



FLORIDA
INTERNATIONAL
UNIVERSITY

Office of Internal Audit

**AUDIT OF PROCARD/CREDIT CARD
SOLUTIONS PROGRAM: BETTER CONTROLS
& ADMINISTRATIVE PRACTICES NEEDED**

Report No. 09/10-04

April 21, 2010

Date: April 21, 2010

To: Dr. Kenneth Jessell, Chief Financial Officer/Senior Vice President of
Finance and Administration

From: Allen Vann, Audit Director 

Subject: **Audit of ProCard/Credit Card Solutions Program: Better Controls and
Administrative Practices Needed - Report No. 09/10-04**

We have completed an audit of the University's ProCard/Credit Card Solutions Program covering a two year period ending January 31, 2010. During that period the volume of credit card transactions totaled \$29.5 million. Our audit revealed a number of questionable purchases, which resulted in separately reported investigations. Aside from the investigations, our audit did not reveal any significant number of additional purchases that were either non-compliant or otherwise questionable in nature.

The Controller's Office has made significant progress in trying to reform the credit card program. They retired most of the original 1,358 ProCards with 1,494 special purpose cards under a Credit Card Solutions Program. Nevertheless, we found that due to the decentralized nature of the program and difficulties administering the program, significant control weaknesses persist and further improvements need to be made. Areas that were identified as needing significant improvements include: cancellation of credit cards; administration oversight; managing credit card limits; approval hierarchy; written procedures governing credit card administration; and the need for periodic retraining of cardholders and approvers.

We wish to express our appreciation for the cooperation and courtesies extended to us by the Controller's Office while conducting the audit.

C: Albert Maury, Chair, and Members of the Finance and Audit Committee
Mark Rosenberg, University President
Douglas Wartzok, Interim Provost & Executive Vice President
Javier I. Marques, Chief of Staff, Office of the President
Charlene Blevens, Interim Controller

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BACKGROUND

The University credit cards program has nearly tripled in size over the past ten years. The program was initially developed in 1999 to enable approximately 500 faculty and staff members to efficiently make small dollar purchases. Since then, the credit card program has, as has the University itself, grown significantly to where at year end of 2009 almost 1,500 cards were outstanding.

Throughout the years the University has increased the scope of the program by continually adding to the list of items that can be purchased with the University credit card and today its use includes such things as; large dollar purchases and emergency repair and maintenance purchases, etc.

ProCards

Prior to July 2009, a ProCard was provided to University staff for purchases of commodities and services. The ProCard was a Visa credit card issued through Bank of America that was available to FIU full-time faculty and staff to procure commodities and services for official University business. The ProCard was designed to increase efficiency by enabling faculty and staff to make necessary small dollar purchases quicker, thereby reducing the volume of requisitions, purchase orders, vouchers and checks being processed through the University's financial system. The table below depicts the credit card population for ProCards for our original audit period.¹

<i>Procard Audit Universe</i>		
<i>Audit period</i>	<i>Number of cardholders</i>	<i>Total Expenditures</i>
<i>February 1, 2008 - January 31, 2009</i>	<i>1,358</i>	<i>\$18,569,143</i>

Credit Card Solutions Program

In June 2009, the University entered into an interim contract with Bank of America to revamp the ProCard Program and replaced it with a University Credit Card Solutions Program. The new program began on July 1, 2009 and was intended to offer three types of Visa credit cards:

1. **Commodity Card:** designed to enable cardholders to purchase supplies and services, with the exception of travel, for their department and/or programs. The standard limit assigned to the commodity card is \$1,000 for a single transaction and \$5,000 monthly. The intent of the commodity card is to improve controls by:

¹ As a result of a number of investigations (see Objectives, Scope, and Methodology section on page 5), we expanded our audit to include the new Credit Card Solutions program.

- a) Issuing the card in the name of a University staff member who is directly involved in purchasing frequently needed departmental supplies and services;
 - b) Decreasing the number of cards issued to a department by eliminating cards that are not being used frequently;
 - c) Realigning the approval process to ensure that subordinates are not approving their supervisor's transactions; and
 - d) Reducing the credit limits to correspond with the individual department/program needs.
2. **Departmental Travel Card:** designed to enable cardholders to purchase only travel services for students, non-employees and staff in the department and/or program. The standard limit assigned to departmental travel cards is \$5,000 for a single transaction and \$10,000 monthly. The intent of the departmental travel card is to improve controls by:
- a) Issuing the card in the name of a University staff member in a department and/or program who will become a departmental travel liaison; and
 - b) Decreasing the number of cards issued to a department by eliminating cards that are not being used frequently.
3. **Travel and Entertainment (T&E) Card:** issued to staff members to enable them to purchase University authorized travel and designated entertainment expenses. Unlike the commodity and the departmental travel cards, the charges on this card are billed to the cardholder who is responsible to make full payment to Bank of America. The cardholder may subsequently claim reimbursement from FIU for authorized and approved charges. The standard limit assigned to the T&E cards is \$2,000 for a single transaction and \$5,000 monthly. The intent of the T&E card is to improve controls by:
- a) Reducing the need for cash advances for travel; and
 - b) Improving processing of travel and/or entertainment reimbursement through an online process.

The table below depicts the Credit Card Solutions population for the extended audit period:

<i>Credit Card Solutions Program Audit Universe</i>		
<i>Audit period</i>	<i>Number of cardholders</i>	<i>Total Expenditures</i>
July 1, 2009 - January 31, 2010	1,494	\$10,900,047

Like the Procard program that preceded it, the day to day administration of the Credit Card Solutions Program is decentralized in that transaction execution, review and approvals and documentation are maintained/administered at the individual colleges, schools and/or departments.

Within the Office of the Controller, a Credit Card Solutions Team oversees the Credit Card Solutions Program, formerly the ProCard program. This Team consists of the two sections: Cardholder Maintenance and Program Accountants. The duties of these two sections are as follows:

Credit Card Solutions Program Team	
<u>Cardholder Maintenance</u>	<u>Program Accountants</u>
Team Members: 1. Credit Card Solutions Administrator 2. Credit Card Solutions Assistant	Team Members: 1. Senior Credit Card Solutions Accountant 2. Credit Card Solutions Accountant
Team Duties: a) Process new card applications, card suspensions and cancellations; b) Receive new cards from Bank of America and distribute to cardholders; c) Set up cardholder profiles; d) Authorize initial spending credit limits, and credit limit increases/decreases and available Merchant Category Codes (MCC);	Team Duties: a) Perform monthly review of transactions to determine if expenditures are charged to the correct accounting codes; b) Enforce timely monthly approval of transactions by designated card approvers; c) Approve monthly transactions which were not approved by the department by the established deadline, and perform 100% review of those transactions;

Credit Card Solutions Program Team

Team Duties (Continued)

- | | |
|--|--|
| e) Temporary or permanently lift MCC restrictions to allow purchase of products from blocked vendors; | d) Match monthly electronic bank credit card statement amount to a faxed paper copy of the statement prior to initiation of payment; and |
| f) Resolve past due Travel & Entertainment (T&E) payment issues with Bank of America; and | e) Quarterly review of commodity card transactions. |
| g) Primary University contact person with Bank of America regarding fraudulent charges and other issues. | |

During the audit period some significant personnel changes directly impacted this activity. The Controller resigned to accept a position at another University and an Interim Controller was named. A search for a replacement is currently underway. Also, the Credit Card Solutions Team was moved from Purchasing Services to Payment Services.

OBJECTIVES, SCOPE, AND METHODOLOGY

This audit was part of the approved work plan for fiscal year 2009/2010. We conducted a University-wide audit of ProCard/Credit Card Solutions Program (credit card program) for the period February 1, 2008 through January 31, 2010. The primary objectives of our audit were:

- I. To determine whether established internal controls are adequate to provide reasonable assurance that significant errors or irregularities are prevented or detected in a timely manner;
- II. To ensure that the administration of the credit card program is efficient and effective; and
- III. To determine whether established policies and procedures including the University Purchasing Card User and the Credit Card Solutions Manuals are adequate and are being followed.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and included tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances. Audit fieldwork was conducted from February to March 2009 and from January to March 2010. During the intervening period a significant amount of time was devoted to performing separate investigations at three of the University's Colleges and Schools.²

We reviewed University policies and procedures, observed current practices and processing techniques, interviewed responsible personnel, and tested selected transactions. Sample sizes and number of cardholders selected for testing were determined on a judgmental basis. Fifty-six cardholders were selected for the audit sample as follows:

<i>Audit Sample Size</i>			
<i>Credit Card Program</i>	<i>Audit period</i>	<i>Number of cardholders</i>	<i>Total Expenditures³</i>
<i>ProCards</i>	February 1, 2008 - January 31, 2009	24	\$1,092,677

² While in the process of performing the audit, we identified the improper use of ProCards by 5 cardholders or approvers at three colleges, including the College of Business Administration, the College of Medicine, and the College of Education. As a result, we conducted five investigations that resulted in the separation of employment of the employees that were the subjects of those investigations.

³ We did not test 100% of total expenditures noted in the audit sample.

Audit Sample Size			
Credit Card Program	Audit period	Number of cardholders	Total Expenditures³
Credit Card Solutions Program	July 1, 2009 - January 31, 2010	32	\$1,117,290

As part of our audit, we reviewed internal and external audit reports issued during the past three years to determine whether there were any prior recommendations related to the scope and objectives of this audit and whether management had effectively addressed prior audit concerns. This included the Auditor General State of Florida report number 2010-096 dated February 2010 that had findings and recommendations related to the credit card program (see finding number 11 in the following link: http://www.myflorida.com/audgen/pages/pdf_files/2010-096.pdf).

Details of our findings and recommendations follow.

FINDINGS AND RECOMMENDATIONS

Our audit disclosed that the Controller's Office has made significant progress in trying to reform the credit card program. For example, apart from the Cardholder Maintenance and Program Accountants the Interim Controller established a taskforce to assist in identifying systemic problems with the credit card program.

Aside from our previously mentioned investigations, our audit did not reveal any significant number of purchases that were either non-compliant or otherwise questionable in nature. However, we found that due to the decentralized nature of the program and difficulties in administering the program, significant control weaknesses persist and further improvements need to be made. These areas of necessary improvement are detailed below:

1. INADEQUATE ADMINISTRATIVE CONTROLS

A review of the Credit Card Solutions Program administration revealed the following internal control weaknesses:

a) Untimely Cancellation of Credit Cards

The T&E procedures state that the card will be cancelled if the T&E cardholder has not attended training within 2 months of the original notification of the availability of the card. In order to facilitate a smooth transition from the old ProCards to the new Credit Card Solutions Program, the Controller's Office preordered 443 T&E cards for specific individuals prior to the cardholders' application submittal. As of early March 2010, the Controller's Credit Card Administrator still had 91 undistributed T&E cards locked away in an office desk drawer.

- 81 of the 91 cards had been held in that fashion for between 2 to 8 months.
- 1 card being held was in the name of a previously terminated employee.
- 4 of 10 contacted cardholders said that they had previously requested that their cards be cancelled.

The Credit Card Solutions Administrator indicated that the cards weren't distributed due to limited availability of training for prospective users. However, we noted that the Controller's Office offered 20 T&E card training sessions between the periods of July 2009 and February 2010. Training date notifications sent to cardholders were not being tracked resulting in cards not being cancelled as required.

The prolonged possession of new credit cards increased the University's risk of incurring liability for possible fraudulent charges due to credit card theft. In fact, according to the Credit Card Administration staff, Bank of America had already

contacted them and a prospective cardholder about fraudulent attempt to use one of the undistributed cards.

In an audit report dated March of 2008 the State of Florida Auditor General took issue with the lack of timeliness of the University's cancellation of credit cards for terminated employees. They repeated their concern in their recent report issued in February 2010. This issue still hasn't been rectified as our audit tests in early March 2010 revealed two instances where former employees' credit cards were still active. In fact, we determined that the cards remained active for 54 and 74 business days after the employees were terminated. While no purchases had been made, failure to timely cancel cards of former employees could result in unauthorized charges.

b) Lack of Administrative Oversight and Physical Control Over Cards

The Credit Card Solutions Administrator (Administrator) is responsible for the daily operations and administration of the program. Our review indicated that the Administrator is authorized to request credit cards from Bank of America, cancel cards, annually reconcile active cards, and change credit card limits. We also observed that the Administrator handles complaints from Bank of America regarding possible fraudulent credit card activities, credit card misuse and delinquent T&E card payments.

However, we observed the untimely conversion of the 194 ProCards to commodity cards (see page 10) and the untimely cancellation of terminated employees' and newly issued cards (see page 7). Numerous overlapping responsibilities without appropriate oversight could impact the effective administration of the credit card program. Effective management oversight would have lead to the timely implementation of the Auditor General's repeat finding related to the untimely cancellation of terminated employees' credit cards.

Bank of America mails new cards directly to the Administrator for distribution instead of sending them directly to the cardholder. According to the Administrator, this is to ensure that cardholders first attend required training before using the card. While the Administrator maintains a log detailing the credit card application submittal information, the log does not include information on when the new cards were received and when they were distributed. One cardholder listed informed us that he was trained but his card was never given to him.

In the absence of a comprehensive log detailing the status of the credit card application, cardholder training, card distribution and cards on hand, a fundamental control issue over the cards exists.

c) Credit Card Limits Not Adequately Managed

There are Credit Card Solutions Manuals that establish standard credit limits for each credit card type. The manuals state that the dollar limits assigned to each card is based on limits requested on the application and approved by the Administrator. We reviewed ProCard and Credit Card Solutions Programs cardholders' monthly card limits and the dollar purchases for the twelve month period ending January 31, 2009 and an additional six month period ending January 31, 2010, respectively. The results reveal that credit card limits are not adequately managed. Some cardholders may have too much credit and some may not necessarily have enough credit.

Our analysis revealed that there were 39 ProCard cardholders and another 39 current Credit Card Solutions Program cardholders with annual purchases of less than \$150. Despite the low utilization of the cards, 96% of the sampled cardholders had credit card limits equal to or exceeding \$5,000 per year:

<i>ProCards</i>		<i>Credit Card Solutions</i>	
<i>Number of Cardholders</i>	<i>Annual Credit Amount</i>	<i>Number of Cardholders</i>	<i>Annual Credit Amount</i>
2	< \$5,000	1	\$3,000
33	\$5,000	35	\$5,000
		1	\$7,000
1	\$10,000	2	\$10,000
1	\$15,000		
1	\$25,000		
1	\$40,000		

Our analysis further revealed that the total annual purchases for 51 of 113 ProCard cardholders did not exceed the monthly limits set for those cards: which was between \$15,000 to \$100,000. Total purchases for 14 of those cardholders were less than 10% of their monthly credit limits. In contrast, we found 19 ProCard cardholders whose annual actual purchases ranged from \$50,000 to \$451,000, but whose credit limits ranged from only \$7,000 to \$10,000 monthly.

For 78 Credit Card Solutions Program cardholders monthly limits ranged from \$12,000 to \$90,000. But 40 of those cardholders had six month purchases that were less than their monthly credit limits, including 2 whose total purchase represented less than 10% of their monthly credit limit. In contrast, 4 Credit Card Solution Program cardholders with six month purchases ranging from \$50,000 to \$115,000 were only provided with credit limits from \$5,000 to \$10,000 monthly.

Based on our analysis, we concluded that the credit card limits do not necessarily correspond to the level of purchases by the cardholders. During the audit, the Controller's Office was unable to demonstrate that Credit Card

Administration staff is performing continuous evaluations of the cardholders' spending relative to their approved credit limits.

The University could decrease its risk of inappropriate credit purchases by reducing credit limits for users that do not demonstrate a need for those limits. For cardholders whose limits appear to be too low there is a risk that required goods and services are delayed during peak need periods. In those situations cardholders should actually be encouraged to request credit limit increases on either a temporary or permanent basis.

d) Many Different Types of Cards Add to Complexity of Administration

As explained in the Background section of this report (see page 1), the Controller's Office replaced the ProCard with 3 types of cards. This was done in an effort to improve controls over the University credit card program. However, as of late February 2010, there are now a total of 6 different types of cards and 1 hybrid card:

<i>Card Type</i>	<i>Purpose</i>	<i>Number Issued</i>
PROCARDS:		
ProCards	This card can be used to purchase both commodities and services including travel.	219*
COMMODITY CARD SOLUTIONS PROGRAM:		
Commodity Card	This card is restricted to commodities and non-travel related services.	647
Combo Card (ProCard)	This card can be used to purchase both commodities and services including travel.	14
Commodity card hybrid-Telecom (special exception)	This card grant the user authority to purchase telecommunication products, which are otherwise restricted on other cards.	24
Standard Card (MCC-special exception)	Commodity or Departmental Travel cards with vendor code restrictions temporarily or permanently lifted to allow the purchase of products from blocked vendors.	15
Departmental Travel Card	Card is restricted to the purchase of travel related services only.	219
T&E Card	Card is restricted to the purchase of travel and entainment expenses.	356**
Total Number of Cards		1,494

* There are actually only 194 active ProCards still in use as 25 have been suspended.

** Includes two suspended cards.

The 194 active ProCards are cards that should have been converted to commodities cards effective July 2009. The Administrator informed us that the 194 ProCards were not converted due to the large volume of cards to be converted and limited resources. The 14 combo cards, which have the same purchasing capabilities as the ProCard, were issued to select individuals in Athletics and to other high level administrative personnel. The Administrator informed us that there are no plans to convert the combo cards to commodity cards. Additionally, there are no established criteria and procedures to govern the combo, standard, and the other special exception cards.

The University's intent for the T&E card was to provide a payment mechanism for employees on travel status or who need to incur University entertainment related costs. The charges on this card are billed to the cardholder who is responsible to make full payment to Bank of America. However, according to the Administrator the T&E cards can be used to purchase commodities and services and the University is liable for charges if the cardholder does not make payment timely.⁴

The Credit Card Solutions Program was intended to reduce administrative costs, improve customer service and establish appropriate oversight of University credit cards. However, Credit Card Administration staff indicated that the multiple cards with different requirements have added to the complexity of administering the program.

e) Subordinates Approving Supervisor's Transactions

The key duties and responsibilities for reviewing and approving credit card transactions should be assigned to a cardholder's supervisor or completely independent approvers who can act without repercussions. The Guidelines and Procedures manuals which govern the credit cards are silent regarding appropriate approval levels. However, a Commodities and Departmental Card Clarification memo, dated February 2, 2010, outlined that the Department's responsibilities are to ensure that subordinates do not approve purchases of their supervisors. Of the 56 cardholders/designated approvers reviewed in mid to late February we found that 30 (54%) were not the cardholders' supervisor. These approvers were department accountants, administrative assistants or business managers, who were, at best, peers or in most cases, subordinates of the cardholders. Thus, in our opinion, they are not in a position of sufficient authority to challenge the cardholders in the event of inappropriate purchases or lack of adequate documentation.

The approvers we interviewed stated that they were uncomfortable questioning their supervisors and senior staff members about the validity of their purchases. We observed that a cardholder was allowed to change his approver twice after the approver(s) questioned the validity of his purchases.

⁴ The University may recover it from the employee's compensation.

There are no established criteria specifying supervisory authorization or justification criteria for making approver changes. Furthermore, the University Credit Card Solutions Team does not maintain a master list of cardholders' designated approvers and titles, or the relationship of the cardholder and approvers (peer, subordinate, or other relationship). They also don't have procedures enabling them to evaluate appropriate approval levels.

f) No Written Procedures Governing Credit Card Administration

The Controller's Credit Card Solutions Program Team is responsible for administering all phases of the program including: establishing credit limits above or below the standard limits; granting temporary and permanent credit limit increases/decreases; authorizing exceptions for purchases that are disallowed (e.g., food); lifting blocked vendors and granting specialty cards (combo). Although the Controller's Office has written procedures that govern the responsibilities of cardholders, reviewers/approvers and departments, there are no written procedures to govern the credit card administration process. To their credit, we were informed that the Program Accountant section recently began documenting a step-by-step guide of their daily operations.

Absent written procedures, the credit card administration's management and evaluation process may not be uniform and the criteria for granting credit limit increases/decreases, issuance and administration of specialty cards and other credit card procedural exceptions may differ from cardholder to cardholder.

Recommendations

The Office of the Controller should:	
1.1	Promptly cancel: (a) unused credit cards, and (b) cards of terminated employees.
1.2	Ensure adequate management oversight of the University credit card solutions program administration.
1.3	Develop and maintain complete logs relating to cardholder applications, training status and credit card receipt and distribution dates.
1.4	Periodically review and adjust credit card limits based on historical cardholder's spending data.
1.5	Reduce the types of cards administered by the University.
1.6	Establish and monitor cardholder approver relationships based upon a hierarchical organizational structure.
1.7	Establish a procedures manual for the University credit card program administration.

Management Response/Action Plan:

1.1(a) We concur that unused cards should have been promptly canceled. In the future, cards will be ordered after the employee has completed training and the card will be sent directly to the employee. Unused cards will no longer be housed in the Office of the Controller, thereby reducing both risk and administrative time in notifying individuals that they need to complete training and eliminating the need to cancel cards if employees do not attend training. The 91 T&E cards have been cancelled. The cards pending training are stored in the disbursement area of the Controller's Office in a locked, secure area.

Implementation Date: June 2010

1.1(b) We concur that we can take additional steps to identify terminated employees. We have worked with Human Resource to have the ability to view terminations of employees on a daily basis and will work with them to ensure that reports contain accurate information including retroactive terminations. In addition to relying on these reports, we will coordinate with Employee and Labor Relations to request that card cancellations be incorporated into the University's employee exit process so that our office is

immediately notified when a termination takes place. This will enable our office to cancel cards on the same day employees are terminated.

Implementation Date: April 2010

- 1.2 We concur that we can strengthen the administrative oversight of the Credit Card Solutions program administration. We are realigning duties to improve the oversight of the program and enhancing both the data that we capture and the analysis of the data. In addition we are reviewing procedures to document both our internal and external procedures and create formal processes to ensure the continuity and integrity of the University card program.

Implementation Date: August 2010

- 1.3 We concur that the logs that are maintained need to capture additional information. The current log of cardholder information has been expanded to capture the date the cards were ordered, when the cards arrived to the CCS team from Bank of America, when the cardholder was notified about training, when the cardholder attended training and received their card, and if applicable, when the cards were cancelled. In the future once cards are mailed directly to the cardholder, the spreadsheet will be modified to include the date the card application was received, training date and date card was ordered.

We are currently exploring the creation of an Access database to provide a mechanism to efficiently manage and analyze the information contained in the log.

Implementation Date: August 2010

- 1.4 We concur that we should take the additional steps to periodically review and adjust credit card limits based on each cardholder's historical spending data. A formal process will be developed which documents the credit limit request and business reason. Limits for cardholders are initially established by the individual deans or directors to meet the purchasing needs of the unit. Subsequent to the issuance of the cards based on these limits, a review of the cardholder spend limits compared to actual activity will be performed every 6 months to insure that limits are not excessive for a particular cardholder. Exceptions for the establishment of credit limits beyond historical spending will be based upon unique needs and will be documented.

When a cardholder requests more than 3 increases over a 2 month period, we will monitor the reasons for the increases and if appropriate require the Cardholders to request a permanent increase. We will continue to use the automated BOA WORKS system feature which has the ability to limit the length of time the higher limits are allowed to ensure limits are not left at a higher limit longer than is needed.

Implementation Date: August 2010

- 1.5 We concur that the current program with both a departmental travel card and a commodity card can be streamlined to reduce the number of cards outstanding. Primary controls in a credit card program include monthly/cycle and spending limits and merchant category block. We will develop and implement a plan to merge the commodity and departmental travel card into one card which is tailored to the individual cardholder's needs for each unique operating area. Controls will be customized to include monthly/cycle and spending limits and merchant category blocks depending on the business need. In the current model, some users have two cards to achieve this purpose, refining the cards will reduce the card administration, put better controls in place for individual cards and will eliminate approximately 300 cards.

Implementation Date: August 2010

- 1.6 With the implementation of the Commodity Card and Departmental Travel Card products in July 2009, the CCS Team has made efforts to change the old structure of the University Credit Card Program whereas Cards were mainly issued to upper administrative levels and their charges were approved by subordinates.

As subordinate approvers are identified we are working with the department to make the appropriate changes. Several departments have initiated reviews of these roles and have successfully restructured their cardholders and approvers.

We are in the process of creating a standardized "Cardholder Approver Update Form" that would require a justification and the cardholder's supervisory authorization prior to making changes to a cardholder's approve profile.

Additionally, we are currently coordinating with the Financial Systems and Support Team to establish a detailed query in the Panther Soft System to assist in the monitoring of cardholder approver relationships based upon a hierarchical organizational structure.

Implementation Date: June 2010

- 1.7 We will establish a comprehensive procedures manual for the University Credit Card Program Administration.

Implementation Date: August 2010

2. CARDHOLDERS & APPROVERS CONTINUE TO CIRCUMVENT POLICIES & PROCEDURES

a) Cardholders Not Adequately Safeguarding Credit Cards

Cardholders' account numbers, expiration dates and security codes are sensitive information that, if obtained illicitly as we have seen, can be used fraudulently. While the Credit Card Solutions Program procedures, issued to cardholders, address the issue of credit card safeguards, the Controller's Office clarification memo also details cardholder, approver and department responsibilities. Cardholder's responsibilities outlined included: cardholder must not give their card to another person to use; and cardholder must safeguard their card and card information. This clarification to cardholders was necessary as our audit disclosed deviations in the Credit Card Solutions Procedures. Between February 17 and 26, 2010, we surveyed 38 active cardholders and noted the following:

- 19 (50%) indicated that they shared their card or card information with other staff members to make purchases.⁵
- 9 (24%) indicated that their cards are kept in an office desk and or file cabinet accessible by others.
- 9 (24%) indicated that their cards are automatically linked to vendor websites to make online payments quicker. As a result, unauthorized purchases may be made by individuals other than the cardholder.

Sharing of credit card and credit card information; keeping credit cards in an office desk drawer or file cabinet; and saving credit card information on vendor websites decreases accountability and increases the likelihood of unauthorized or inappropriate purchases.

b) Credit Card Charges Not Adequately Supported And Lack Cardholder Sign Off

The Credit Card Solutions Manuals require that cardholders document their purchases by providing their approvers with signed and dated receipts for each and every purchase.

We reviewed transactions for 19 cardholders and found that:

- 53 out of 356 transactions (15%) were approved without documentation (invoices/receipts) to support the purchases.⁶

⁵ During one of our recent investigations, we observed that a cardholder shared his credit card with at least 7 other employees at the college.

⁶ Our investigations of 5 cardholders' transactions over the past year revealed that 432 out of 1,994 transactions investigated (22%) were approved without documentation (invoices/receipts) to support the purchases.

- 137 of the 356 invoices (38%) reviewed were approved without the cardholder's signature.

We also noted a vendor charge to a University credit card of \$1,120 for services not requested or provided that was paid for without a receipt. The approver did not know what was purchased. Based on our inquiry, the approver contacted the vendor and was informed that the card was charged in error and the vendor indicated that they would reimburse the University.

Obtaining receipts and/or invoices are an essential part of the Credit Card Program as they document and support the transactions. Accurate and detailed receipts enhance the approvers' ability to verify that the cardholders' purchases are in compliance with the University's policies and procedures. When receipts are signed and dated, the cardholders are acknowledging that the items or services have been received in good condition or performed to the cardholder's satisfaction. The purchaser's signature also signifies to the approver that this was a bona fide purchase, made by the cardholder, who is asserting that it was for the benefit of the University.

c) Unallowable/Personal Purchases

The Credit Card Solutions procedures explicitly disallow the purchase of personal items, gifts, and the splitting of purchases. The procedures also state that the cardholders are responsible for providing the vendor the University's tax exempt certification. As of late February 2010, there were still 208 active ProCards issued (194 ProCards and 14 combo cards). As noted earlier in this report, these cardholders have the capabilities to purchase from a broader spectrum of vendors than the commodity and department travel cardholders. During our observations of mid-March 2010, we noted that cardholders continue to ignore written procedures and approvers continue to approve unallowable purchases. We found various unallowable/personal purchases made using the ProCards. The following are examples of the unallowable/personal purchases identified:

- Payment to the City of Miami Gardens for services totaling \$150;
- \$80 for valet parking although self parking existed, and \$15 for movie rental on hotel bill;
- Purchase of a microwave for office use at a cost of \$211;
- Payments of \$24 for FedEx shipment to a personal CPA; and
- Sales taxes totaling \$188.

We also noted 2 instances where purchases were inappropriately split to circumvent single transaction limits. For example, one cardholder requested the vendor to process a \$2,400 invoice as 3 charges because her single transaction limit was \$1,000.

Contributing factors to these departures from University policies and procedures is the level of centralized monitoring and training. Credit Card Solutions procedures require that the cardholder undergo training before the card is issued. The procedures also require that the approver must attend a training session prior to being officially designated. It is evident that cardholders and their corresponding approvers need to be periodically retrained and reminded of the necessity of properly safeguarding cards, their use and the processing procedures required.

Recommendations

The Office of the Controller should:	
2.1	Expand its efforts at monitoring the credit card program.
2.2	Ensure that all cardholders and reviewers/approvers are periodically retrained with an emphasis on the key risks identified.

Management Response/Action Plan:

2.1 We concur that our team can expand efforts to better monitor the program. Our approach will be a multi-faceted approach incorporating review by the Credit Card Solutions Team, Quality Assurance Team and Purchasing Services to analyze and review data.

The Controller’s Office Quality Assurance Team will monitor transactions, perform desk audits and ensure compliance with Credit Card Solutions procedures. The team will aid in identifying and resolving potential issues with the credit card program.

The Credit Card Solutions Team will continue to use the enhanced data reporting which includes the review of level 3 transaction detail which allows us to analyze individual transactions. We will continue to explore and utilize the expanded transaction functionality available through the Panther Soft 9.0 and WORKS Systems. In addition, we will continue to analyze the daily “Tax Audit Report” log and follow-up with the cardholders where sales tax issues are identified.

Purchasing Services is creating queries to analyze the level three data of purchasing activity from Bank of America captured in the Panther soft system. They have been assigned the responsibility to analyze this data on a monthly basis to ensure compliance with purchasing and competitive solicitation guidelines.

Implementation Date: April 2010

- 2.2 We are exploring methods that can be used for periodic refresher training such as developing an online training program. We have implemented a role specific email distribution list of cardholders and approvers to readily communicate reminders and clarification on appropriate purchases. After monthly transactions are loaded into the system, approvers are sent a monthly reminder containing program deadlines and highlights of their responsibilities.

Implementation Date: December 2010

3. CONCLUSION

Based on the result of this audit and the five preceding investigations, it would appear that in expanding the program and providing employees with easy and more convenient access to goods and services, adequate controls were not put in place to ensure that misuse (or overuse⁷) of the card was detected or prevented in a timely manner.

The pursuit to improve and streamline the credit card program by replacing the ProCard with a Credit Card Solutions Program, resulted so far in a program which now encompasses so many different types of cards (including the ProCard) that the added complexity increased the management challenges. The Credit Card Solutions Program now actually requires more resources to analyze compliance with the various exceptions such as: allowances to purchase from blocked vendors; administration of specialty cards; and tracking varying approval deadlines.

The breakdown in controls, highlighted by the five ProCard investigations, is omnipresent throughout the system. As discussed in finding number 1(e) (see page 11), cardholders can request to change their approver without authorization from their supervisor or without providing justifications. We also noted that cardholders continue to not adequately safeguard their credit cards and credit card information.

Because of the decentralization of the credit card program, the Controller's role in managing these transactions has been limited to examining a narrow number of transactions through the system, and as time permits, visits to departments to review supporting documentation. Based on our observations, the Controller's Office Credit Card Team was not sufficiently trained to use the Bank of America's Works system⁸ and as a result, the University has not benefitted from the system's powerful review capabilities.

Recommendations

The Office of the Controller should:	
3.1	Re-evaluate the effectiveness of the Credit Card Solutions Program and the controls and resources dedicated to adequately carry them out and weigh the costs and benefits of each.
3.2	Provide enhanced training to the Credit Card Solutions Team and take advantage of system tools to review transactions.

⁷ Recently the Auditor General reported that the total payment to a specific vendor using a credit card exceeded the University's competitive solicitation threshold.

⁸ Bank of America Works System, a web-based application, captures all of the purchases made using the University's credit cards.

Management Response/Action Plan:

- 3.1 The most successful programs have a multi-faceted approach, striking the right balance and establishing both preventive and detective controls. Training and systemic controls are important elements in preventing fraud and misuse and the staff will be reviewing and enhancing each of these controls. During the time of the audit several members of the staff were attending a purchasing card conference in which they gained insight into approaches used by other universities to monitor these programs and recommended best practices. We will continue to look for these training opportunities for staff in order to strengthen the management of the program. We are in the process of preparing a formal improvement plan which includes an analysis of individual duties and evaluation of the needed resources and assignment of tasks. Our improvement plan works to strike a balance between too many restrictions which may prevent legitimate transactions and discourage cardholders, and too few which may provide greater opportunity for misuse. Systemic controls will be tailored to individual cardholders to meet the unique business needs of each unique operating area.

Implementation Date: May 2010

- 3.2 We concur that it would be beneficial for all members of the staff to have access to Bank of America Works system. We are working with Bank of America to determine the types of access available so that all members of the CCS team can utilize the system. In addition, queries will be created in PeopleSoft to analyze the Level 3 tier data brought into the Purchasing database.

Implementation Date: May 2010