

Procurement Card Audit

Audit Report # 20-104

December 17, 2019



The University of Texas at El Paso
Office of Auditing and Consulting

"Committed to Service, Independence and Quality"



The University of Texas at El Paso
Office of Auditing and Consulting Services

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December 17, 2019

Dr. Heather Wilson
President, The University of Texas at El Paso
Administration Building, Suite 500
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Dear Dr. Wilson:

The Office of Auditing and Consulting Services has completed a limited-scope audit of Procurement Card. Based on the results of our audit procedures, we conclude that the Pro Card Administrator has an efficient and effective monitoring system in place. We recommend that the Pro Card Administrator continue to monitor cardholders who do not adhere to policy.

We appreciate the cooperation and assistance provided by the Purchasing Department and all the audited departments' staff during our audit.

Sincerely,

A handwritten signature in black ink that reads 'Lori Wertz'.

Lori Wertz
Chief Audit Executive

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited scope audit of Procurement Card (Pro Card) transactions for the period of September 1, 2018 through August 31, 2019. The objective of this audit was to determine whether the Pro Card Program complied with institutional policies and procedures.

During the audit, we noted the following:

- Cardholders did not always adhere to the University Procurement Card Program Policies and Procedures.
- The Procurement Card Administrator is monitoring Pro Card activity efficiently and effectively, mitigating the risk of unallowable or fraudulent transactions.
- The Administrator cancelled Pro Cards for terminated employees in a timely manner.

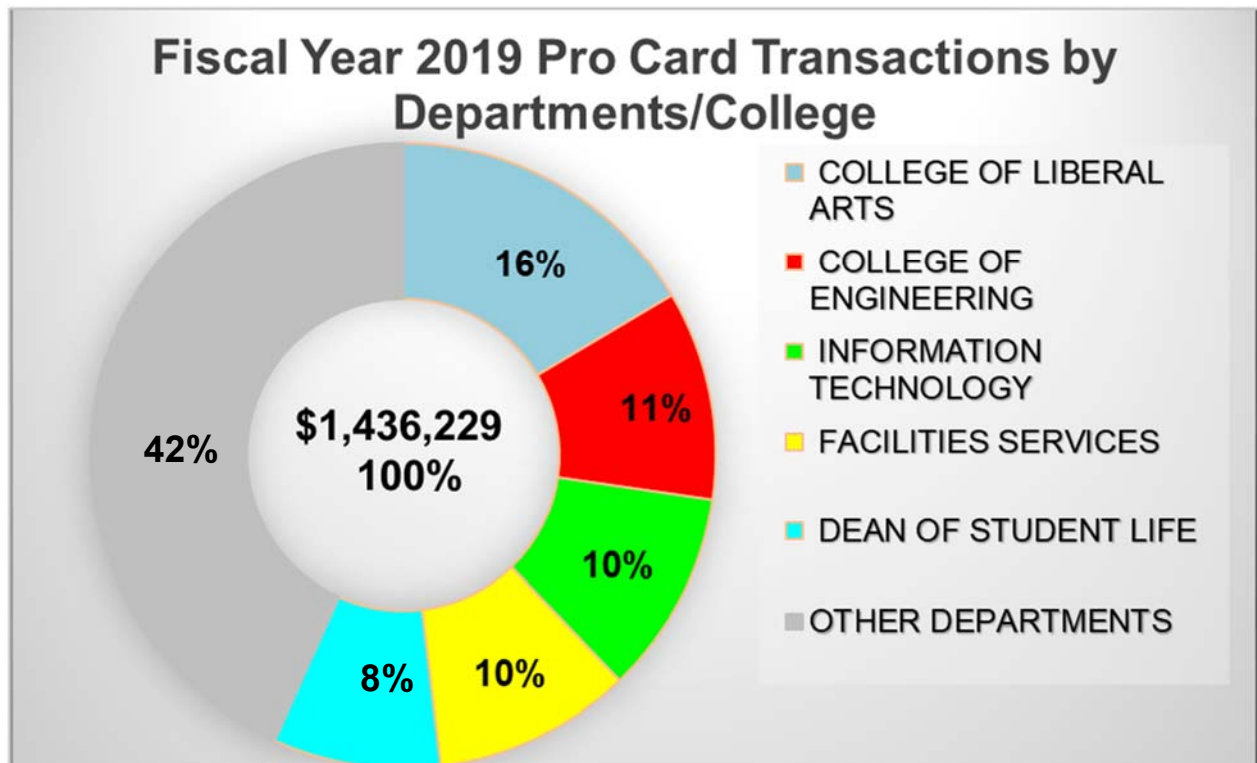
Compliance with the Procurement Card Program Policies and Procedures Manual improved significantly compared to the previous Pro Card Audit performed in Fiscal Year 2018.

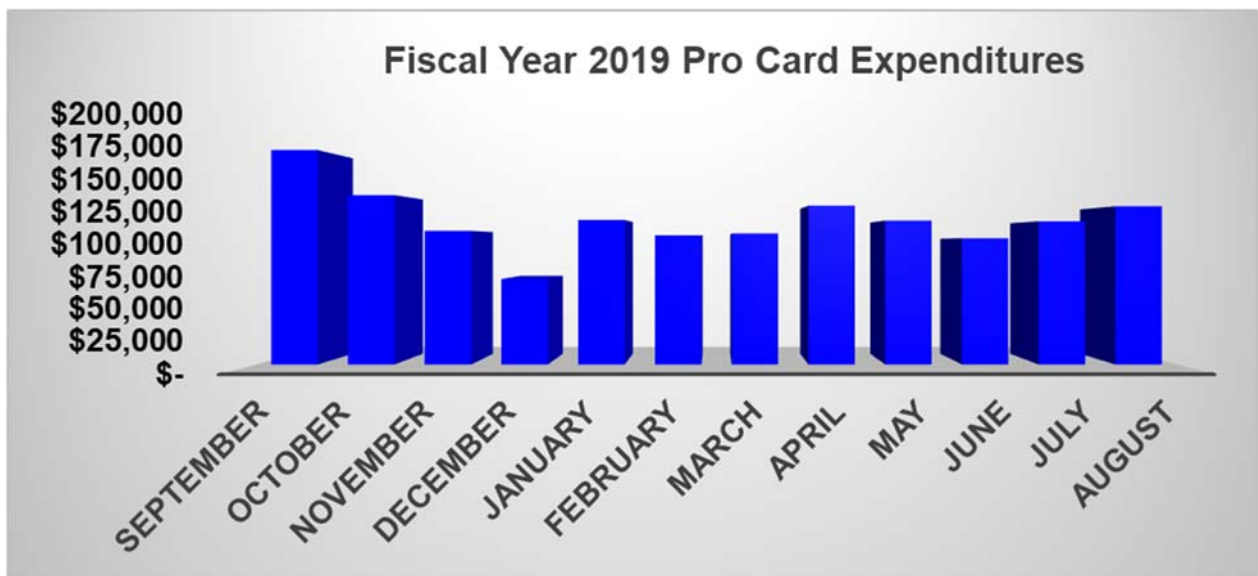
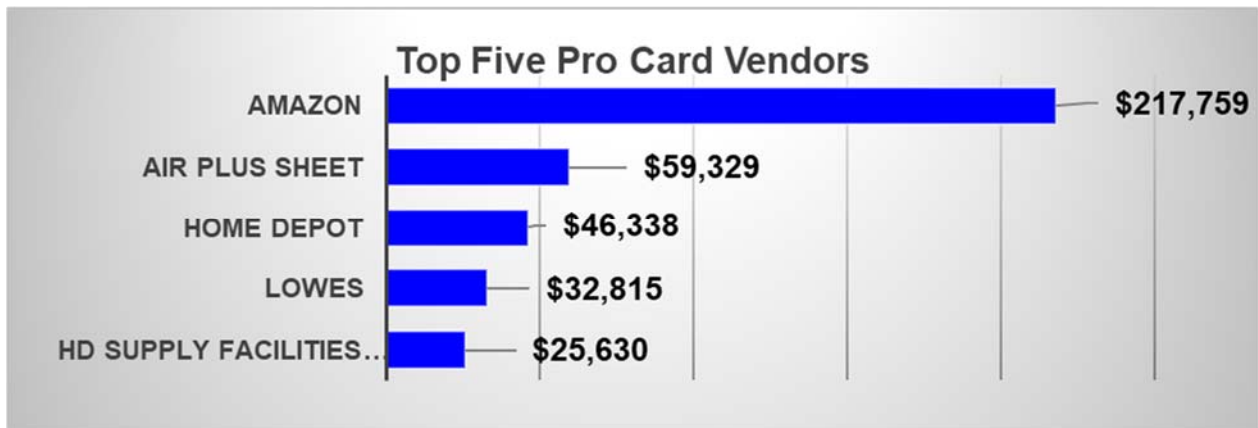
BACKGROUND

The University designed the Procurement Card (Pro Card) to be an efficient, cost-effective method of purchasing and paying for small dollar transactions (\$1,000 or less).

The Purchasing and General Services Department is responsible for administering and monitoring Pro Card activity.

The University-wide risk assessment has consistently ranked Pro Card usage as high-risk, primarily due to the large volume of transactions. In Fiscal Year 2019, 182 cardholders made purchases totaling \$1,436,229.





AUDIT OBJECTIVES

The objectives of the audit were to:

- identify high risk purchases by performing an analytical review of Pro Card transactions,
- ensure compliance with University processes and procedures through detailed transaction testing,
- determine if the Pro Card Administrator effectively monitors Pro Card activity, and
- confirm that the Pro Card Administrator cancels Pro Cards for terminated or transferred employees timely.

SCOPE AND METHODOLOGY

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the authoritative guidelines of the *International Professional Practice Framework* issued by the Institute of Internal Auditors.

The scope of this audit covered Fiscal Year 2019 Pro Card transactions.

Audit methodology included the following:

- Interviewing key personnel
- Reviewing policies, procedures, and state regulations
- Observing current monitoring practices and processing techniques
- Identifying high-risk Pro Card transactions using data analytics
- Reviewing supporting documentation for the selected sample transactions

RANKING CRITERIA

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority - 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.

High – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.

Medium – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

Low – A finding identified by internal audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

AUDIT RESULTS

A. Cardholders did not always follow Pro Card policies and procedures

Auditors judgmentally selected the following sample to perform detailed testing:

Sample Selection	
Total Pro Card Transactions	430
Total Dollar Amount of Transactions	\$109,885

Criteria included guidelines for allowable purchases provided in the Procurement Card Program Policies & Procedures Manual.

All cardholders prepared their Pro Card reconciliations logs timely; however, they did not always adhere to University Procurement Card Program Policies and Procedures.

Issues included:

- missing credit card statements, sales receipts, and memos approving exceptions, and
- departments sent online purchases to their office locations instead of Central Receiving.

Although inappropriate Pro Card usage can lead to unauthorized purchases, the Procurement Card Administrator is monitoring Pro Card activity efficiently and effectively, mitigating the risk of unallowable or fraudulent transactions.

B. Pro Card monitoring is effective

Based on a review of supporting documentation, the Pro Card Administrator performs the following monthly reviews:

Detailed Audits: The Administrator selects three cardholder accounts and reviews Pro Card transactions and reconciliation logs to ensure compliance with the Procurement Card Program Policies and Procedures Manual (manual).

When the audit is complete, the Administrator sends a detailed memo to the cardholders explaining the reasons why the cardholder is not complying with the

guidance in the manual. The manual is clear, concise and in alignment with UTEP purchasing policies and state statutes.

Transaction Audits: The Pro Card Administrator downloads a Citibank report of all transactions per monthly statement period (4th of one month to the 3rd of a following month). Potentially high-risk transactions are identified, and additional documentation from the cardholder is requested. The Pro Card Administrator takes action when necessary.

Sales Tax Audits: The Pro Card Administrator also reviews 100% of monthly Pro Card transactions to ensure all transactions are exempt from Texas state sales tax. The Administrator asks the cardholder to submit sales tax refund documentation if taxes are paid.

C. Pro Cards are cancelled timely for terminated employees

The Pro Card Administrator monitors PeopleSoft terminations/transfers queries provided by Enterprise Computing and Human Resources to identify when credit card cancellations are necessary.

Thirty-one Pro cardholders had their credit card accounts closed in Fiscal Year 2019. We compared the closing date of the Citibank card to the actual termination date for 13 of the 31 (42%) employees. The Pro Card Administrator cancelled all card accounts timely.

CONCLUSION

Based on the results of our audit procedures, we conclude that the Pro Card Administrator has an efficient and effective monitoring system in place. We recommend that the Pro Card Administrator continue to monitor cardholders who do not adhere to policy.

We wish to thank the management and staff of the Purchasing and General Services Department and the Pro Card Administrator for their assistance and cooperation.