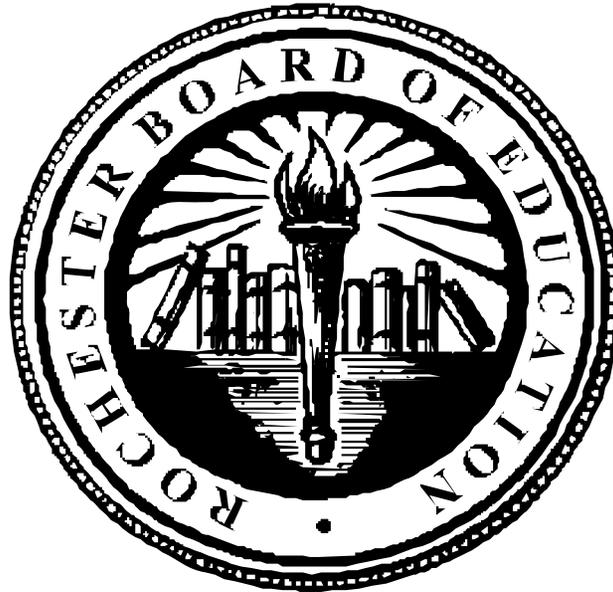


# OFFICE OF AUDITOR GENERAL



## Procurement Card Follow Up

October 2015



## **Procurement Card Follow Up Executive Summary**

### **OBJECTIVE**

To follow up on management's corrective actions taken on outstanding audit recommendations since our last update in June 2012. Our evaluation focused on operating procedures and controls implemented for the Procurement Card.

### **BACKGROUND**

The Procurement Card (PCard) program allows District cardholders to purchase low dollar value goods and services utilizing a credit card in place of the requisition and purchase order process. Although the employees' name appears on the PCard, liability for payment resides with the District. Payment is made through a wire transfer for the full amount of all District PCards on a monthly basis.

The District implemented the PCard program in July 2006. In fiscal 2014, approximately 16,400 transactions were made through the PCard program and over \$4 million was spent using PCards. These are transactions which would have otherwise gone through the requisition, purchase order, and invoicing process. Using the PCard saves time and money for the District and its' employees because it reduces the number of purchase orders and checks issued.

### **SCOPE**

We evaluated current processes and controls in place for PCard management. We reassessed the propriety of PCard account records, credit limits, transaction monitoring and merchant category codes (MCC) restrictions. The period reviewed was from July 2013 to August 2014.

### **CONCLUSION**

Overall, CentreSuite provides automated tools to support good internal controls over PCard management, but management must continuously monitor card holder account changes and purchase transactions to ensure controls are operating properly. Purchasing continues to perform routine reviews of PCard transactions which utilize automated reports based on electronic vendor receipts reported in CentreSuite. The District receives receipt level detail for approximately 50% of transactions reported in CentreSuite; therefore, by nature this review process is still heavily manual. This factor along with the inherent limitations of manual transaction review emphasizes the need for receipt monitoring as a mitigating control. Purchasing now monitors a sample of cardholder receipts for propriety, but documentation of reviews performed is not maintained. Management still lacks documentation supporting changes to cardholder accounts, authorized PCard supervisors and merchant category codes (purchase restriction) controls. Additionally, evidence of documentation review is not centrally accessible.



## Procurement Card Follow Up Summary of Recommendations

Rec #	Follow Up Status	Recommendations
1	<i>Complete 2011</i>	<i>Cancel the PCard Administrator's general purchase PCard immediately.</i>
2	<i>Complete 2011</i>	<i>Evaluate the user authority for all user groups able to modify transaction limits and modify access as deemed necessary. Restrict access to cardholder maintenance for all user groups to the PCard Administrator and designated back-up personnel.</i>
3	<i>Partially Complete</i>	<i>Develop a procedure to monitor and approve the changes to cardholder maintenance in SDOL®, at least quarterly to compensate for the limited 90 day audit trail period. Retain all changes and approvals of changes to cardholder maintenance in SDOL®.</i>
4	<i>Complete 2011</i>	<i>Perform regular monitoring of all cardholders to ensure only active District employees have access to PCards. Obtain regular notification of all employee terminations to facilitate the review.</i>
5	<i>Partially Complete</i>	<i>Review all cardholder spending limits and supervisor assignments to ensure documentation exists to support what is actually granted in SDOL®. Obtain updated agreements and forms for those with discrepancies. Evaluate the spending limits on a regular basis to ensure reasonableness and consider obtaining an annual acknowledgement for all supervisors' responsibility for cardholders. In addition, periodically verify that the cost center for cardholders and their related supervisors are accurate.</i>
6	<i>Complete 2011</i>	<i>Review and approve all authorizing documentation for the PCard to ensure accuracy and completeness. Delay the issuance of the PCard until proper documentation and authorization exists.</i>
7	<i>Complete 2011</i>	<i>Monitor the cardholder reconciliations and the Supervisor approval to authorize PCard purchases. Notify violators who have not performed their review and escalate to the violators' manager, principal or department head. Trend violations to determine repeat offenders and consider suspension or cancellation of card privileges.</i>



## Procurement Card Follow Up Summary of Recommendations

Rec #	Follow Up Status	Recommendations
8	<i>Partially Complete</i>	<i>Develop and document monitoring procedures for supporting documentation. Determine the ramifications for violators of PCard policies and consider suspension or cancellation of card privileges. Enforce PCard Administration receipt requirements to substantiate purchases. Trend violations to determine repeat offenders.</i>
9	<i>Complete 2011</i>	<i>Trend and report violations of district policy regarding PCard purchases to Senior Management. Define tolerance levels for the violation of PCard procedures. Follow up on violations of PCard purchases to ensure monies are recouped, as appropriate.</i>
10	<i>Complete 2011</i>	<i>Enforce the policy that split transactions are not allowed and develop written policies for any exceptions that may exist. Trend violations of the split transaction policy. Define disciplinary ramifications for those in violation of the policy.</i>
11	<i>Complete 2011</i>	<i>Secure all PCard account information to help prevent unauthorized use of the PCards.</i>
12	<i>Complete 2011</i>	<i>Prohibit the payment of invoices utilizing the PCard and document this limitation in the Procedures Manual. Monitor for invoice related items paid by the PCard and ensure that duplicate payments do not exist. Obtain a credit for the duplicate payment identified above.</i>
13	<i>Partially Complete</i>	<i>Develop a more thorough systematic process for reviewing inappropriate PCard Transactions. Evaluate automation to facilitate the review process for detecting questionable purchases.</i>
14	<i>Complete 2011</i>	<i>Develop a monthly reconciliation process in which the total dollar amount billed for the month equals the total dollar amount in account statements and receipts received. Develop a monthly process where the ACH pay cycle is reconciled to the JPMorgan Chase account statement.</i>
15	<i>Complete 2011</i>	<i>Develop a record retention policy defining requirements for PCard related documentation. Ensure the means of which the District stores its documentation is operational and reliable.</i>



## Procurement Card Follow Up Summary of Recommendations

Rec #	Follow Up Status	Recommendations
16	<i>Complete 2011</i>	<i>Develop and enforce a policy that cardholders should purchase from vendors that are on contract with the District to take full advantage of the contracted savings. Provide PCard owners with a table of specific contracted vendors that should be used.</i>
17	<i>Partially Complete</i>	<i>Obtain a copy of the Merchant Category Code exclusions the District has implemented. Monitor Merchant Category Codes on a regular basis and assess the exclusions for reasonableness and appropriateness for District needs. Retain the analysis for review.</i>