

UNIVERSITY OF NEVADA, RENO
PURCHASING CARD PROGRAM
Internal Audit Report
July 1, 2014 through October 31, 2015

GENERAL OVERVIEW

The University of Nevada, Reno (UNR) purchasing card program was implemented in 1996 as a way to provide an easier, more convenient method for employees to make purchases of small dollar items. The program grew rapidly in the years immediately following its introduction with more modest growth occurring in the last ten years. During the audit period, there were approximately 1,500 active purchasing cards at the university and total purchasing card transactions was nearly \$26 million in the 2014 calendar year.

Purchasing card transactions are processed through a database provided by the card issuer. Cardholders are responsible for maintaining receipts and other relevant supporting documentation. The documentation and statement of charges is submitted for supervisory review and approval two times per month. It is then forwarded to the Controller's Office for further review and for processing and storage. There are three employees in the Controller's Office who perform these reviews as well as other purchasing card related functions.

SCOPE OF AUDIT

The Internal Audit Department has completed a review of the Purchasing Card Program at UNR for the period of July 1, 2014 through October 31, 2015.

Our review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included tests of the accounting records and other auditing procedures, as we considered necessary. The tests included, but were not necessarily limited to, these areas.

1. Reviewing purchasing card policies and procedures for completeness and proper internal controls.
2. Testing cardholder application and agreement forms for proper completion and approval.
3. Testing purchasing card transactions for reasonableness, proper supporting documentation and approval, and adherence to established policies.
4. Reviewing the physical security and design of purchasing cards.
5. Reviewing the rebate program for compliance with the provisions stated in the purchasing card agreement.

In our opinion, we can be reasonably assured that the UNR purchasing card program is functioning in a satisfactory manner and that no major control weaknesses exist. However, implementation of the following recommendations would further improve the program.

TRANSACTION TESTING

We tested a sample of 80 purchasing card transactions that occurred during the audit period. The transactions were reviewed to determine that adequate supporting documentation was present, that the purchases were reasonable, and that established procedures for submitting, reviewing, and approving transactions were performed. The following exceptions were noted.

1. On two occasions, receipts were not provided by cardholders to support purchases as required.
2. On one occasion, the Statement of Account was not signed by an authorized account signer.

For items one and two, we recommend cardholders be instructed to submit proper supporting documentation as well as Statements of Account that are signed by the

required parties when this information is not submitted or is submitted incorrectly to the Controller's Office.

Institution Response

How compliance was achieved:

The Accounts Payable Manager attended the Personnel/Controller/Budget (PCB) meeting which the university fiscal officers attend and disseminated the Purchasing Card (P-Card) requirements as recommended. We also attended the Human Resources Network meeting which the administrative assistants attend to disseminate the same information.

What will be done to avoid the identified problems and issues in the future?

Communication efforts to applicable campus community groups and channels will continue. P-Card staff will continue to communicate through the various campus groups and on the Controller's website about the requirements. The P-Card list serve was updated to include all cardholders and processors in the department that match receipts to the statement of account. Recipients are not allowed to unsubscribe from the list serve and if an email is closed the P-Card office receives notification.

How compliance and future good management and practice will be measured, monitored and assured:

P-Card staff will continue to communicate through the various campus groups and on the Controller's website about the requirements.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise:

The Accounts Payable Manager.

When the measures will be taken and on what schedule compliance and good practice will be secured:

Communications begin with the P-card holder and departments immediately.

How compliance and performance will be documented for future audit, management and performance review:

The P-Card procedures manual has been updated with the required emails that must be sent to P-Card holders and processors who do not conform to policy.

Follow-Up Response

No change, the corrective action was implemented as presented in the original response.

APPLICATION AND AGREEMENT FORMS

Employees that would like to obtain a purchasing card are required to complete the Purchasing Card Application and Agreement form. The form is required to be signed by the cardholder and must be approved by the department chair/director or dean/vice president. As indicated, the form includes an agreement in which the cardholder acknowledges all terms and conditions for purchasing card use are understood. The form is required to be signed and dated again when the cardholder receives their card from the Controller's Office. A similar form is available for purchasing cards that are intended for department use. We reviewed a sample of 56 individual and 10 department application and agreement forms for proper completion. The following exceptions were noted.

1. Two forms were not signed by the purchasing card administrator.
2. Two forms did not include the purchasing card number and expiration date.
3. Two forms did not include the individuals who should have access to the card issuer's database and receive internal correspondence from the Controller's Office.

For items one through three, we recommend the Purchasing Card Application and Agreement form be completed in its entirety for improved recordkeeping.

Institution Response

How compliance was achieved:

P-Card staff have been advised to more closely monitor for signatures and if the form is not in compliance to take it to the Accounts Payable Manager.

What will be done to avoid the identified problems and issues in the future?

A periodic quality assurance review will be performed by the Account Technician who oversees the P-Card area.

How compliance and future good management and practice will be measured, monitored and assured:

A quality assurance review that identifies errors such as an incomplete form will be brought to the Accounts Payable Manager's attention for resolution and completion.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise?

The Associate Vice President, Business and Finance/Controller and the A/P Manager

When the measures will be taken and on what schedule compliance and good practice will be secured:

The quarterly quality assurance reviews will begin after the end of the first quarter of FY2017.

How compliance and performance will be documented for future audit, management and performance review:

Desk procedures have been updated to include quality assurance review measures. Quarterly reviews and follow-up actions will be documented.

Follow-Up Response

No change, the corrective action was implemented as presented in the original response.

4. One form was not signed by the cardholder to acknowledge receipt of their purchasing card. We were subsequently informed the employee works in Las Vegas and the card was sent by mail, along with a letter, which the employee was requested to sign and return to the Controller's Office to acknowledge receipt of their card. We noted a signed copy of the letter was not retained by the Controller's Office.

We recommend greater care be taken to ensure that requested documentation is returned and properly maintained.

Institution Response

How compliance was achieved:

P-Card staff have been advised to be more careful when scanning and filing documents.

What will be done to avoid the identified problems and issues in the future?

Continuous training of purchasing card staff regarding scanning and filing.

How compliance and future good management and practice will be measured, monitored and assured:

Documents are readily available for retrieval upon request.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise:

The Accounts Payable Manager.

When the measures will be taken and on what schedule compliance and good practice will be secured:

Purchasing card staff have been trained.

How compliance and performance will be documented for future audit, management and performance review:

Documents are readily available for retrieval upon request.

Follow-Up Response

No change, the corrective action was implemented as presented in the original response.

PURCHASING CARD RENEWAL LOG

When purchasing cards expire, new ones are sent to the Controller's Office from the card issuer. Current procedures require cardholders to sign a log when picking up their card to acknowledge receipt. We reviewed the log and selected five renewal cards that were received by the Controller's Office that did not have a cardholder signature. We noted one of the five renewal cards was distributed to cardholders without the cardholder signing the Purchasing Card Renewal Log.

We recommend greater care be taken to ensure the renewal log is signed each time a card is distributed.

Institution Response

How compliance was achieved:

When a single person is picking up multiple cards, a procedure has been implemented to have an indexed reference noted in the log with the corresponding signature and approval documentation.

What will be done to avoid the identified problems and issues in the future?

A periodic quality assurance review will be performed by the Account Technician who oversees the purchasing card area during the distribution period.

How compliance and future good management and practice will be measured, monitored and assured:

Prior to the end of each fiscal year the log will be reviewed to verify the indexing has been completed.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise:

The Accounts Payable Manager.

When the measures will be taken and on what schedule compliance and good practice will be secured:

New procedures have been implemented for the next distribution scheduled for February 2017.

How compliance and performance will be documented for future audit, management and performance review:

Desk procedures have been updated to reflect the process.

Follow-Up Response

No change, the corrective action was implemented as presented in the original response.

CARDHOLDER INTERVIEW

A survey of 32 university employees was conducted to determine whether the purchasing cards issued to them, or to the departments in which they work, were maintained in a secure area.

We also asked about the training received prior to receiving a purchasing card, the manner in which disputed transactions have been handled, and authorized users of the purchasing cards.

We noted one individual cardholder responded that his purchasing card was stored in an unlocked drawer in a laboratory. We noted two other individual cardholders indicated their cards are used by another person.

We recommend cardholders be reminded to keep cards on their person or in a secure area, such as a lockable drawer to which only they or those authorized to use the cards have access. We recommend cardholders also be reminded that purchasing cards should only be used by the person to whom the card is issued or, in the case of a department purchasing card, by authorized employees within the department.

Institution Response

How compliance was achieved:

The Accounts Payable Manager attended the Personnel/Controller/Budget (PCB) meeting which the university fiscal officers attend and disseminated the purchasing card requirements as recommended. We also attended the Human Resources Network meeting which the administrative assistants attend to disseminate the same information.

What will be done to avoid the identified problems and issues in the future?

Communication efforts to applicable campus community groups and channels will continue. The P-Card list serve was updated to include all cardholders and processors in the department that match receipts to the statement of account. Recipients are not allowed to unsubscribe from the list serve and if an email account is closed, the P-Card office receives notification.

How compliance and future good management and practice will be measured, monitored and assured:

Purchasing card staff will continue to communicate through the various campus groups and on the Controller's website about the requirements.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise:

The purchasing card holder through their respective supervisor and/or the Accounts Payable Manager.

When the measures will be taken and on what schedule compliance and good practice will be secured:

Communications begin with the purchasing card holder and departments immediately.

How compliance and performance will be documented for future audit, management and performance review:

The purchasing card department procedures manual has been updated with the required emails that must be sent to card holders who do not conform to policy.

Follow-Up Response

No change, the corrective action was implemented as presented in the original response.

INACTIVE CARDS

A procedure does not currently exist for identifying purchasing cards that have not been used for an extended period of time, such as a year. We noted 25 active purchasing cards did not have any activity during the 16-month audit period.

We recommend cardholder activity reports be reviewed periodically to identify inactive cards. Once identified, the cardholders should be contacted to determine whether they are still in possession of the card and whether it is still needed. Purchasing cards that are not needed should be deactivated.

Institution Response

How compliance was achieved:

Procedures have been implemented for cardholder activity as recommended and will be reviewed quarterly.

What will be done to avoid the identified problems and issues in the future?

During review of cardholder activity, if cards are identified as not being used or needed, the cards will be deactivated.

How compliance and future good management and practice will be measured, monitored and assured:

Desk procedures have been updated to include required quarterly review of active cards.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise:

The Accounts Payable Manager.

When the measures will be taken and on what schedule compliance and good practice will be secured:

The first quarter review will take place after the end of the first quarter of FY2017.

How compliance and performance will be documented for future audit, management and performance review:

A quarterly review will be documented and any issues or discrepancies from the review will be brought to the attention of the Accounts Payable Manager for resolution.

Follow-Up Response

No change, the corrective action was implemented as presented in the original response.

PROCEDURES

Controller's Office employees that are involved in administering the university's purchasing card function perform a variety of tasks. These include processing Purchasing Card Application and Agreement forms, reviewing Statements of Account and supporting documentation submitted by cardholders, updating the card issuer's database when new cards are issued or revisions to existing cardholder information is necessary, requesting documentation or other information from cardholders, maintaining new purchasing cards and monitoring card distribution, and processing and posting purchasing card transactions to the financial accounting system. We noted procedures have not been developed that address the processes involved in performing these activities.

We recommend the development of desk procedures that could be used to train new employees and to help ensure procedures are standardized within the office.

Institution Response

How compliance was achieved:

Desk procedures have been written and are in the process of being reviewed.

What will be done to avoid the identified problems and issues in the future?

The procedures manual is available to all controller's office staff should any questions arise.

How compliance and future good management and practice will be measured, monitored and assured:

The procedures manual is a continuously being updated and changes to policy or procedures will be updated as they arise in the auditing of purchasing card transactions.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise:

The Accounts Payable Manager.

When the measures will be taken and on what schedule compliance and good practice will be secured:

The procedures manual is reviewed at the end of the fiscal year by the Accounts Payable Manager as well as the Accounting Technician who oversees the area.

How compliance and performance will be documented for future audit, management and performance review:

The procedures manual is reviewed at the end of the fiscal year by the Accounts Payable Manager as well as the Accounting Technician who oversees the area.

Follow-Up Response

The desk procedures manual has been developed and reviewed at calendar year end. The yearly review will take place at calendar year end rather than fiscal year end going forward.

OTHER

The following items were noted during this review; however, they are the responsibility of other departments on campus.

EXPENDITURES

During our review of expenditures, one transaction involved payment for services provided by an independent contractor. Transactions with independent contractors are not allowed to be processed with purchasing cards.

We recommend the cardholder be notified that transactions with independent contractors are required to be processed on an Independent Contractor Agreement form.

Institution Response

How compliance was achieved:

Training for professional development program staff on payment to independent contractors, speakers and LOA's is now held on a continuing basis to review potential issues for compliance. NSHE policies are reviewed and discussed with EXS HR staff for clarification on uncertainties. P-Card policies are also reviewed during the in-house training.

What will be done to avoid the identified problems and issues in the future?

Purchasing cardholder has placed this notice in the purchasing card folder as a reminder, as well as putting notice in the course file as well as the Extended Studies ("EXS") registration database record for the instructor to be paid as an IC instead of using the purchasing card. Notice was also listed in the EXS course electronic file.

How compliance and future good management and practice will be measured, monitored and assured:

Confirmed instructors and speakers for all gaming courses are listed in electronic course files at EXS during budgeting, and operations manager (purchasing cardholder) will review the fee payment structure for each instructor/speaker before pay documents are sent to them. This includes preliminary discussions with EXS HR to assure that EXS is paying the instructor/speaker in the appropriate manner.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise:

Operations Manager for gaming management program will be held accountable, as they prepare, manage and review all expenses for gaming management courses at EXS, along with course budgets and closeouts prepared by gaming staff members.

When the measures will be taken and on what schedule compliance and good practice will be secured:

Operations Manager will review gaming course budgets monthly for proposed instructor/speaker payments, and discuss with direct supervisor and/or EXS HR staff to assure that the appropriate paperwork is completed for payment.

How compliance and performance will be documented for future audit, management and performance review:

Each gaming staff member currently maintains a log of instructor/speaker proposed payments for each course they are responsible for, based on the original budget and course outline information from the operations manager, who will review these logs again before payment documents are prepared and sent to instructor/speaker for completion.

Operations manager will also review these proposed and completed payments when finalizing financial closeouts of each completed gaming course, which is typically one to two months after the course is finished.

Follow-Up Response

No change, the corrective action was implemented as presented in the original response.

TERMINATED EMPLOYEES

A review was conducted to determine whether purchasing cards issued to employees who subsequently terminated employment were deactivated in a timely manner. Of the 18 employees with a purchasing card that terminated employment during the audit period, we noted five were not deactivated in a timely manner with deactivation dates ranging from two months to 14 months after the termination date. We noted transactions occurred on four of the five employees' purchasing cards after the employees were terminated. We were informed one reason for the late deactivations could have been due to separation notices that were not completed by university departments in a timely manner. When this occurs, the Controller's Office is not provided with timely notification of employee terminations and purchasing card deactivation is delayed.

To help promote the timely completion of employee separation notices and subsequent purchasing card deactivations, we recommend this issue be addressed in the human resources network meetings that are periodically held at the university.

Institution Response

How compliance was achieved:

The Accounts Payable Manager attended the Human Resources Network meeting which administrative assistants attend to remind them that they must submit the Separation Notice.

What will be done to avoid the identified problems and issues in the future?

Purchasing card staff will continue to communicate through periodic email reminders and at campus meetings about the requirements.

How compliance and future good management and practice will be measured, monitored and assured:

PCB and Human Resources Network meeting agendas and periodic email reminders from the purchasing card office will document the importance of submitting Separation Notices timely.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise:

The departments are responsible for submitting the Separation Notice timely.

When the measures will be taken and on what schedule compliance and good practice will be secured:

The Accounts Payable Manager has attended the Human Resources Network meeting which the fiscal officers and administrative assistants attend to remind them that they must submit the Separation Notice.

How compliance and performance will be documented for future audit, management and performance review:

PCB and Human Resources Network meeting agendas and periodic email reminders from the purchasing card office will document the importance of submitting Separation Notices timely.

Follow-Up Response

No change, the corrective action was implemented as presented in the original response.

PRIOR AUDIT

A prior audit of the UNR Purchasing Card Program was conducted for the period of July 1, 2006 through June 30, 2007. All recommendations from the prior audit have been implemented, are no longer applicable, or have been addressed in this audit.

The Internal Audit Department appreciates the cooperation and assistance received from the Controller's Office personnel during this review.

Reno, Nevada
June 24, 2016

/-----SIGNATURE ON FILE-----/

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Memorandum

To: Joseph Sunbury, NSHE Chief Internal Auditor
From: Sheri Mendez 
Date: January 20, 2017
Subject: Purchasing Card Program

The purpose of this memorandum is to transmit the audit follow-up response from the Controller's Office to the audit of the Purchasing Card Program for the period July 1, 2014 through October 31, 2015.

I have reviewed and concur with all responses.

cc: Marc Johnson, President
Ronald Zurek, Vice President, Administration and Finance



CONTROLLER'S OFFICE - PURCHASING CARD AUDIT

AUDIT PERIOD

July 1, 2014 through October 31, 2015

NUMBER OF RECOMMENDATIONS

10

#	Recommendation	Implemented	Est. Date of Completion
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TRANSACTION TESTING

1	For items one and two, we recommend cardholders be instructed to submit proper supporting documentation as well as Statements of Account that are signed by the required parties when this information is not submitted or is submitted incorrectly to the Controller's Office.	Y	
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APPLICATION AND AGREEMENT FORMS

2	For items one through three, we recommend the Purchasing Card Application and Agreement form be completed in its entirety for improved recordkeeping.	Y	
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3	We recommend greater care be taken to ensure that requested documentation is returned and properly maintained.	Y	
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PURCHASING CARD RENEWAL LOG

4	We recommend greater care be taken to ensure the renewal log is signed each time a card is distributed.	Y	
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CARDHOLDER INTERVIEW

5	We recommend cardholders be reminded to keep cards on their person or in a secure area, such as a lockable drawer to which only they or those authorized to use the cards have access.	Y	
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6	We recommend cardholders also be reminded that purchasing cards should only be used by the person to whom the card is issued or, in the case of a department purchasing card, by authorized employees within the department.	Y	
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INACTIVE CARDS

7	We recommend cardholder activity reports be reviewed periodically to identify inactive cards. Once identified, the cardholders should be contacted to determine whether they are still in possession of the card and whether it is still needed. Purchasing cards that are not needed should be deactivated.	Y	
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PROCEDURES

8	We recommend the development of desk procedures that could be used to train new employees and to help ensure procedures are standardized within the office.	Y	
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OTHER - EXPENDITURES

9	We recommend the cardholder be notified that transactions with independent contractors are required to be processed on an Independent Contractor Agreement form.	Y	
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OTHER - TERMINATED EMPLOYEES

10	To help promote the timely completion of employee separation notices and subsequent purchasing card deactivations, we recommend this issue be addressed in the human resource network meetings that are periodically held at the university.	Y	
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