

Procurement Card Administration Audit



Audit Report # 12-20
October 8, 2012

Office of Auditing and Consulting Services

"Committed to Service, Independence and Quality"

THE UNIVERSITY OF TEXAS AT EL PASO



Office of Auditing and
Consulting Services

October 8, 2012

Dr. Diana Natalicio
President, University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed a limited-scope audit of the administration of the University's procurement card program.

During the audit, we identified some opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the program in strengthening controls and help ensure that the University's mission, goals and objectives are achieved.

We appreciate the cooperation and assistance provided by the Purchasing Office and the Procurement Card Administrator during our audit.

Sincerely,

A handwritten signature in black ink that reads 'William A. Peters'. The signature is written in a cursive, flowing style.

William A. Peters
Director

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited-scope audit of the procurement card program. The audit scope was limited to transactions processed during the period from September 1, 2011 through May 31, 2012. The objective of this audit was to determine whether the audited areas are in compliance with institutional policies and procedures.

During the audit, we noted that:

- the process of identifying terminated employees can be strengthened,
- there are opportunities to replace the manual review of monthly transactions with more efficient and effective computer-based techniques, and
- access controls to safeguard sensitive information can be improved.

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BACKGROUND

The University of Texas at El Paso (UTEP) procurement card (Pro-Card) program is a fast, flexible method of processing low dollar purchases from vendors that accept the MasterCard credit card. The Pro-Card allows cardholders to purchase unrestricted commodities of \$1,000 or less directly from vendors without issuing purchase orders. The Program Administrator (Administrator) is responsible for the overall administration of the Pro-Card program. Some of the duties of the Administrator include:

- setting up new Pro-Card accounts,
- processing changes to credit limits,
- monitoring Pro-Card transactions for compliance, and
- cancellation of Pro-Card accounts.

In September 2011, the UTEP Pro-Card program was changed from Chase Bank to Citibank. During the audit period, there were approximately 175 cardholders with aggregate transactions totaling \$845,000.

AUDIT OBJECTIVES

The objective of this audit was to determine whether the Pro-Card program is operating in compliance with the institutional policies and procedures.

SCOPE AND METHODOLOGY

The audit scope was limited to a review of processes and transactions completed during the period from September 1, 2011 to May 31, 2012.

Audit methodology included the use of Computer Aided Auditing Techniques (CAAT), reviewing the department's policies and procedures, interviewing key personnel, process mapping, and reviewing supporting documents.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

To accomplish our audit objectives, we:

- reviewed the list of current card holders to verify they are current employees of the University,
- assessed the process for termination of a Pro-Card,

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- reviewed files for proper documentation,
- analyzed Pro-Card transactions,
- evaluated the process for monitoring procurement card transactions, and
- assessed the physical security for procurement card files.

No reportable exceptions were found except for those listed below.

AUDIT RESULTS

We determined the Pro-Card program is generally in compliance with institutional policies and procedures. Recommendations to management for improvement of controls in some of these areas are presented below.

A. Monitoring of Pro-Card Holders

The Administrator is responsible for monitoring current cardholders and terminating the card for individuals no longer employed by the University. Currently, the Administrator reviews the clearance forms provided by Human Resource Services to identify procurement cards which should be cancelled. These forms, however, do not provide complete, consistent, and timely identification of terminated employees.

Using CAAT, we tested 100% of the cardholders to determine whether they were current employees. One card, assigned to an individual retired 39 days prior to our testing, had not been cancelled, thereby increasing the risk of unauthorized commitment of University funds.

Recommendation:

The Administrator should strengthen the process of identifying terminated cardholders to ensure that Pro-Cards are cancelled in a timely manner.

Management's Response: Language will be added to the Pro-Card Training Manual to address responsibility of Department Supervisors to notify Pro-Card Administrator of UTEP employee exit. Specifically, language will be added to encourage supervisors to send the Pro-card administrator an email of notification when card holding employees leave the University. Purchasing will work with Information Technology and Human Resource Services to create an automated process to capture employee departures and notify required areas.

Responsible Party: Diane N. De Hoyos, Director, Purchasing and General Services

Implementation Date: October 31, 2012

B. Monitoring of Pro-Card Transactions

Every month, Citibank provides three separate reports containing different information. The Administrator manually reviews the reports and chooses a sample of transactions for detailed review. The sample is selected judgmentally and includes all identified transactions that exhibit potential for violation of procurement card policy. Some examples of potential violations include:

- payment of sales tax,
- unallowable purchase, and
- split transactions, where a single purchase is broken into multiple transactions for the purpose of circumventing the \$1000 single transaction limit.

Recommendation:

The Administrator should consider more efficient and effective ways to review procurement card transactions. For example, computer-based analytical tools would allow the Administrator to extract, compare, analyze and summarize 100% of the transactions more quickly and accurately.

Management's Response: *Management will implement analytical audit computer based software to monitor the pro-card transactions.*

Responsible Party: *Diane N. De Hoyos, Director, Purchasing and General Services*

Implementation Date: *January 2, 2013*

C. Access to Pro-Card Files

The Pro-Card files are locked in file cabinets in the Administrator's office, and the Administrator is the only individual assigned a key for the office. There are master keys which provide access to the office, including one master key which is not assigned to an individual and is used to open the building on the weekends. This could allow access to the files by unauthorized parties.

Recommendations:

Options to improve the security of the files could include the following:

- *Eliminate the need for paper documents by conversion to electronic media.*
- *Store the procurement card files in more secure location such as a safe.*
- *Install swipe card access control to the Administrator's office.*

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Management's Response: There will be a conversion to electronic media of relevant data to eliminate the need for paper documents.

*Responsible Party: Diane N. De Hoyos, Director, Purchasing and General Services
David Dominguez, Pro-Card Administrator, Purchasing and General Services*

Implementation Date: January 2, 2013.

CONCLUSION

The Pro-Card controls appear to be functioning appropriately; however, we believe that the Purchasing Office can enhance the effectiveness and efficiency of the Pro-Card program by implementing computer-based analysis and strengthening access controls.

We wish to thank the Purchasing Office and the Administrator for their assistance and cooperation provided during the audit.