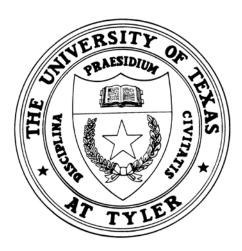# The University of Texas at Tyler

Procurement Card Purchases Audit

August 2020

THE UNIVERSITY OF TEXAS AT TYLER
OFFICE OF AUDIT AND CONSULTING SERVICES
3900 UNIVERSITY BOULEVARD
TYLER, TEXAS 75799

The University of Texas at Tyler
Procurement Card Purchases Audit

BACKGROUND

The University of Texas at Tyler (UT Tyler) Office of Audit and Consulting Services completed a Procurement Card (ProCard) Purchases Audit to determine if cardholders are purchasing personal items and other prohibited items with their card. UT Tyler currently has 259 employees with a ProCard and had over $3.8 million ProCard purchases in Fiscal Year (FY) 2019 compared to $2.2 million in FY 2015. Guidance for Procurement Card purchases is provided in the Procurement Card Program Policies and Procedures located on the Financial Services website. Using the ProCard for prohibited items can increase risks related to various areas including equipment inventory, data protection on information technology (IT) devices, gift card distribution, theft, and institutional reputation. This audit was included in the Fiscal Year (FY) 2020 Annual Audit Plan and approved by the Institutional Audit Committee.

AUDIT OBJECTIVE

The objectives of the audit were to determine appropriateness of procurement card purchases and compliance with related policies.

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* and *Generally Accepted Government Auditing Standards*.

SCOPE AND METHODOLOGY

The scope of this audit included ProCard transactions from September 1, 2018, through February 20, 2020. The procedures conducted included, but were not limited to, the following:
- ➢ Reviewing applicable policies and procedures,
- ➢ Using data analytics, available vendor transaction downloads with descriptions of items purchased, and key terms to review over 1,400 purchases totaling $149,135, and
- ➢ Reviewing supporting documentation for a sample of 87 unusual transactions totaling $53,539 from 44 unique cardholders.

AUDIT RESULTS

Testing identified 34 purchases (39% of the sample) totaling $14,115 (26% of the sample) by 16 (36%) of the cardholders that were not in compliance with policies.

Transactions	Amount	Description
13	$ 8,649.73	Controlled IT Equipment (26 devices)
10	3,290.00	Gift Cards (123 cards from $10 to $100 each)
4	245.71	Personal Items
3	1,689.79	Other Controlled Equipment
3	32.97	Compromised Card Charges
1	206.95	Receipt not on File
34	**$ 14,115.16**	

Department personnel have been provided guidance for actions needed related to their specific purchases. Further review is ongoing for six transactions of one cardholder.

Observations and Opportunities for Improvements:
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.*"

Finding Level Legend	
Priority	*A finding is defined as an issue that if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Tyler.*
High	*A finding that is considered to have a <u>medium to high probability</u> of adverse effects to UT Tyler as a whole or to a significant college or department.*
Medium	*A finding that is considered to have a <u>low to medium probability</u> of adverse effects to UT Tyler as a whole or to a college or department.*
Low	*A finding that is considered to have a <u>minimal probability</u> of adverse effects to UT Tyler as a whole or to a college or department. These findings are communicated separately to management.*

This audit identified High-level findings		
1	High	*Acknowledgement of Policies*
2	High	*Training for Cardholders and Supervisors*
3	High	*Monitoring Transactions*

#1 Acknowledgement of Policies
The Financial Services website includes Procurement Card Program Policies and Procedures. Cardholders and budget authorities and/or supervisors complete an online application form to request a ProCard. Cardholders sign a "Procurement Card Agreement" that includes: *"I hereby acknowledge receipt of a UT Tyler MasterCard Procurement Card. As a cardholder, I agree to comply with the terms and conditions of this Agreement and the procurement card procedures."* Transactions are posted in PeopleSoft and must be approved by the budget authority or other appropriate supervisor. However, the approver is not provided with or required to acknowledge the policies and procedures. A lack of awareness and acknowledgement of the policies increases the risk of card misuse and other risks related to purchases.

Recommendation #1: Approvers should acknowledge the policies, procedures, and their responsibility for reviewing and approving transactions. Requiring approvers to acknowledge the policies and their responsibility for approving transactions will raise awareness of the policies.

Management Response - Director of Financial Services / Vice President for Budget and Finance: *Management concurs with the recommendation. Financial Services will identify and implement an appropriate process to ensure approvers are adequately trained on and informed of their roles and responsibilities with regard to approving ProCard transactions. This process will include obtaining acknowledgement from approvers of those roles and responsibilities as well as related policies.*

Anticipated Implementation Date: *September 1, 2021*

#2 Training for Cardholders and Supervisors
Campus-wide mandatory training on ProCard Policies was held in August and September 2019. However, there is no training for new cardholders and no current schedule for re-training of continuing cardholders. A lack of training increases the risk of card misuse and other risks related to purchases.

Recommendation #2: Training should be developed and required prior to initial card issuance. Training should also be required at regular intervals such as when a card is renewed. The training should be acknowledged by both the card holder and the card approver and be tracked for completion.

Management Response - Director of Financial Services / Vice President for Budget and Finance: *Management concurs with the recommendation, and we will review various options for training methods to determine what is most efficient and effective with the resources available. These training methods will be designed to leverage existing tools such as the Canvas learning management system, biennial compliance training, and ProCard training curriculum.*

Anticipated Implementation Date: *September 1, 2021*

#3 Monitoring Transactions
PeopleSoft ProCard transaction reports can be downloaded for review. Data analytics reports are also available from the University of Texas System Audit Office that provide details of high-risk or unusual transactions. Currently, there is no ongoing monitoring being completed. A lack of monitoring increases the risk of card misuse and other risks related to purchases.

Recommendation #3: Financial Services should implement a monitoring program to review unusual activity on a consistent schedule.

Management Response - Director of Financial Services / Vice President for Budget and Finance: *Management concurs with the recommendation. Implementation of appropriate remediation efforts will require a phased approach, due to the limitation of resources during a period of economic uncertainty. The first phase will include improving existing monitoring tools to provide risk-based reports that can be easily reviewed by the card services team. The Vice President for Budget and Finance will work with the Financial Services Director and the card services coordinator to establish exception-based criteria and a sustainable monitoring process. Subsequent improvements will include the establishment of a dedicated resource for financial compliance monitoring and development of a robust monitoring plan.*

Anticipated Implementation Date: *First phase: September 1, 2021; Second phase: dependent on COVID-19 and related economic factors but likely no earlier than April 1, 2022.*

CONCLUSION

Implementation of the recommendations included above should strengthen internal controls related to and decrease risks associated with Procurement Cards related to various areas including personal use, equipment inventory, data protection on information technology (IT) devices, gift card distribution, theft, and institutional reputation.

We sincerely appreciate the assistance of the Financial Services Department and campus-wide cardholders, supervisors, and administrative assistants during this project.