

December 5, 2013

MEMORANDUM

TO: Spencer Moore
Vice President and Chief Facilities Officer

FROM: Sherri Magnus
Vice President and Chief Audit Officer



SUBJECT: Bastrop Procurement Card Review
Audit Control Number 2013-253

Introduction

Internal Audit performed a review of procurement card (ProCard) expenditures for the Bastrop location of the Facilities Department. The review covered the two year period from April 2011 to March 2013. Procedures conducted during the review included but were not limited to:

- Review of applicable Procurement Card Guidelines
- Interview of Department personnel
- Review and testing of procurement requisition and invoice records

Overall, our observations indicate opportunities for improvement to ensure ProCard guidelines are being followed.

Procurement Approval

As a part of Management's standard practice, a purchase requisition should be completed and approved prior to a ProCard purchase. During our review, we noted instances when this did not appear to occur.

- Some purchase requisitions had no approval or an approval date after the purchase date.
- Other requisitions had documentation which referenced the attached purchase receipt. This indicated that the requisition was created after the purchase was made and the receipt was obtained.
- Some purchase requisitions contained only general descriptions which would not allow the reviewer to determine appropriateness or reasonableness of the request.

Requisitions that do not contain a clear description of items to be purchased limit the information the reviewer would have to adequately review and approve the request prior to purchase.

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Reconciliation Process

There does not appear to be an independent and adequate review of ProCard documentation to ensure that transactions are accurate, complete, and appropriate. Both of the ProCard holders reconcile transactions for their own ProCards. This lack of segregation of duties should have been mitigated by a review and approval of the reconciliation by a manager. Discussion with Management indicated that there is a lack of adequate management review of transactions during the reconciliation process.

During our review we noted instances where no supporting documentation of transactions existed to support charges on the ProCard statement.

ProCard Custody

Purchases appear to be made by non-ProCard holders. Signatures on some receipts do not correspond with the ProCard holders. In addition, when one ProCard holder is out of the office, the other ProCard holder has custody of the ProCard. ProCard guidelines do not permit non-ProCard holders to borrow the ProCard to make purchases. Each ProCard holder is responsible for the security of their individual ProCard and the transactions made with it.

General Purchase Process

It appears that there is no strategic purchasing plan for the Bastrop location of Facilities. Purchases are viewed as individual transactions and procurement personnel are not analyzing their spending patterns to determine if more cost effective agreements should be negotiated.

Recommendation:

Management should strengthen controls, including monitoring and oversight, to ensure that funds are being used prudently. This should include educating ProCard holders and requisition approvers on institutional guidelines as well as holding all parties accountable.

Management's Action Plan:

Responsible EVP: Leon Leach

Due Date: April 30, 2014

Responsible Party: Bill Bailey

Internal Audit identified the following four general areas for improvement in the management and oversight of ProCard usage by FM personnel at Bastrop.

1. ProCard procurement approval
2. ProCard reconciliation
3. ProCard custody
4. General material purchasing process.

For Items 1, 2, and 3, FM personnel have already or will complete the following by December 31, 2013.

- Instruct/train ProCard holders and requisition approvers on Institutional guidelines.

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- Review responsibilities of ProCard holders and requisitioners and develop appropriate workflow processes for execution.
- Establish management and Facilities Finance oversight review processes.
- Verification of attendance to training sessions will be documented and provided to responsible parties within FM.

Item 4 is more involved and will require more time to fully implement. A short-term solution to the issue of less-than-required accountability for purchase and use of materials has, as of October 31, 2013, been addressed and implemented. The basic requirement of better controls and accountability methods has been met at this time, but as this work-in-progress is more fully developed, additional training will be completed as needed. Training of maintenance personnel on this short-term process is ongoing daily, and will be completed by December 31, 2013.

To fully address and implement Item 4, FM personnel will complete the following by April 30, 2014.

- Address the issue of excessive numbers of purchases made to obtain common materials required in the daily routine of repair and maintenance of Bastrop facilities and assets.
- Establish a means of properly obtaining and managing a base supply of on-site materials, including a secure method of properly accounting for the use of all such materials is part of the long-term solution to this issue.
- An enhanced program to manage and control tool inventory will also be created to address consumable items, specialty tools and replacement of worn out tools.
- The general material purchasing process will be established and operational by April 30, 2014.

To ensure development and execution of this plan, a monthly review of actions taken and the results of those actions will be conducted by a REF management team consisting of, but not limited to Mike Green, Director, REF Operations and Maintenance, Jimmy Gibbs, Keeling Center REF O&M Property Manager, and Linda Tran, REF Office Manager. Results of those monthly reviews will be submitted to David Bammerlin, Associate Vice President, Research and Education Facilities and to Bill Bailey, Executive Director, Facilities Finance. The monthly reviews will continue until the steps described in the above plan have been completed.

REF O&M management understands and fully appreciates the seriousness of the issues brought forward by this audit, and is totally committed to take necessary actions to remedy the issues discussed. The REF management team believes execution of the described plan will meet the recommendations of the Internal Audit team to include strengthening controls to ensure that funds are being used prudently, and will provide education and training to ProCard holders and requisition approvers on institutional guidelines as well as holding parties accountable.

cc: David Bammerlin
Bill Bailey
Eva Saenz

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