

Tooele County School District  
Purchase Card Audit  
May 2023

# Tooele County School District Purchase Card Audit

## Background

The Tooele County School District (District) supplies purchase cards, managed through U.S. Bank and Zions Bank Corporation, to employees for district approved purchases. BDO was engaged to perform analysis over purchase card data to assist in determining areas where the purchase card management process could be strengthened.

The purchase card process is very manual in nature. Per review of the Purchasing Card Procedures and discussion with Management, the process at a high level is:

- Expenses are incurred on the purchase card and the cardholder retains receipts.
- A Purchase Order (PO) is created each month, purchase card transactions are applied to the PO, and the entire balance of purchase card charges are paid against the PO.
- Each cardholder receives a statement identifying transactions made against the card during the previous billing cycle, which must then be reconciled against the receipts.
- The cardholder completes the Purchasing Card Transaction Log to record the account coding for the transactions.
  - If the same account code is used for several purchases, the account code may be listed once with the total of the related purchases.
  - The total value recorded on the transaction log must agree to the transaction statement.
  - Receipts are attached to the transaction log to support the validity of the expenditure and the account coding.
- The Purchasing Card Transaction Log must be reviewed and approved by the Building Administrator or Program Director. The approver reviews receipts, and ensures purchases are in accordance with district policy.
- Purchasing Card Transaction Logs are due to the District Plan Administrator by the 20th of each month.
- Transactions are recorded in the accounting system based on the approved transaction log.

Per District leadership, the District is considering implementing a new add-on to their accounting software that automatically records the vendor and allows the users to code each transaction.

## Scope and Objective

The scope of the audit included an analysis of credit card transactions for the following periods:

- U.S. Bank transactions for the period of February 5, 2019, through February 8, 2021
- Zions Bank Corporation transactions for the period of October 29, 2019, through September 8, 2021

The analysis was performed to identify areas within the purchase card process which may present risks to the District and to identify recommendations that could be put in place to address those risks.

## Procedures Performed

The following procedures were performed during the assessment:

- ▶ Conducted interviews and obtained necessary data from the process owners and stakeholders listed below:

Name	Title
Jill Whiting	Budget Director
Lark Reynolds	Business Administrator

- ▶ Reviewed the District Purchasing Card Agreement and Purchasing Card Procedures.

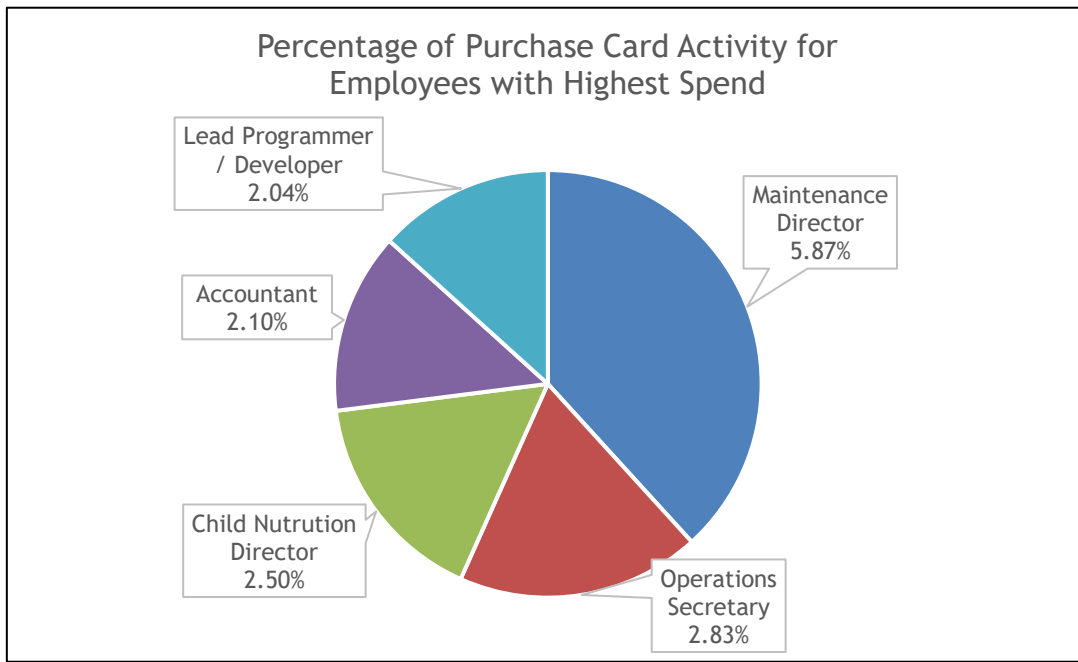
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- ▶ Obtained purchase card transactions as follows:
  - U.S. Bank transactions for the period of February 5, 2019, through February 8, 2021
  - Zions Bank Corporation transactions for the period of October 29, 2019, through September 8, 2021
- ▶ BDO utilized Power BI to perform analytics on vendor information, potential duplicate transactions, highest spending per department, highest spending per individual, etc.
- ▶ BDO noted that purchase card transactions are reported, coded, and recorded in aggregate by employee card and account code; therefore, we were unable to perform an analysis of account coding / expense type at the transaction level.
- ▶ BDO noted that a business purpose description is not required to be recorded for each transaction; therefore, we were unable to perform an analysis over validity of expense and business purpose.

**Summary of Expense Activity by Individual**

BDO performed an analysis of activity by individual cardholder. BDO noted total spend during the period analyzed was \$3.99 million. The total spend for the five individuals with the most significant spend was \$612k, approximately 15.34% as outlined below:

Employee	Total (\$) of Spend	Percentage (%) of Total Purchase Card Activity
Maintenance Director	234,225.61	5.87%
Operations Secretary	112,971.65	2.83%
Child Nutrition Director	99,795.45	2.50%
Maria Rockwell - Accountant	83,931.18	2.10%
Lead Programmer / Developer	81,544.06	2.04%
Total expenses for cardholders with highest value of spend	612,467.95	15.34%





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**Observations and Recommendations**

Our analysis of Tooele County School District’s Purchase Card Expense data identified observations and recommendations for management’s consideration and response. The detailed observations and recommendations are summarized in the table below:

	Observations / Risk(s)	Recommendation(s)
1	<p><i>Observation:</i> Account coding is assigned to purchase card transactions by the card holder on the Purchasing Card Transaction Log. The account coding is not required to be assigned at the individual transaction level and there is not a requirement to record a description of business purpose for each transaction. In addition, there is no identifier of the cardholder and / or card number when the purchase card activity is recorded.</p> <p><i>Risk(s):</i> Reporting of purchase card transactions without account coding assigned at the transaction level, a description of business purpose, and / or identification of the cardholder (or card number) reduces the transparency of spend and the ability to effectively analyze activity. This may result in inaccurate coding and unidentified fraudulent transactions.</p>	<p>BDO recommends Management perform the following:</p> <ul style="list-style-type: none"> <li>• When a system is implemented to manage the purchase card activity, configure the system to require account coding and description of business purpose for each transaction. These should be reportable fields (travel, meals and entertainment, maintenance, supplies, etc.) to allow for detailed analysis of spend.</li> <li>• Until the system is implemented: <ul style="list-style-type: none"> <li>○ Update the Purchasing Card Procedures and Transaction Log to: <ul style="list-style-type: none"> <li>▪ Require account coding at the transaction level.</li> <li>▪ Include a transaction description field and require a description of business purpose for each transaction.</li> </ul> </li> <li>○ Include an identifier of the cardholder and / or card number when recording purchase card activity.</li> </ul> </li> <li>• Provide training to cardholders and expense reviewers/approvers on the updated process.</li> <li>• Determine frequency for ongoing training to cardholders. For example, training of new cardholders, new approvers, and annual training to cardholders.</li> <li>• Have cardholders acknowledge their understanding of the required process and procedures.</li> </ul>



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	Observations / Risk(s)	Recommendation(s)
2	<p><i>Observation:</i> BDO identified potentially duplicate transactions in the data based on two or more of the following:</p> <ul style="list-style-type: none"><li>• same transaction date</li><li>• same vendor</li><li>• same transaction amount</li></ul> <p>For a sample of potential duplicates, BDO determined the transactions to be for valid business purpose based on inquiry with the Budget Director.</p> <p><i>Risk(s):</i> Duplicate transactions could indicate erroneous transactions / overpayment to vendors, or fraud, resulting in an overstatement of expenses.</p>	<p>BDO recommends Management implement a process to review for duplicate transactions on a recurring basis, not less than quarterly.</p>

**Other Matters**

We identified other matters and opportunities for improvement that do not rise to the same level of those above and which have been verbally communicated to management.

**Management Response**

We have reviewed the observations/Risk(s) noted and we agree with the recommendations. We are going to work on implementing the recommendations for this coming school year.