audit performed a review of account limits on Procurement Cards (Procards). The objective of this engagement was to identify any accounts that were outside of approved limits established by the institution. We utilized a tool developed and provided by UT System to determine if any account in the institution exceeded established limits.

Procards are utilized by the institution to facilitate efficient and effective purchasing of small dollar items, serving as an alternative to the traditional purchase order process. The institution has established transaction and credit limits of $3,000 per transaction and $15,000 per billing cycle. General Accounting can and does allow temporary increases to the transaction and credit limits when warranted. Additionally, when there is a compelling business objective, a long-term increase to the limits may be applied to accounts. The institution currently has approximately 600 active Procard accounts.

Results:

Generally, the Procards issued comply with approved limits. We did, however, discover that limits on approximately 12 percent of the accounts exceeded the transactional and/or monthly limits established. The accounts with limits in error were adjusted by General Accounting soon after they were identified by Internal Audit.
Observation 1

**Procard Limits**

We originally identified that limits for 92 accounts exceeded the established transactional and/or monthly credit limits. While legitimate business reasons were provided to explain some of the variances, we concluded that there was no documented business reason that limits for 72 accounts exceeded the guidelines. Since the discovery of these errors, limits have been adjusted to match the institutional standards.

We further identified four accounts that had no transaction upper limit. Two of those accounts have a business justification for the lack of a limit. The remaining two accounts were corrected.

**Recommendation:**

While we recognize that the Procard program must maintain the flexibility to respond to the needs of the institution, we recommend that General Accounting develop a systematic process to document exceptions granted and to periodically monitor accounts to ensure they comply with established limits. To facilitate this monitoring process, Internal Audit has agreed to supply a quarterly report to General Accounting identifying potential exceptions.

**Management’s Action Plan:**

Responsible EVP: Leon Leach
Due Date: January 30, 2015
Owners: Christy Harrison

*General Accounting will utilize the quarterly monitoring report provided by Internal Audit to ensure that whenever temporary transaction limit overrides are provided to ProCard holders that those transaction limits are reset to the institutional standard limits no later than the next business day. After the report is received by General Accounting each quarter, all ProCards transactional and monthly credit limits will be reviewed and General Accounting will provide feedback directly to Internal Audit regarding any limits that required adjustment.*

Our review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

The courtesy and cooperation extended by personnel from General Accounting is sincerely appreciated.

**Number of recommendations to be monitored by UT System:** None