

The University of Texas at Tyler

Procurement and Travel Card Audit



February 2016

THE UNIVERSITY OF TEXAS AT TYLER
OFFICE OF AUDIT AND CONSULTING SERVICES
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TYLER, TEXAS 75799

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Fiscal Year 2016**

BACKGROUND

The University of Texas at Tyler (UT Tyler) offers University departments a MasterCard Procurement Card (ProCard) for ordering supplies or business services. The program is a fast, flexible method of processing low dollar purchases from vendors that accept the MasterCard. UT Tyler also offers University employees a Citibank Travel Card (Travel Card) to be used for travel expenses while on University business. These programs are designed as an alternative to the traditional payment and reimbursement processes and are not intended to avoid or bypass appropriate purchasing or payment policies and procedures. The use of the cards does not exempt UT Tyler or its employees from the purchasing requirements of the University of Texas System or state or federal law.

The ProCard allows an employee to purchase non-restricted commodities or services directly from vendors without issuing a purchase order. This program reduces the time and effort required to make purchases for the University. UT Tyler also allowed certain departments to use a Sam's Card, primarily for purchasing food and other items needed in their departments that were formerly not allowed to be purchased with the ProCard.

During Fiscal Year (FY) 2015, the period covered in this audit, credit cards were used as follows:

Card Type	Number of Transactions	Amount of Transactions
ProCard	13,000	\$2,195,000
Sam's Card	300	\$27,000
Travel Cards	10,700	\$1,130,000
Total of All Cards	24,000	\$3,352,000

Currently, there are 225 employees with ProCards and 446 employees with Travel cards.

AUDIT OBJECTIVE

The objectives of the audit were to determine if procurement and travel card transactions follow established policies and procedures. This audit was included in the FY 2016 audit plan that was approved by the UT Tyler Institutional Audit Committee.

STANDARDS

The audit was conducted in accordance with guidelines set forth in *The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing*.

SCOPE AND METHODOLOGY

The scope of this audit covered the FY 2015 time period and included all ProCard, Sam's Card, and Travel Card Transactions.

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PROCEDURES

To accomplish the objectives of the audit, we completed the following:

- Reviewed the State of Texas, UT System and UT Tyler policies and procedures,
- Discussed the audit with Executive Management to obtain their input and address any specific concerns,
- Downloaded transactions from the Citibank accounting system and UT Tyler PeopleSoft accounting system,
- Used data analytics to select a judgmental sample of 145 transactions for detailed review and inquired about an additional 136 transactions based on the following attributes:
 - Card holder
 - Vendor name and description
 - Transaction amount
 - Cost Center (funding source) used
 - Account used,
- Reviewed supporting invoices and other documentation to determine if the transactions were in compliance with the policies and procedures, and
- Discussed the transactions with university personnel as needed.

AUDIT RESULTS

According to The University of Texas System Audit Office, “A *Priority Finding* is defined as an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole. *Non-Priority Findings* are ranked as *High, Medium, or Low*, with the level of significance based on an assessment of applicable *Qualitative, Operational Control, and Quantitative risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated*. In total, this audit resulted in four medium-level findings.

#1: Policies and Procedures

UT Tyler publishes several policies and guidelines on their web site related to procurement card and travel card transactions. These include sections of the Handbook of Operating Procedures, Management Responsibilities Handbook, Purchasing Policy and Procedure Manual, and various documents on the Financial Services website including the Travel Card Tip Sheet. The Procurement Card Program Policies and Procedures were updated in December 2015. However, some documents have not been updated in several years and contain outdated information; including references to the former DEFINE accounting system. Out of date policies with conflicting information causes confusion and increases the risk that departments will not follow the required guidelines.

Recommendation: Policies and Procedures, including information on the Financial Services website, should be updated. Training should also be offered to departments to explain changes in policies and inform them of any new requirements.

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Management Response and Implementation Date: Procurement card Policies and Procedures are updated and current. Information on the Financial Services web site will be updated by May 31, 2016. In coordination with University Staff Advisory Council (USAC), Financial Services will offer Procurement card and Travel card training during sessions hosted by USAC and email training tips will be provided periodically to begin by March 31, 2016.

#2 Supervisor Approval of Transactions

Budget Authorities with procurement cards and travel cards approve their own transactions in the PeopleSoft accounting system since there is no requirement to forward the documents to a supervisor for approval. Lack of a supervisor's approval is an internal control weakness that could allow violation of policies and procedures as well as misuse of University funds to go unnoticed and unreported.

Recommendation: Payments for Budget Authority's charges should be routed to the Budget Authority's supervisor for review and approval of the purchases.

Management Response and Implementation Date: Procurement card and Travel card policy will be revised to require a Budget Authority credit card holder to send his/her credit card statement, receipts, and other supporting detail to the Budget Authority's supervisor for review and approval. The Budget Authority's supervisor must sign and date the credit card statement indicating approval for the credit card charges. These policies will be updated both in hardcopy and the web site by May 31, 2016.

#3 Compliance with Policies

UT Tyler policies and procedures specify the requirements for ProCard and Travel Card use. These requirements include purchase and cycle limits, allowed purchases, prohibited purchases, disallowed vendors, maintaining supporting documentation, use of account coding and cost centers, and that the card is only to be used for business purposes. The results of testing transactions included the following instances of non-compliance with the requirements:

- 63 prohibited purchases. 63 purchases were for a valid business purpose, however, were against ProCard policies.
- 50 transactions were recorded to an incorrect PeopleSoft account code.
- 10 employees used the ProCard or Travel Card for personal transactions, 8 of which had been identified and paid back prior to the audit. The remaining 2 transactions were identified during the audit and have been paid back by the employees.
- 7 charges had no invoice on file. A Lost Receipt Form had been completed for 3 of the transactions prior to the audit.
- 3 transactions were charged to a student funded cost center; however, the purchases would be more appropriately charged to a non-student funded cost center.
- 2 purchases for which the invoice on file did not contain detailed descriptions of items purchased.
- 2 airline charges for which a required Travel Agency was not used.
- 1 reimbursement to an employee for a registration fee that had been charged on a Procurement Card. The employee has reimbursed UT Tyler.

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The details of these transactions have been communicated with the responsible budget authority as well as the Vice President of Business Affairs and the Financial Services Department.

Recommendation: We recommend the Financial Services Department implement an ongoing monitoring program to review transactions for non-compliance with requirements. A ProCard and Travel Card Data Analytics tool is available from the UT System Office of Audit Services that would allow the monitoring to be done efficiently and effectively.

Management Response and Implementation date: As previously discussed, monitoring credit card charges is already under consideration and has been pending training to be provided by the UT System Internal Auditor. UT System training sessions are planned for April 2016 and we hope to have the monitoring program fully implemented by August 31, 2016.

#4: Fuel Purchases

The State of Texas Charge Card Program guidance on the Texas Comptroller of Public Accounts web site states "A participating state agency may not use a payment card and may not reimburse an officer or employee for the use of a payment card for the purchase of automotive fuel. The Council on Competitive Government (CCG) Contract 946-C1 Retail Fuel Card shall be used." University policies have recently been updated to state "The purchase of gasoline or other vehicle fuel for University owned vehicles must be made with the State's Retail Fuel Card, "Voyager". One department with university owned vehicles currently uses the required "Voyager" card for gas purchases; however, other departments with university owned vehicles are not using the required card.

Recommendation: UT Tyler should follow the state requirements to use Voyager cards for the purchase of all automotive fuel for university owned vehicles or request an exception to the requirement. The Financial Services Department should assist departments with university owned vehicles in obtaining a Voyager card for future use. Employees on business travel not using a university owned vehicle should purchase fuel with a travel card or personally pay for the fuel and request a reimbursement.

Management Response and Implementation Date: Financial Services will develop procedures and implement the UT Tyler Voyager program for University owned vehicles by August 31, 2016.

CONCLUSION

UT Tyler generally conforms to established guidelines and policies for the ProCard and Travel Cards. The recommendations in this report should strengthen internal controls over credit card transactions and provide more reliable accounting reports for management's use.

We appreciate the assistance of the departmental management and administrative assistants, and especially the Financial Services department personnel, during this project.