Volusia County Schools, Florida
Internal Audit Report: Purchasing Cards – District Funds

June 25, 2024

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TRANSMITTAL LETTER

June 25, 2024

The Audit Committee of,
The School Board of Volusia County, Florida
200 N. Clara Avenue
DeLand, FL 32720

Pursuant to the Volusia County Schools' ("VCS," "District") approved internal audit plan for fiscal year ("FY") 2023-24, we hereby present our Internal Audit Report of Purchasing Cards – District Funds. Our report is organized by the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our internal audit over purchasing card process(es).
Background	This provides an overview of the purchasing card function, as well as relevant background information.
Objectives and Approach	The internal audit objectives are expanded upon in this section, as well as a review of the various phases of our approach.
Observations Matrix	This section includes a description of the observations noted during our internal audit and recommended actions, as well as Management response, including responsible party, and estimated completion date.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

RSM US LLP

EXECUTIVE SUMMARY

Background

A Purchasing Card ("P-Card") is a form of a charge card that allows the purchase of goods and services to be expedited outside of the traditional purchasing process. They are typically issued to employees who make low dollar, high volume transactions. The use of the P-Card is not intended to avoid or bypass appropriate procurement or payment policies. Because purchases are typically reviewed and approved after the expenditure has been made, P–Card usage is inherently high-risk. Entities that benefit from convenience of P–Cards must also have robust policies and procedures regarding usage and training. Currently, there are 305 active P-Cards issued which can be utilized to access and expend District funds.

The P-Card processes are overseen by two (2) departments under the Division of Student Services and Operation: Financial Services ("Financial Services"), the Purchasing Department ("Purchasing") and the Finance Department ("Finance"). Both the Director of Purchasing and the Finance Director are new to their roles as of March 2024 and November 2023, respectively. In addition to the Purchasing and Finance Departments, each school/department has a designated Reconciler responsible for safeguarding the site cards, reviewing all transactions made on their site cards, and communicating with vendors.

Single and monthly transaction limits are set for each card. Exceptions to make purchases beyond these limits are allowable if pre-approval from Purchasing is obtained. Since 2014, the District has contracted with Bank of America ("BoA") to provide comprehensive P-Card administration services using their platform, Works, for District funds. The system is used to delegate card access, set transaction limits, and review and approve transactions via workflow.

Overall Summary / Highlights

Internal audits provide insight into an organization's culture, policies, and procedures and aids the board and management with oversight by verifying internal controls such as operating effectiveness, risk mitigation, and compliance with relevant laws/regulations/policies. The observations detailed in the pages that follow represent only the instances where exceptions were noted, and do not detail the instances where testing resulted in no reportable observations.

The observations identified during our internal audit are detailed in the pages that follow. For each observation, we discuss the relevant risks, which may include financial, operational, and/or compliance, as well as public perception or 'brand' risks. We further provide recommendations and best-practice guidance for the District.

Objectives and Scope

The objective of this internal audit was to assess management's design and effectiveness of internal controls over the use of District purchasing cards ("P-Cards"). This included an examination of compliance with existing policies and procedures and applicable regulatory requirements, and the identification of process gaps and opportunities for improvement.

Procedures included the following:

- Performed walkthroughs of key P-Card procedures to gain an understanding of the function and assess the design of internal controls;
- Performed data analytics of P-Card transactions and Cardholder activity to identify risk areas, potential lack of compliance, potential areas of resistance, abuse, and fraud;
- Selected a sample of transactions to evaluate compliance with Florida State Statutes and District policies;
- Verified that transaction limits were not exceeded;
- Assessed the supporting documentation of each sampled transaction, and the review process of those documents;
- Verified that approvals were appropriate and in compliance with applicable policies; and
- Reviewed transactions for potential splits, duplicative, or prohibited transactions.

The audit period was January 2023 through January 2024.

At the conclusion of our internal audit, we summarized our findings into this written report and conducted exit conferences with various members of District Management and Leadership.

Fieldwork was performed February 2024 through May 2024.

Summary of Observation Ratings
(See page 4 for risk rating definitions)

	High	Moderate	Low
Purchasing Cards	9	-	-

We would like to thank all District team members who assisted us throughout this internal audit.

EXECUTIVE SUMMARY (CONTINUED)

Observations Summary

Below is a summary listing of the observations that were identified during this internal audit. Detailed observations are included in the observation matrix section of the report.

Summary of Observations	
Observations	**Rating**
1. Segregation of Duties and Privileges	**High**
2. Purchasing Card Administration	**High**
3. Approval Authority	**High**
4. User Access Control	**High**
5. Standard Operating Procedures	**High**
6. P-Card Training	**High**
7. Automated Approval Controls	**High**
8. P-Card Compliance	**High**
9. Documentation Retention	**High**

EXECUTIVE SUMMARY (CONTINUED)

Risk Rating Definitions

Provided below are the observation risk rating definitions for the detailed observations.

Observation Risk Rating Definitions	
Rating	**Definition**
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.

BACKGROUND

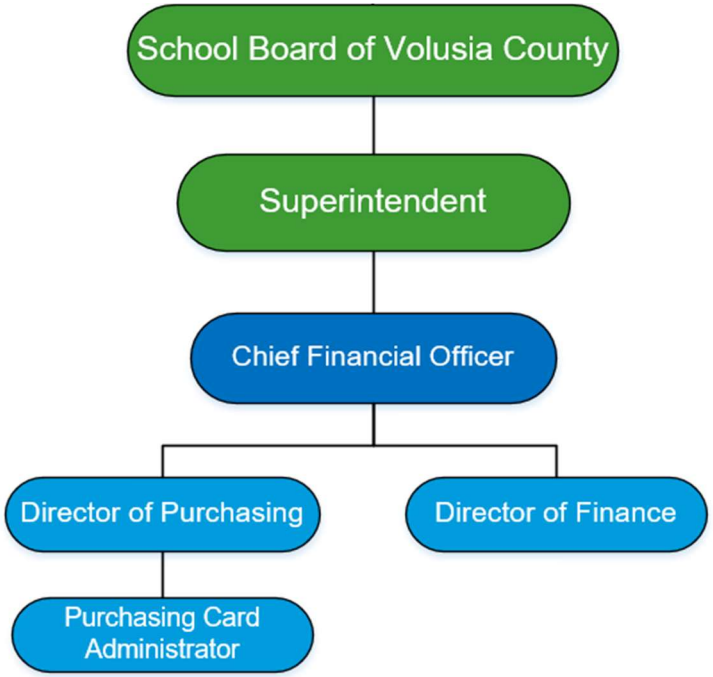
Overview

A Purchasing Card ("P-Card") is a form of a charge card that allows goods and services to be procured without using a traditional purchasing process. P-Cards are a convenient tool for employees who make low dollar, high volume transactions. In order to maximize cost savings and efficiencies, the use of a P-Card is encouraged for transactions under the District's single transaction limit of $4,999.99. P-Cards are not intended to avoid, or bypass established procurement or payment policies. All Cardholders are required to abide by District policies and procedures and all sections of Florida State Statute Chapter 287. Currently, there are 305 active P-Cards issued which can be utilized to access and expend District funds which are all managed and administered through the Bank of America Works ("BOA Works", "Works") platform. The program used to manage internal accounts P-Cards was transitioned to Focus in June 2023, however the scope of this audit was limited to District fund P-Cards. The District began utilizing BoA Works in 2014. The system is used to delegate card access, set transaction limits, and review and approve transactions via workflow.

Organizational Structure

The P-Card processes are overseen by two (2) departments under the Division of Student Services and Operation: Financial Services ("Financial Services"), the Purchasing Department and the Finance Department. The departments responsible for P-Cards have experienced changes in organizational structure and leadership over the past year. In 2023, the Purchasing Department shifted reporting from under Operations Services to under Financial Services. In addition, both the Director of Purchasing and the Finance Director are new to their roles as of March 2024 and November 2023, respectively.

In addition to the Purchasing and Finance Departments, each school/department has a designated Reconciler responsible for safeguarding the site cards, reviewing all transactions made on their site cards, and communicating with vendors. A high-level overview of the current organizational structure of the departments responsible for P-Cards is detailed to the right:



Roles and Responsibilities

The District's *Purchasing Card User Manual ("P-Card Manual")* defines the roles and responsibilities of the individuals and organizations involved in the purchasing card program. We have summarized these roles and responsibilities as follows:

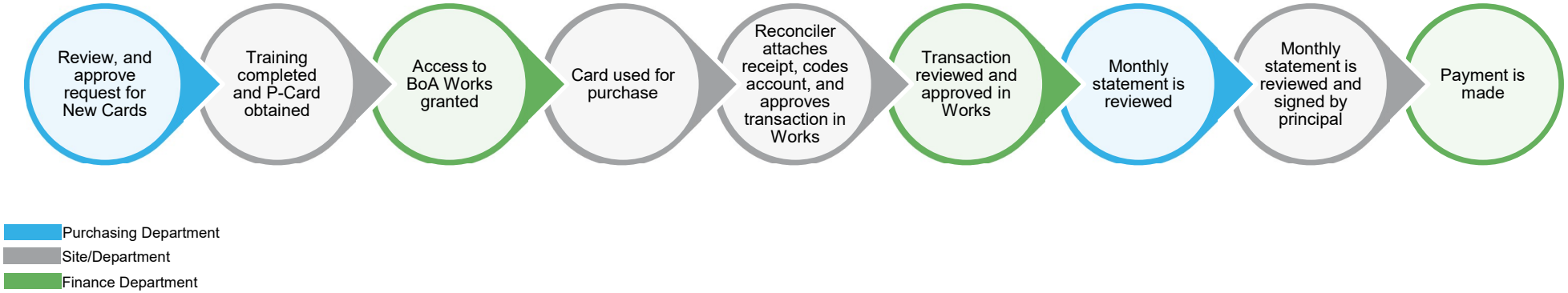
- **Finance Department:** The Finance Department is responsible for reviewing and approving all District P-Card transactions prior to the due date of the Bank of America P-Card payment, confirming that all charges have a receipt attached and are allocated to the proper GL account, communicating with the sites when questionable purchases are identified, payment of all monthly statements, and in collaboration with the Purchasing Department, maintain policies and procedures manual.
- **Purchasing Department:** The Purchasing Department is responsible for coordinating the issuance, maintenance, and cancellation of P-Cards, review and execution of spending limit increases, providing and monitoring the training program for all Cardholders, Reconcilers, and Principals/Department Heads, notifying the financial institution of any billing disputes, conducting the annual inventory process and in collaboration with the Purchasing Department, maintain policies and procedures manual.

BACKGROUND (CONTINUED)

Roles and Responsibilities (Continued)

- **Cardholder/Employee:** The Cardholder is responsible for maintaining compliance with the local purchasing policies and State Statutes. This includes the safeguarding of P-Cards, making valid purchases, monitoring for inappropriate sales tax, and collecting and providing all receipts to the Reconciler. If the Cardholder is unable to produce a receipt for any given purchase, they are responsible for submitting a statement signed by both the Cardholder and the Principal/Department Head detailing the reason for the missing receipt and a description of the transaction including vendor name, date of purchase, description of the item(s) purchased, quantity, unit price, and total transaction amount. This form requires the Cardholder to state the relevant billing period, date of purchase, the vendor used, and a description of the items purchased (including quantity, unit price, and total price). The Cardholder is required to have an accurate understanding of P-Card policies and must comply with P-Card procedures.
- **Reconcilers:** The individual assigned as the Reconciler for each P-Card is responsible for safeguarding the card when not in use and monitoring the check in/out process. In addition, the Reconciler is responsible for collecting, reviewing, attaching all receipts to the corresponding transaction, verifying the appropriateness of the purchase for the accounting string code assigned to each transaction (i.e., location, fund, cost center, function, project, and object code), and reviewing with the Principal/Department Head the monthly Bank of America statement of all transactions from their site's cards.
- **Principal/Department Head:** The Principal/Department Head is responsible for overseeing that P-Cards are appropriately safe-guarded by the Reconciler, approving the request for a P-Card and transaction limit increases at their site, reviewing for availability of funds, review and approval of the monthly Bank of America statement of all transactions from their site's P-Cards, and resolving issues related to unallowable purchases.

The following graphic depicts a high-level overview of the P-Card process as performed by the parties identified above.



*Forms include the New P–Card Request Form and Cardholder Agreement

BACKGROUND (CONTINUED)

Cardholder Setup and Maintenance

According to the District's *P-Card Manual* for District funds, P–Cards can be issued to any full-time employee of the District with the approval of their Principal/Department Head. Currently, only Board members and the Superintendent are issued personal P-Cards. All other P–Cards are site cards (assigned for us of a site rather than an individual). Creation of a new District P-Card is facilitated through the New P-Card Request Forms, which must be signed by the site's Principal/Department Head. In addition, all Principals/Department Heads must also sign a Cardholder Agreement to attest that they understand the terms set forth in the District's *Purchasing Card User Manual*, and that they understand disciplinary measures may be taken if the P-Card is not used in accordance with these rules. Once completed, these forms are utilized to set up roles and permissions within BoA Works. Reconcilers are also required to take an online quiz and pass with a score of 80% or higher regarding P-Card use, limitations, and responsibilities.

If a Reconciler transfers worksites or is terminated from District employment, the Purchasing Department is notified by the Division of Human Resources ("HR") and an email is sent to Finance requesting the BoA works account for the individual be deactivated. All cards issued to the transferred or terminated employee are canceled and replacement cards are issued to the site.

Allowability and Limitations

Each New P-Card Request Form defines the single and monthly transaction limits. These amounts are not standardized, as the *P-Card Manual* states that the limits are determined based on the historical spend of the requesting site. If a Cardholder requires a temporary or permanent change to those limits, a Spending Limit Request Form must be completed. This form requires approval from the Cardholder's Principal/Department Head prior to submission to the Purchasing Department for consideration.

Florida State Statutes 287 and the District's *P-Card Manual* dictate which types of purchases are unallowable. Examples of prohibited purchases are:

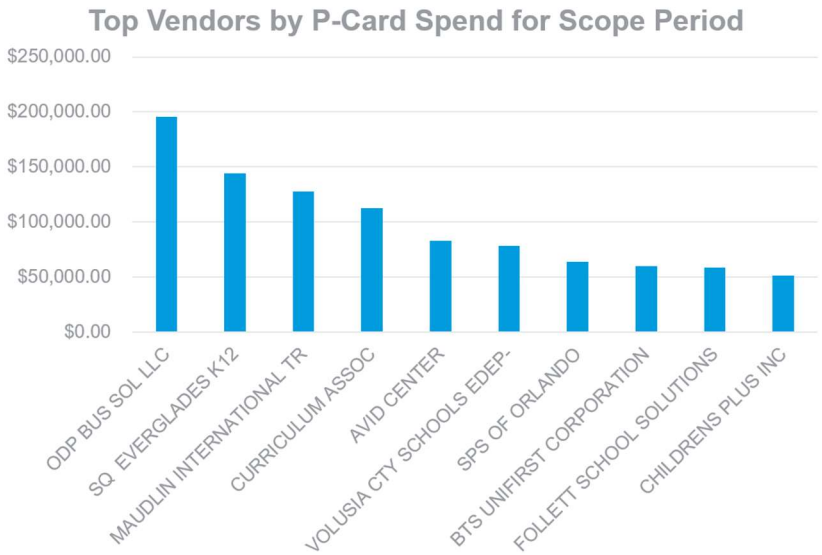
- Items that include sales tax
- Food and restaurant expenses incurred during travel
- Gasoline or fuel used for unapproved vehicles
- Fixed assets meeting inventory criteria
- Cash advances
- Telephone calls
- Gift cards for employees
- Annual contracts, membership dues, subscriptions, or notary fees
- Payment for past invoices
- Gifts
- Personal items
- First class airfare
- Hotel accomodations beyond the dates or the buisines need

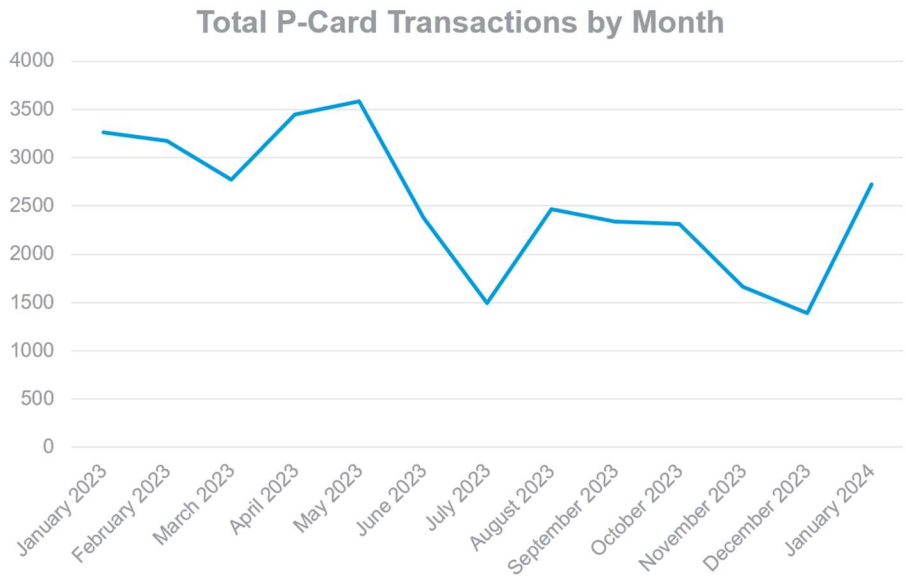
BACKGROUND (CONTINUED)

Data Analytics

As part of our procedures, we obtained District wide P-Card expenditure data from January 1, 2023 through January 31, 2024. The following page contains summarized data related to this analysis, as well as benchmarking data collected from similarly sized School Districts (as of October 2023).

	Volusia County Schools	School District of Lee County	Seminole County Public Schools	School Board of Brevard County	Marion County Public Schools	Collier County Public Schools
Total Number of P - Cards	305	504	348	703	237	206
Total Number of FTEs	8,765	10,365	7,500	8,096	6,108	5,644
Employee to Card Ratio	**28.7**	**20.6**	**21.6**	**11.5**	**25.8**	**27.4**





Key Regulatory Requirements

BACKGROUND (CONTINUED)

The District is required to adhere to and comply with a variety of Federal, State, and local school board regulations which govern purchasing cards. The regulatory environment includes, but is not limited to, the following:

Federal Regulation (when applicable)

- 2 CFR Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

State of Florida Regulation

- Florida Statute, Section 212 – *Tax on Sales, Use, and other Transactions*
- Florida Statute, Section 286 – *Public Business: Miscellaneous Provisions*
- Florida Statute, Section 287 – *Procurement of Personal Property and Services*

Volusia County Schools Policies and Procedures

- Board Policy 701 – *Finance*
- Board Policy 702 - *Purchasing*
- Volusia County Schools *Purchasing Card User Manual*

OBJECTIVES AND APPROACH

Objectives

The objective of this internal audit was to assess management's design and effectiveness of internal controls over the use of purchasing cards ("P-Cards") for District funds utilization. This included an examination of compliance with existing policies and procedures and applicable regulatory requirements, and the identification of process gaps and opportunities for improvement. The audit period was January 2023 through January 2024.

Approach

Our approach consisted of the following phases:

Understanding and Documentation of the Process

This phase consisted primarily of inquiry and walkthroughs, in an effort to obtain an understanding of the District's current operating policies and procedures, monitoring functions, and contractual arrangements as they relate to the processes within our scope. The following was performed as part of this phase:

- Conducted interviews with the appropriate representatives to discuss the scope and objectives of this audit, obtain preliminary data, and establish working arrangements;
- Conducted interviews with personnel from key departments to obtain a detailed understanding of the in-scope process(es);
- Reviewed the applicable policies and procedures, and previously issues reports related to this project; and
- Developed a work plan for the evaluation of the operating effectiveness of procedures and controls based on the information obtained through interviews, walkthroughs, and preliminary review of documentation.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to evaluate and assess the design of the current operating processes and to test the operating effectiveness of key internal controls. Our fieldwork testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above. Procedures included, but were not limited to, the following:

- Evaluated compliance with the Board Policies 701 and 702, the District's *Purchasing Card User Manual*, and Florida Statutes 212, 286, and 287;
- Performed detailed testing on a sample of sixty (60) P-Card transactions to verify the following:
    - Supporting documentation was sufficient and appropriate;
    - Purchases were allowable under the District's Purchasing Card Policy and Procedure;
    - Transaction limits were not exceeded unless appropriate approval was obtained per the District's Purchasing Card Policy and Procedure;
    - Appropriate approvals were obtained and in compliance with the District's Purchasing Card Policy and Procedure; and
    - Transactions were not split to avoid the single transaction limit.
- Performed detailed testing on a sample of twenty-five (25) Purchasing Cardholders to verify completion of required documentation;
- Assessed user access permissions and reviewed for inappropriate users;
- Assessed segregation of duties between the purchase and approval of transactions;
- Reviewed processes related to Cardholder transfer or termination; and
- Performed data analysis on P-Card transactions over the audit period for potential splits, duplicative, or prohibited transactions.

Reporting

At the conclusion of this internal audit, we summarized our findings into this report. We have reviewed the results with the appropriate Management personnel and have incorporated Management responses into this report.

OBSERVATIONS MATRIX

Observation	1. Segregation of Duties and Privileges
High	The Program Administrator role in Bank of America Works ("BoA Works") is the role granted to individuals responsible for administering access and permissions to users, managing system settings, and card program maintenance such as adjusting card limits. Our testing and inquiry revealed that individuals from both the Finance and Purchasing Departments are assigned the Program Administrator role. Finance is responsible for user access changes and permissions, whereas the Purchasing Department handles P-Card maintenance and management of system settings. An additional segregation of duties conflict arises from the Reconciler role, cards at all sites are assigned as site cards that are physically safe guarded by the Reconciler rather than held by the Cardholder of individually named cards. As such, Reconcilers can act as a card user and as the approver for the transactions within the BoA Works system. These role assignments present the following issues: **A. Administrative Segregation of Duties Conflict:** Three (3) individuals from the Finance Department are assigned the Program Administrator role. In addition to being responsible for user access and permissions changes in BoA Works, the Finance Department is also responsible for reviewing each P–Card transaction and for remitting monthly payments for the card program. This combination of duties creates a segregation of duties conflict, as someone in Finance could potentially use a P-Card, approve their own purchase, and make a payment on the card without detection. In an environment where duties are segregated appropriately, no single individual or department should have control over multiple phases of a transaction, as this increases the risk of unauthorized or fraudulent activities. **B. Reconciler Segregation of Duties Conflict:** Based on user data provided by the District, there are ninety (90) Reconcilers / backup Reconcilers with cards associated with their BOA Works account. As Reconcilers are responsible for site level approval of P–Card purchases within the BoA Works system and are also the individual responsible for keeping physical custody of the cards, Reconcilers can make a purchase and approve their own transaction within the system without a secondary approval from site leadership (see **Observation #3**). Furthermore, while the Finance Department must review and approve each transaction, they are tasked with reviewing for the existence of a receipt, the accuracy of the accounting string and are not responsible for reviewing the nature of the purchase for allowability. Without properly segregating card user and approver roles, individuals may make purchases, review, and reconcile those purchases without a secondary layer of approval to confirm the purchase was allowable, appropriate, within budget and in compliance with expectations. **C. Excessive System Privileges:** The Program Administrator role is assigned to three (3) individuals from the Finance Department and three (3) individuals from the Purchasing Department, which enables those individuals to perform functions beyond what is necessary for their specific job responsibilities. Best practices dictate that access rights granted to individuals should be limited to those necessary to perform their job functions. Having multiple departments with overlapping administrative access increases the risk of unauthorized changes and system misuse.

OBSERVATIONS MATRIX (CONTINUED)

Observation	1. Segregation of Duties and Privileges (Continued)
Recommendation	We recommend that District's Information Technology Services ("ITS") assume the role of user access provisioning for the Works system to maintain segregation of duties for user access controls as with the District's ERP system access. If the ITS Department is not able to assume the role, then the Purchasing Department should assume all administrative responsibilities associated with the Program Administrator role in BoA Works with a second internal reviewer for user access provisioning. This change would reduce the risks associated with Finance's segregation of duties conflict and would limit the assignment of the Program Administrator role to a single department. Further, this change would present operational efficiencies in the administration of P-Cards, as it would eliminate the need for Purchasing and Finance to communicate back and forth via email when the need for a user access change arises. Finance Department access should be assigned a finance access role within the BoA Works system and should be limited to review and approval of P-Card transactions allowable general ledger accounts only. In addition, we recommend that the District segregate Cardholder, Reconciler, and Approver roles in BoA Works. If departments do not have the resources necessary to fully segregate duties, we recommend that, at a minimum, the Approver role is added to the system so that Principal/Departments are approving each transaction separate from the Reconciler to provide for proper management oversite. In conjunction with our recommendation for **Observation #5**, Purchasing should develop and document in the District's *P-Card Manual* a set of standard operating procedures ("SOPs") related to user access changes and update the roles and responsibilities for P-Card administration.
Management Action Plan	**Response:** We agree with the recommendation to have Procurement take over the role of granting user access. This should identify and resolve issues with segregation of duties. We will work with BoA on creating the suggested roles for finance, reconcilers, and approvers. We will create a set of standard operating procedures ("SOPs") related to user access changes and update the roles and responsibilities for P-Card administration. Although both Finance and Procurement have program administrator roles, they operate in two separate sides of the BoA system and do not have the same capabilities. **Responsible Party**: Purchasing Department **Estimated Completion Date:** December 31, 2024

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Purchasing Card Administration
High	Through our review, we noted the following responsibilities and procedures that are considered best practice in the administration of P-Cards that the District is either currently not performing or inconsistently performing to reduce the risk of possible fraudulent activity. **A. Individual P-Cards vs. Site P-Cards** Within the District, it is the standard practice for most District P-Cards to be issued/named to a site rather than an individual; however, the *P-Card Manual* references a Cardholder role throughout when describing the procedures. The Reconciler is responsible for maintaining custody of their site's cards while not in use, however, the card can be checked in and out for use by other employees of the site at the discretion of the Reconciler. Currently, card users are not required to complete training prior to making purchases, no formal record is documented of the physical location of the card when it is checked out and there is no formal communication of purchase expectation procedures. This increases the risk of unauthorized or improper use. Further, this presents a lack of accountability for card users, which can lead to difficulties in tracking purchases, and can weaken the audit trail. **B. Standardization of Transaction Limits and Number of Cards Issued** Currently, single and monthly transaction limits are not standardized throughout the District and are not documented in the *P-Card Manual* (**see Observation #5)**. Based on the manual, limits are determined on a per-site basis dependent on average spend and the amount requested on a site's New P-Card Request Form; however, the manual does not include procedures detailing how the average spend analysis is performed. In addition, the District does not have documented standardized policies around who is eligible for a P-Card and how many P-Cards can be issued to a given site. The lack of standardized transaction limits, eligibility requirements, and card quantity limits increases the risk that an individual obtains a P-Card without proper authorization or with inappropriate transaction limits. **C. Utilization of New P-Card Request Forms** As currently utilized, New P-Card Request Forms are submitted by a site to the Purchasing Department to request a new P-Card. The form contains fields for Cardholder and school/site identification, single and monthly transactions limits, signatures of the requestor and Principal/Department Head, and a justification. While this form documents that a new P-Card was requested, it does not differentiate whether the requested card is an additional card or if it is a replacement card. Further, while the form documents that a card was requested, no documentation exists to acknowledge receipt of a specific P-Card if/when it is issued. This increases the risk of incomplete documentation and a partial audit trail. Further, this increases the risk of unauthorized or improper use.

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Purchasing Card Administration (Continued)
High	**D. Documented Approvals** **a. Grant Funds** While the District has a list of allowable/disallowable P-Card expenditure types, revenue received from grant funding is often earmarked for a specific purpose as defined by the grant. Based on our review of the *P-Card Manual* and through inquiry with management, we noted that card users are not required to obtain and document the Grant Administrator's approval prior to making grant-funded purchases with P-Cards. A lack of approval by the grant administrator increases the risk of non-compliance with grant requirements. Approval requirements should be documented in the *P-Card Manual* (see **Observation #5**.) **b. Technology Purchases** Currently, while the *P-Card Manual* prohibits fixed asset digital devices, it does not prohibit the purchase of other technology related equipment, hardware, or software. The manual also does not require approval from IT for technology related purchases. Not prohibiting or requiring approval for technology related items poses several risks including potential incompatibility with existing infrastructure, numerous security risks, availability of support expertise, and potential performance issues. **c. Capital Assets** We noted that although the *P-Card Manual* prohibits the purchase of fixed assets, our testing revealed that four (4) of the sixty (60) sampled transactions, or 6.7%, were purchases of fixed assets. Fixed asset purchases made with P-Cards may result in improper accounting practices, leading to discrepancies in the organization's asset records and assets not being properly tagged or tracked per asset management procedures. **E. Monitoring of Card Utilization** As a result of performing data analysis on P-Card transactions, we noted that many issued cards are used minimally. We reviewed the activity of 397 cards during the period of January 1, 2023 through January 31, 2024 and noted the following: • 108 (27%) cards were used for 0-10 total transactions. • 83 (21%) cards total spend for the scope period was between $0-1,000. By issuing P-Cards that are not utilized and / or do not require regular use of a P-Card, the District is unnecessarily extending its credit and increasing its exposure to associated risks without taking full advantage of the associated benefits. Cards that are not frequently used may become complacent about card security or maybe not be well versed in the current procedures for use. **F. Annual Inventory of P-Cards** Through our review of the *P-Card Manual* and through review of annual inventory audit documentation, we noted that the process for inventory counts can be circumvented. The process involves Purchasing providing a list of current cards to the Principal/Department Head of each site. The Principal or Department Head is then responsible for counting the cards and confirming the accuracy of the list by signing and returning a Site Cardholder Agreement to Purchasing. When only one person is performing an inventory count, it decreases accountability, may lead to decreased accuracy, and increases the risk of misuse or fraud.

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Purchasing Card Administration (Continued)
Recommendation	We recommend the District consider establishing documented procedures to address each of the items identified. Recommendations specific to each item are included below. **A. Individual P- Cards vs. Site P-Cards** We recommend the District issue P-Cards in the card holders name versus site P-Cards. This change will increase accountability for Cardholders, increase control over who can utilize P-Cards, increase transparency into spending patterns of individuals, increase compliance through targeted training, provide a stronger audit trail, and decrease risk of fraud. VCS may consider issuing site cards on a case – by – case basis. All users of a P-Card should be required to sign a form acknowledging that they have completed a training, and they understand the policies and procedures related to the use of the card. If the District decides to continue the practice of a site card, then Purchasing should implement a procedure related to the check-in and check-out card logs to track the physical location of the card, that every site card user has completed the applicable training and has a signed responsibility acknowledgement form on file. **B. Standardization of Transaction Limits and Number of Cards Issued** We recommend VCS standardize purchasing card transaction limits for both single and monthly transactions as well as standardize the number of cards issued to a site. If VCS transitions to individual cards rather than site cards, the District should develop standardization of eligibility requirements to hold a P-Card. In addition, should a Cardholder want to increase their single or monthly transaction limits either permanently or temporarily, the District should implement a limit change request form for the requestor to complete. This form should be reviewed and approved by the appropriate authority in the Purchasing Department depending on the request. **C. Utilization of New P-Card Request Forms** We recommend the District require a New P-Card Request Form be completed for all cards issued including replacement cards. The form should incorporate a method to indicate whether the new card is a replacement or additional. Further, after issuance of the card, Purchasing should include on the form, the card's details and require that the Cardholder acknowledge receipt of the card identified on the form. This will further enhance the audit trail for all cards issued and increase accountability for the Cardholder. **D. Documented Approvals** We recommend the District establish a formal process requiring any purchasing card transactions made with grant funds, purchases for technology related items, or purchases of fixed assets to require pre-approval from a grant administrator, IT department, or asset management, respectively. The approval should be evidenced as an attachment to the transaction in BoA Works. Existing procedures and trainings should be enhanced to further reinforce this requirement. Additional pre-approval will help prevent the misallocation of transactions to specific fund types or mistreatment of certain purchases in the District's financials. **E. Monitoring of Card Utilization** We recommend the District analyze the number of active Cardholders regularly, taking into consideration the transaction and spending volume for each Cardholder. The District should review the results and determine which, if any, cards are to be relinquished.

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Purchasing Card Administration (Continued)
Recommendation	**F. Annual Inventory of P-Cards** We recommend the District require both the Reconciler and the Principal/Department Head perform and attest to the inventory count. This reduces the risk that the control is circumvented by increasing accountability for those performing the count.
Management Action Plan	**Response:** **A. Individual P-cards vs. Site P-cards** We agree with the recommendation to begin issuing cards in the name of the individual. **B. Standardization of Transaction Limits and Number of Cards Issued** We will look into standardizing transaction limits based on the school or department size or a department's average spend. The District already has a form for requesting changes in the single or monthly transaction limits. The District implemented an updated P-card change form effective July 2024. **C. Utilization of New P-Card Request Forms** The District will revise our New P-card form as outlined in the recommendation. Currently the Cardholder acknowledges receipt of the card via the Purchasing Cardholder Agreement. We will also research the option to convert all P-card forms from PDF to a web-form. **D. Documented Approvals** The District will work to obtain the proper approvals before the purchase is made and will update the P-card manual to include the instructions to include those approvals as an attachment to the transaction in BoA Works. We will be updating the P-card manual to reiterate that capital purchases are not to be made using a P-card. **E. Monitoring of Card Utilization** The District will monitor the utilization of the cards, and will make the decision if the card should be relinquished. **F. Annual Inventory of P-cards** The District will review our procedure and will look at adding the requirement for a secondary signature. **Responsible Party**: Purchasing Department **Estimated Completion Date:** December 31, 2024

OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Approval Authority
High	We noted that multiple components of the P-Card process lacks appropriate oversight and approval authority. First, while the *P-Card Manual* references that the Principal/Department Head is responsible for reviewing and signing the monthly bank statement, there is no District monitoring requirement that verifies this control is completed or retained. Of the sixty (60) sampled transactions, eight (8) or 13.3% were missing one or more signatures on the bank statement from the Principal/Department Head. In addition, there is no current requirement for a supervisory level of review and approval in the transaction workflow by someone with the appropriate level of authority (i.e. Principal, Department Head, etc.) to monitor and approve the budgetary authority of the transaction. This results in little to no documented budgetary oversite by someone with the appropriate knowledge as well as limited transparency for the Principal/Department Head in their review of transactions, as they are not reviewing the supporting documentation attached in BoA Works or the accounting string for proper coding. Further, there is a lack of segregation of duties of the Reconciler (usually the site bookkeeper / secretary) who has the ability to perform purchases and then approves the purchase in the BoA Works system (see **Observation #1**). Provided the District requires P-Cards for individual assigned cards then the Cardholders should also be included in the flow of approvals within BoA Works if that Cardholder is not a Principal/Department Head so that site budgetary approvals are performed. We understand that while the Principal/Department Head must review and approve permanent changes to spending limits, Reconcilers can request temporary spending limit changes without supervisory site approval. Any changes to predetermined spending limits should be reviewed and approved by the appropriate level of authority from all sites and departments involved. Lack of oversight and approval presents an increased risk that unallowable purchases, budgetary controls, or human error in the account coding allocations goes undetected.
Recommendation	We recommend the District implement and document a procedure requiring the Principal/Department Head, or their documented assigned designee, to regularly review and approve transactions as well as the Cardholder prior to the transaction being sent to Finance for approval (much like the Purchase Order approval flow). Purchasing should work with Bank of America to add the designated supervisory and Cardholder approver into the approval workflow. The approval workflow should start with the Reconciler, then route to the Cardholder, then the Principal/Department Head or their designee should sign off for transaction approval, then the Finance review and approval should be last. In addition, we recommend Purchasing add to the *P-Card Manual* the requirement that any changes to spending limits be approved by the site Principal/Department Head as a request then when received by Purchasing is additionally approved by the appropriate level of authority before the amount is updated in the BoA Works system. Requiring a supervisory level of review and approval decreases the risk that non-compliant purchases go undetected.

Observations Matrix (Continued)

Observation	3. Approval Authority (Continued)
Management Action Plan	**Response:** We will work with BoA to see if this functionality is available in the Works system. Purchasing has addressed the recommendation for additional approvals on the revised P-card change form that was made effective July 2024. **Responsible Party:** Purchasing Department **Estimated Completion Date:** December 31, 2024

OBSERVATIONS MATRIX (CONTINUED)

Observation	4. User Access Control
High	The District uses Bank of America Works as the primary financial platform for the processing and payment of District P-Card transactions. The Finance Department is currently responsible for assigning roles and granting and removing access of users within the Works system at the request of Purchasing. **A. User Access Review** Currently, when user access changes are needed, such as when an employee is hired or terminated, Purchasing submits a request via email that Finance makes the needed user access change. This informal process creates an increased risk that changes in user access are not made timely or documented appropriately. • While the *P-Card Manual* states that access should be removed timely after the termination or transfer of an employee, we identified 158 of the 418 active accounts, or 38%, are held by individuals who are not employed by VCS. • Forty-nine (49) of the 139 users, or 35%, within the Group Member Request Form who appeared to still have system access within BoA Works but did not have any cards assigned. • Within this same user listing, we identified four (4) users out of 139, or 3%, who had a 'user card count' field that did not match the number of cards listed as actively assigned to their site. In addition, there is no periodic review performed to identify active accounts in the Bank of America Works system that need to be deactivated. Without a consistent, periodic review, users may retain potentially inappropriate access of financial information and permissions. **B. Reporting Capability** Currently, there is no system generated report from Bank of America Works that clearly identifies active users and their permission levels. While the Group Member Request Form identifies users designated as Reconcilers and their associated cards, it does not define their level of permissions, including what fields they have edit access to and what they are able to approve. The District was able to provide an administrative guide for role descriptions, however, this was general and did not include specific users. By working with the Bank of America Works support team, the District was also able to generate a report of user activity, however, this report did not include permission levels or user access rights. Additionally, neither Purchasing nor the Finance Department have procedures on how to perform reporting or monitoring with the reports available within the BoA Works system. Without a system generated security report that the District can easily generate, accurate monitoring of users and their permissions cannot be performed effectively.

OBSERVATIONS MATRIX (CONTINUED)

Observation	4. User Access Control (Continued)
Recommendation	We recommend the District implement an annual review and reconciliation of all active user accounts within Bank of America Works through the ITS Department. If the ITS Department is not able to assume the role, then the Purchasing Department should assume responsibilities associated with user access provisioning within Works with a second internal reviewer. Any users that are identified as not requiring access per their job responsibilities should be immediately removed. We also recommend the District explore the system reporting capabilities of Bank of America Works to develop and document periodic reporting and monitoring procedures based on the information available.
Management Action Plan	**Response:** The District will implement an annual reconciliation process with assistance from HR and ITS. We will revise the P-card manual to provide a more specific time for removing user access. **Responsible Party**: Purchasing Department **Estimated Completion Date**: December 31, 2024

OBSERVATIONS MATRIX (CONTINUED)

Observation	5. Standard Operating Procedures
High	VCS has established standard operating procedures ("SOPs") regarding the administration, operation, and monitoring of purchasing cards which was last updated February 8, 2024; however, we identified the following enhancement areas for the *P-Card Manual* procedures. These areas have been categorized into current procedures and recommended additional procedures. **A. Current Procedure Documentation** Through our review, we identified the following procedures that we understand are performed in practice but are not documented in the *P-Card Manual*. • *Physical Security of Purchasing Cards* - To maintain the physical safety of purchasing cards, procedures surrounding the safe-guarding of cards at each site must be clearly defined. Currently, we understand that each Reconciler is responsible for keeping physical custody of the cards assigned to their site, and that the Principal/Department Head maintains physical custody in the absence of the Reconciler; however, the *P-Card Manual* does not address where and how the cards should be kept when possessed by either party. • *Documentation Retention* – We understand document retention policies have been improved over the last couple of years, and physical copies of signed documents are now scanned and stored electronically in the District's document repository. Currently, the *P-Card Manual* does not address retention of documentation submitted to Purchasing such as New P-Card Request Forms, Transaction Limit Increase Forms, or Cardholder Agreements. A lack of clearly defined document retention requirements may lead to decreased transparency and an incomplete audit trail (**See Observation #9**). • *User Account Additions and Deletions* - When a new Cardholder requires access to Bank of America Works, Currently, Purchasing will communicate this request to Finance via email, who will then create the account and assign permissions to the new account. When an employee is no longer a Cardholder due to a transfer or termination, Purchasing is notified by HR via email, and Purchasing then notifies Finance that an account needs to be deactivated. User access control is currently not defined in the *P-Card Manual* (See **Observation #1**). • *Cardholder Training Quiz* – Based on inquiry with Purchasing Department personnel and through our detailed testing procedures, we understand that in addition to completion of the training course, Reconcilers must also complete and pass with at least an 80% a quiz which assesses their understanding of the P-Card requirements. The *P-Card Manual* does not address the quiz or the score requirement and does not define who is required to complete the quiz (See **Observation #6**). • *Site Card Check-In and Check-Out Systems* – Based on our review of the *P-Card Manual* we understand the Reconciler is responsible for managing the check-in and check-out system used by individuals who want to make a purchase with their site's card; however, the manual does not define how this system is supposed to be performed. For example, the manual could define the method for recording check-ins and check-outs (electronic vs handwritten), the information required when a card is checked-out, if/how someone can reserve a card for a later date or time, training for those on how they can utilize the card, responsibilities for those that check out the card, and eligibility requirements for use of the card, among others.

OBSERVATIONS MATRIX (CONTINUED)

Observation	5. Standard Operating Procedures (Continued)
High	**B. Recommended Additional District Procedures** The following items are areas that apply to the District as a whole where VCS should consider implementation of additional procedures. As additional procedures are implemented, the *P-Card Manual* should be updated. • Administration of user access changes by Purchasing (**Observation #1**) • Issuance of individual named cards (**Observation #2A**) • Definition of standard spending limits and number of cards issued per site (**Observation #2B**) • Inclusion of card details and acknowledgement of receipt on the New P-Card Request Forms (**Observation #2C**) • Approval requirements for purchases made with grant funding (**Observation #2D**) • District monitoring of card utilization (**Observation #2E**) • Requirements of inventory counts (**Observation #2F**) • Approval requirements of BoA Works transactions and spending limit increases (**Observation #3**) • Annual reviews of user accounts (**Observation #4**) • Reporting instructions of defined key reports from BoA Works (**Observation #4**) • P-Card payment in the event of outstanding unapproved transactions (**Observation #7**) **C. Recommended Additional Site Procedures** When a P-Card is issued to a site, the site is responsible for determining the procedures related to the day – to – day administration and use of the card. Currently, the *P-Card Manual* does not include standardized site-based procedures for the following: • Training for users of the site cards • Sign in and sign out procedures for card use by individuals other than the Reconciler • Principal or Department Head purchase approval • Receipt and invoice collection • Physical security of purchasing cards Without clearly documenting expectations, possible disciplinary action, and key processes, ambiguity may exist regarding roles and responsibilities, and P-Card processes may be inconsistently performed.

OBSERVATIONS MATRIX (CONTINUED)

Observation	5. Standard Operating Procedures (Continued)
Recommendation	We recommend that the *P-Card Manual* is updated to address the items related to the current practice procedures. In addition, as additional controls and procedures are implemented across the District and at individual sites, the policies and procedures should be updated to reflect those processes. Documentation of SOPs provides consistency among processes and guidance to those performing the activities, while minimizing uncertainty and the risks associated.
Management Action Plan	**Response:** We agree with the recommendations and the District will work on updating our manual and procedures to strengthen the areas identified, as applicable. The District plans to transition from a site-based program to an individual card program and will update the procedures accordingly. **Responsible Party:** Purchasing Department/Finance **Estimated Completion Date:** December 31, 2024

OBSERVATIONS MATRIX (CONTINUED)

Observation	6. P-Card Training
High	Per the District's *P-Card Manual*, all P-Card Cardholders and Reconcilers are required to complete a P-Card training before performing the responsibilities to use and/or manage P-Cards. The P- Card manual specifies that the training requirement applies to the Cardholder, Reconciler, Principal/Department Head, and any other individual holding a role. Further, the *P-Card Manual* specifies that the training should be completed, at a minimum, once per year. Through our inquiry with VCS Purchasing Department, we understand that currently only the Reconciler is required, in practice, to complete the training. This training includes instruction on the duties of a Reconciler and how to manage the site's cards. After the training is completed, the individual must also pass a P-Card quiz with a score of 80% or higher. The other defined roles of Principals/Department Head and Cardholder are not currently required to perform a training, and the training currently completed by the Reconcilers only occurs prior to taking custody of their assigned P-Cards when that individual starts in that role, not annually. In addition, currently there is no training required for individuals who are checking out a site card for use. Despite a lack of formal P-Card training for Principals/Department Heads, they are required to sign off on the P-Card Request Form acknowledging they understand the terms set forth in the District's *P-Card Manual*, and that they understand the potential disciplinary measures. Without consistent training for all roles within the P-Card process at the beginning of use as well as regular trainings to provide reminders and updates of processes changes, the risk of noncompliance with operation and use of purchasing cards from all roles is increased, as many parties may not be aware of the requirements that are expected for use and responsibility of purchasing card activity.
Recommendation	We recommend the District conduct a mandatory annual training for all Reconcilers, Principals/Department Heads, and Cardholders as defined in the *P-Card Manual*. Additionally, a training should be required and developed to be provided to card users if site cards are to be continued at the District. Purchasing should determine and define in the *P-Card Manual* who is required to also take and pass a corresponding quiz with a specified score.
Management Action Plan	**Response:** On an annual basis, the District will create an electronic notification letter that includes a link to the manual/procedures. Cardholders must review and sign or their card will be deactivated. We will research if our existing learning management tools have a user-friendly option for requiring the forms be completed and returned through an automated process. District will work to provide bookkeeper training annually. **Responsible Party:** Purchasing Department/Finance/ITS **Estimated Completion Date:** February 28, 2025

OBSERVATIONS MATRIX (CONTINUED)

Observation	7. Automated Approval Controls
High	Currently, all purchases made before the end of each month must be paid by the due date on the respective months' statement. For each transaction in Works, the Reconciler must first attach the supporting documentation and approve the transaction before Finance can perform their review. If transactions are not approved by the site Reconciler prior to the payment due date, the District is still required to pay the monthly balances of all P-Cards as failure to do so will result in late fees being assessed on the account. Currently, in order to avoid incurring late fees, when transactions are pending approval by a Reconciler, the Finance Department performs a "sweep" of the pending transaction, bypassing the approval by the Reconciler required by the workflow in order to reconcile and pay the monthly billing. Per the Finance Department, once the approval "sweep" is performed, there is no documented methodology in place to track and obtain the Reconciler approval after the payment is processed which could result in missing supporting receipts, a lack of Reconciler approval, and inaccurate general ledger coding. This practice increases the likelihood of unauthorized or fraudulent transactions going undetected, as there is no subsequent verification to determine that all transactions are valid and properly documented.
Recommendation	We recommend the District create another reconciliation process in which they are able to "hold open" transactions that have not been approved in the system so that required documentation and approvals are performed before they are "swept" and closed out for the monthly reconciliation. The District should reinforce to all Reconcilers and Principals/Department Heads the importance of timely review and approvals and should consider the disciplinary procedures outlined in the *P-Card Manual* for any roles that are not performed within the expected timeframe. Enforcing approval workflows is an important internal control to reduce the risk of errors and monitor for unauthorized and potentially fraudulent transactions which could go undetected.
Management Action Plan	**Response:** Systemic restrictions prohibit us from altering the "sweep" process, which is necessary to ensure timely payment of the entire balance due. Finance will collaborate with the PCard Administrator to generate a Bank of America Works report that includes all "swept" transactions. These occur when a reconciler fails to attach a receipt within the required timeframe. The district will implement an action plan: if a reconciler misses the deadline three times, resulting in "swept" transactions, PCard privileges will be revoked for the remainder of the fiscal year. This action plan will be incorporated into our training module and PCard manual. **Responsible Party:** Finance/Purchasing Department **Estimated Completion Date:** December 1, 2024

OBSERVATIONS MATRIX (CONTINUED)

Observation	8. P-Card Compliance
High	The District has developed robust procedures to detail requirements and expectations for the use of Purchasing Cards. The District's *P-Card Manual* details instructions relating but not limited to allowability of transactions, Cardholder required documentation, and P-Card usage. Through our review of the sampled P-Card transactions and performance of data analytics, we identified several instances of non-compliance with VCS Policies and Procedures. These instances include: **Unallowable Purchases** Of the sixty (60) sampled transactions, two (2) or 3.3% fall under the prohibited category for transactions with a purchasing card. The prohibited categories noted include vehicle tolls and gift cards. Four (4) of the sixty (60) samples, or 6.7%, meet the criteria of a fixed asset and were purchased without appropriate prior approval. Two (2) of the four (4) transactions related to a purchase that the District retroactively reclassified as a capital asset; however, the remaining two (2) transactions related to a purchase that was not subsequently reclassified. Without appropriate monitoring of purchases, an elevated risk exists for the misuse of purchasing cards and purchase of noncompliant or inappropriate transactions. **Split Transactions** Ten (10) of the sixty (60) samples or 16.7% appeared to be intentionally split into two (2) transactions to bypass their assigned single transaction limit. These transactions were made on the same day from the same vendor using the same card but split into two transactions under the card's assigned transaction threshold. Unallowable purchases, incomplete documentation, and intentionally split transactions present elevated risk to the District as they create the opportunity for fraud and misuse of purchasing cards, as well as an incomplete audit trail.
Recommendation	We recommend the District reinforce its training and expectations of all employees involved in the purchasing cards process to further minimize instances of non-compliance. Additionally, we recommend that Finance monitor as part of their review purchases made on the same day from the same vendor to identify any intentionally split transactions.
Management Action Plan	**Response:** The District believes that the review process to reduce the risk of split transactions is sufficient. Additionally, the District will contact the PCard vendor to change the spending limitations from a single transaction limit to daily limitations, further reducing the risk of split transactions and ensuring compliance competitive quote and solicitation thresholds. **Responsible Party:** Purchasing Department/Finance **Estimated Completion Date:** December 1, 2024

OBSERVATIONS MATRIX (CONTINUED)

Observation	9. Documentation Retention
High	To effectively document the administration of purchasing cards, the Purchasing Department requires sites and their designees to complete several forms prior to receiving a card. As a part of our testing, we identified multiple instances of noncompliance with the stated procedures for document retention within the *P-Card Manual.* **New P-Card Request Forms** When requesting the addition of a purchasing card to a site, the requestor must complete a New P-Card Request Form designating single and monthly transaction limits, funding sources, and required approvals. These forms are completed on a paper copy and retained by the Purchasing Department. Of the twenty-five (25) cards sampled, 23 samples or 92% of the New P-Card Request Forms were not retained. Management confirmed that, at the time these cards were issued, these forms were not required to be retained. **New P-Card Justifications** Per the *P-Card Manual,* the requestor must provide a justification for the addition of the requested card. While the New P-Card Request Form contains a section for the requestor to provide their justification, we understand it is not always utilized, rather the requestor submits their justification via email. Of the twenty-five (25) cards sampled, twenty-four (24) or 96% of the justifications for the addition of a new card were not retained. Without appropriate documentation history, a complete audit trail cannot be established. Without retaining documentation relating to the addition of a new card and allowing email submissions of information outside of the standardized procedure, an increased risk exists for the improper retention of documentation, incompleteness of documentation, and miscommunication of information.
Recommendation	We recommend the District require the completion and retention of the New P-Card Request Form. Enhancement of existing training may also aid in maintaining compliance with these procedures. Additionally, we recommend the District formalize the New P-Card justification requirements by requiring the justification to be mandatory as a required field within the New P-Card Request Form. Formalizing the justifications through documentation rather than informal email will aid in maintaining consistent and complete records of purchasing card additions. Purchasing should be responsible for retaining all documentation related to the P-Card administration.
Management Action Plan	**Response:** The District will strengthen its data retention program for all P-card documentation. The New P-card Request Form is under revision and should be ready for release by September 1, 2024 and will reflect the recommended requirements. **Responsible Party:** Purchasing Department **Estimated Completion Date:** December 1, 2024

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