

AUDIT AND COMPLIANCE COMMITTEE
Tuesday, January 30, 2024

SUBJECT: AUDIT REPORT: FY23-A-03, AUDIT OF UNIVERSITY PURCHASING CARD PROGRAM

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

This is the report of our completed audit of the University Purchasing Card (pCard) Program. The objectives of the audit were to determine whether pCard activities and transactions at four selected University divisions/department were appropriately used for FAU business, supported by required documentation and properly approved/recorded, and in accordance with relevant laws and regulations, pCard policies, and good business practices. We also examined whether the oversight and administrative functions over the pCard program by Financial Affairs were adequate to reasonably ensure the pCard program objectives were met.

As outlined in the report, the audited pCard activities aligned with best business practices and ensured pCards were used for appropriate FAU business. In addition, Financial Affairs oversight and administrative functions were generally adequate and ensured the program goals were achieved. No instances of fraud or significant non-compliance were identified. However, we identified some areas where improvements are warranted and have provided management with a total of eight best practice suggestions for ensuring pCards are used in accordance with relevant laws and regulations, pCard policies, and good business practices.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FY23-A-03, Audit of University Purchasing Card Program

Presented by – Mr. Reuben Iyamu, Inspector General

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**FLORIDA ATLANTIC UNIVERSITY
OFFICE OF INSPECTOR GENERAL**



**AUDIT OF UNIVERSITY PURCHASING CARD
PROGRAM**

(Report No. FY23-A-03, Issued January 30, 2024)

**Reuben Iyamu, MBA, CIA, CFE, CIGA, CIG
Inspector General**


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MEMORANDUM

TO: FAU BOT Audit and Compliance Committee
Dr. Stacy Volnick, Interim President

FROM: Reuben Christian Iyamu, Inspector General 

DATE: January 30, 2024

SUBJECT: **Audit of the University Purchasing Card (pCard) Program**
Report No. FY23-A-03

We have completed the audit of the University Purchasing Card (pCard) Program. The objectives of the audit were to determine whether pCard activities and transactions at four selected University divisions/department were appropriately used for FAU business, supported by required documentation and properly approved/recorded, and in accordance with relevant laws and regulations, policies, and best business practices. We also examined whether the oversight and administrative functions over the pCard program by Financial Affairs were adequate to reasonably ensure the pCard program objectives were met.

We submit this report, which contains our conclusions and recommended actions, responses from the applicable Vice Presidents and/or the Provost, as well as management action plans. We will periodically review and report on management's actions to address the recommendations within this report.

We would like to thank the applicable staffs of the Financial Affairs, Student Affairs, Academic Affairs, Division of Research, and Athletics department for their full cooperation and assistance during this audit.

Respectively Submitted,

cc: University Provost
Vice Presidents
Inspector General, Florida Board of Governors
Florida Auditor General

EXECUTIVE SUMMARY

The audit addressed pCard activities and transactions at four selected University divisions/department, as well as the oversight and administrative functions performed by Financial Affairs over the University pCard program. The primary objective of the audit was to determine whether pCard activities and transactions were in accordance with relevant laws and regulations, policies, and best business practices. During the audit, we reviewed pCard transactions and activities for a period of 19-months (i.e., July 2021 through January 2023), and any related activities through the end of our fieldwork.

Overall, we found that the pCard activities and transactions reviewed were used for FAU business, properly approved, supported, recorded, and in accordance with governing laws, regulations, policies, and best business practices. In addition, Financial Affairs oversight activities were generally adequate and ensured the program goals were achieved. No instances of fraud were noted. However, we identified some observations that indicate the need for further improvements and enhancements in the current practices and controls. Specifically, we provided recommendations and management developed corrective action plans to address potential risks in the following areas:

1. pCard cancellations upon cardholder termination or when cards are no longer needed.
2. Cardholder authorized spending limits.
3. Segregation of duties and independent approval.
4. Timely submission and approval of pCard expense reports.
5. Rebate revenue verification and reconciliation.
6. Refresher pCard training.
7. pCard user manual updates.
8. Financial Affairs oversight and administrative function enhancements.

BACKGROUND

Florida Atlantic University (FAU) initiated its Purchasing Card (pCard) program in 1999 with the primary purpose of streamlining and facilitating processes involved in purchasing low-cost (under \$4,999) goods and services. A pCard allows an individual the convenience of purchasing commodities without standard requisitions and purchase orders. Besides the convenience it provides to the University employees, the program also serves as an economical means that helps reduce the cost of procuring goods and services through administrative efficiencies. The University established single transaction and monthly credit limits, which may vary based on the activity and needs of each participating department/division. In some instances, and with proper authorization,

the program allows for single transaction purchases of up to \$19,999 where no formal competitive quotes are required.

Procurement Services, a department within the Financial Affairs Division (Financial Affairs), oversees the University’s pCard program with Bank of America’s agreement and coordination. Individual colleges and departments/divisions are responsible for the administration of pCard activities (including establishing controls and ensuring compliance) within their respective areas in coordination with the Procurement Department. Other areas within Financial Affairs, such as the Controller’s Office, also participate in the administration of the program.

Typically, when a cardholder initiates a purchase using his or her pCard, the transaction will post in Workday within a few days, and the cardholder will receive a notification via Workday. A courtesy email is also sent to the cardholder’s FAU email address. Once posted, an expense report is prepared by the cardholder or designee, with receipts and all other relevant support attached. Workday forwards the expense report to all relevant cost center managers for approval. When the expense report is fully approved, the cardholder’s responsibility terminates.

During our 19-month period (July 2021 through January 2023) review, the University made 57,591 purchasing card purchases, and disbursed approximately \$16 million for those purchases. This audit addressed pCard activities and transactions at four selected University divisions/department (Student Affairs, Academic Affairs, Research, and Athletics department). Their pCard activities are shown in the table.

No.	University Department/Divisions	No. of Transactions	\$ Amounts
1	Academic Affairs	28,633	\$6,971,902
2	Athletics	13,162	\$3,877,798
3	Student Affairs	3,400	\$876,792
4	Research	8,162	\$2,419,989
	Total	53, 357	\$14, 146,481

The total pCard activity for these four divisions/department represents approximately 93 percent of the total number of pCard transactions and approximately 88 percent of the total amount the university disbursed for pCard transactions during our 19-month period review.

OBJECTIVE, SCOPE, METHODOLOGY

The **objectives** of this audit were to:

1. Determine whether pCard activities and processes at selected divisions/department were in accordance with relevant laws, pCard policy, and good business practices. Inherent in this objective is a determination that pCard transactions were (i) appropriately used for FAU business, (ii) supported by required documentation and proper approvals, and (iii) properly recorded and classified in the accounting records.
2. Examine the oversight and administrative functions performed by Financial Affairs to determine if they were adequate to reasonably ensure the pCard program objectives are met.

The **scope** of the audit included a review of pCard practices at four selected University divisions/department as well as the oversight and administrative functions over the pCard program by Financial Affairs. Our audit examined pCard transactions and activities during July 2021 through January 2023, and any related activities occurring through the end of our audit fieldwork.

Methodology:

We conducted various audit procedures to accomplish our stated audit objectives and scope, including, but not limited to:

- Reviewing applicable regulations, rules, laws, statutes, ordinances, and policies, as well as pCard training modules in Canvas.
- Reviewing purchasing card audits performed by other Universities and municipalities, and industry best practices.
- Gaining an understanding of Financial Affairs' functions in connection with the pCard program.
- Performing risk assessments to evaluate risks affecting the program and the effectiveness of existing controls.
- Interviewing various knowledgeable staff of Financial Affairs and selected cardholders within the audited divisions/department.
- Using both random and judgmental sampling methods to select and test a sample of pCard transactions.
- Reviewing rebate revenue for accuracy and the management reconciliation process.
- Performing various other auditing procedures to achieve our audit objectives, including verifying and analyzing transactions in the Bank of America (BOA) Works system.
- Communicating (periodically) with applicable division/department officials regarding observations to ensure concurrence and enable timely resolution of audit recommendations.

We conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Principles and Standards for Offices of Inspector General*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

OBSERVATIONS AND RECOMMENDATIONS

Overall, we found that the four divisions/department reviewed (Academic Affairs, Student Affairs, Research, and Athletics) implemented certain control activities and processes to provide reasonable assurance that pCards were used only by authorized staff to make appropriate and authorized purchases. Those controls and processes were generally adequate to ensure pCards were used only for supported business purposes and in compliance with applicable laws, regulations, policies, and sound business practices. No instances of fraud were noted. In addition, the Financial Affairs operational, administrative, and oversight controls provided reasonable assurance that risks were being managed and objectives were met. The following are just some of our observations that are indicative of satisfactory control over the University's pCard program:

- ✓ Generally, senior management plays an active role in the pCard program by determining which employees should be provided a pCard and establishing cardholder's spending limits, among other things.
- ✓ A Financial Affairs Division employee has been designated as the pCard Administrator, responsible for the daily management of the program and ensuring BOA complies with agreement obligations.
- ✓ Employees requesting pCards are required to sign cardholder agreements and attend trainings.
- ✓ In the performance of their duties, certain Procurement Department staff have access to pCard account information for all university cardholders. However, the transaction and activity reviews conducted in individual departments should detect any instances where account information is used by those staff to make inappropriate or fraudulent purchases.
- ✓ pCards are issued only to those employees with purchasing needs related to their job responsibilities.
- ✓ pCard transactions are generally reviewed and approved by the cardholder, applicable cost center manager, and supervisors or designees.
- ✓ Financial Affairs performs monthly reconciliations of the BOA statement to the total charges reflected in the University Workday system.
- ✓ Procurement has made process improvements such as automating the request and approval of pCard requests and credit limit changes through Workday and eliminating the use of manual forms.

- ✓ A written Purchasing Card User Manual was developed and made available for the operation and administration of pCard activities. Those procedures were generally adequate, comprehensive, and addressed key risk areas.

We commend the management of Academic Affairs, Student Affairs, Research, and Athletics, as well as Financial Affairs for establishing and implementing appropriate controls designed to ensure effective and efficient operation of the University’s pCard program. However, we also noted several areas described in detail below where enhancements and improvements could be and/or were made to increase the level of assurance that pCards are properly used.

Observation #1: Late Cancellation of Purchasing Cards

The revised University Purchasing Card (pCard) User Manual¹ stipulates that pCards will be immediately canceled when the Procurement Department is notified that the applicable cardholder terminates employment, no longer requires a pCard, reports the loss or theft of the pCard, misuses the pCard, or if there is a termination of any grant, contract, or budget authority for which the card was issued exclusively. The applicable Dean, Director, or Department Head is responsible for notifying the Procurement Department of cardholders’ terminations or transfers. In addition, effective internal controls require timely cancellation of pCards upon cardholder’s separation of employment (or a few days prior to the separation).

Records reviewed showed that the pCards for 60 out of the 160 cardholders who terminated employment from the University during the period, 7/1/2021 to 1/31/2023 were not timely cancelled. As shown in the table below, the late cancellations occurred at each of the four audited divisions/department, and the number of days the cancellation was delayed after cardholder termination dates ranges from two to 467 days.

Dept./Divisions	# of pCards Not Timely Cancelled	Number of Days Delayed
Academic Affairs	34	3 to 346 days
Student Affairs	8	2 to 261 days
Athletics	15	3 to 153 days
Research	3	5 to 467 days
Total	60	

We examined the activities of the 60 cards to determine whether fraudulent or inappropriate purchases were made after the cardholders terminated employment. We did not identify any fraudulent purchases, but we noted one instance where transactions totaling \$925 were charged to a deceased cardholder’s pCard 66 days after the cardholder’s employment was terminated from the University. Transaction records showed that the charges included three subscription items (i.e., Adobe, Zoom, and MailChimp) that were setup to auto-renew and pay monthly. Although the

¹ <https://www.fau.edu/procurement/files/purchasingcard/manual.pdf>, page 6

pCard was physically destroyed by Academic Affairs staff, the auto-subscription payment continued for approximately three months because the Procurement Department did not immediately cancel the card upon realizing the cardholder was deceased and terminated.

In response to our inquiry, the Procurement Department indicated that most of the identified delays occurred before the current staff was assigned to the administration of the program. They also attributed the reasons to inadequate staff resources, staff turnover, and training. Procurement personnel also mentioned that there were some instances where they did not receive Workday termination notifications until days after the cardholder's effective termination date. Notwithstanding these reasons, untimely cancellation of pCard privileges increases the risk of fraudulent, unauthorized, or inappropriate purchases.

We **recommend** that (1) the Purchasing Card Administrator or designee should ensure pCards are immediately cancelled upon receiving notification of cardholder termination or when cards are no longer needed, and (2) Deans, Directors, Department Heads, or their designated staff should timely notify the Purchasing Card Administrator or designee when a cardholder terminates or when the card is no longer needed.

Observation #2: Cardholder Spending Limits Exceeded and Circumvented

As described in the background section, the University established single transaction and monthly spending limits that vary based on cardholder and department/division purchasing activities and needs. The revised Purchasing Card Manual² defines single transaction and monthly spending limits as a dollar limit that may be applied to a cardholder's purchasing authority on a per transaction basis or monthly. The spending limits were established as a control to help reduce the risk and impact of unauthorized purchases. Also, the University Purchasing Manual³, revised pCard Manual⁴, and best business practices all prohibit the splitting of orders to circumvent authorized spending limits.

The cardholders we selected and reviewed generally made purchases within their approved spending limits and did not split purchases to circumvent them. We did, however, identify the following instances of noncompliance with the pCard Manual.

Split Transactions

We noted three separate instances at two divisions where cardholders circumvented their authorized transaction spending limits in order to purchase needed goods or services.

- Two Academic Affairs' cardholders whose authorized single transaction limit was \$4,999 split payments for related items on the same date – one totaling \$9,642.25 (\$4,692.25 and \$4,950.00) and the other totaling \$6,309.11 (\$1,566.43 and \$4,742.68).

² <https://www.fau.edu/procurement/files/purchasingcard/manual.pdf>, page 4

³ <https://www.fau.edu/procurement/files/purchasing-manual.pdf>, section 1.12, page 11

⁴ <https://www.fau.edu/procurement/files/purchasingcard/manual.pdf>, section B, page 7

- One Division of Research cardholder whose authorized single transaction limit was \$4,999 split two payments of \$3,696.17 that totaled \$7,392.34 to the same vendor for related items on the same date.

The practice of splitting transactions to circumvent single transaction or monthly spending limits not only defeats the purpose of those limits, but also increases the risk of unauthorized purchases, and is inconsistent with the University's purchasing procedures.

Exceeding Spending Limits

We noted three separate instances at two divisions where cardholders made purchases in excess of their authorized spending limits.

- Two Academic Affairs' cardholders whose authorized single transaction and monthly spending limits were \$4,999 and \$5,000, respectively exceeded their monthly spending limit and/or single transaction limit. One made a single purchase in the amount of \$8,279 and the other made two purchases from the same vendor in a month that totaled \$5,425.
- One Student Affairs' cardholder was approved for single transaction and monthly spending limits of \$4,999 and \$5,000, respectively. They made a single purchase in the amount of \$6,310 which exceeded their single transaction and monthly spending limits.

According to Procurement management, Bank of America (BOA) has implemented automated controls to prevent cardholders from exceeding their authorized pCard spending limits. Notifications and reports within BOA Works system reflects transactions declined for insufficient funds. In response to our inquiry, BOA indicated that VISA usually permits merchants (i.e., businesses) to force a transaction through for the final cost of items purchased or services rendered. For the instances identified in our audit (hotel and service type companies), the businesses may have received the cardholders' approval for the transactions based on an initial estimated amount but subsequently forced the final amount through to cover the final charges.

We **recommend** that (1) management should emphasize or remind cardholders of the importance of adhering to their authorized spending limits and not splitting purchases into multiple transactions to circumvent authorized spending limits; (2) reviewers and approvers should enhance their reviews to detect and address instances of split or overlimit purchases with applicable cardholders; and (3) Procurement Department management should continue its efforts to work with BOA to ensure the automated system controls are working as intended. Also, as part of the automated controls, BOA should include a process for notifying the department of cardholder's attempts to exceed spending limits.

Observation #3: Segregation of Duties & Independent Approval

Segregation of duties is a key internal control activity designed to reduce the occurrence of errors, inappropriate staff actions, or fraud. In connection with the pCard program, key duties, and responsibilities in executing, reviewing, recording, and approving pCard transactions should be

segregated among individuals to reduce the risk of error or inappropriate purchases. Without compensating controls, an employee should not be able to approve their own purchases. Consistent with best control practices, the University Purchasing Card Manual indicates that the expense report approver (or his/her delegate) must be independent of the cardholder. The manual also suggests that cardholder supervisors review their cardholder's expense reports periodically for the appropriateness of purchases, especially when the supervisor is not acting as the cardholder's cost center manager (approver) in Workday.

Our audit showed that, generally, duties and administrative functions over the pCard program were properly segregated among staff and departments. However, we identified the following areas that require control improvements:

- At Financial Affairs, we noted two separate instances (totaling \$1,199.02) where transaction expense reports were approved by a cost center manager who reports directly to the cardholder. While this practice of independent review represents good control, the cost center manager may not have sufficient authority to challenge inappropriate or unauthorized purchases by the cardholder. Accordingly, an additional periodic review of pCard activities by the cardholder's direct supervisor would further enhance controls and help mitigate the risk of unauthorized or inappropriate purchases.
- At Academic Affairs, we identified three separate instances pertaining to two cardholders (totaling \$1,056.55), where transaction expense reports were self-approved by the cardholder. For each identified instance, the assigned cost center manager for the department delegated their role to an individual who is also a cardholder. As a result of the role delegation, the cardholders were able to review and approve their own transactions. Although our review showed the items purchased were appropriate and allowable, the performance of such incompatible roles increases the risk of unauthorized actions, errors, and fraud without timely detection.
- At the Division of Research, we noted six separate instances pertaining to two cardholders, where transaction expense reports (totaling \$759.78) were self-approved by the cardholder. For each identified instance, the assigned cost center manager for the department delegated their role to an individual who is also a cardholder. As a result of the role delegation, the cardholders were able to review and approve their own transactions. Although our review showed the items purchased were appropriate and allowable, the performance of such incompatible roles increases the risk of unauthorized actions, errors, and fraud without timely detection. The responsibility of approving pCard transactions should not be assigned or delegated to a cardholder. This may put them in a position to make inappropriate or unallowable purchases and self-approve such transactions without timely detection.
- In addition, we identified four instances at Academic Affairs (totaling \$1,828.99) and two instances at the Division of Research (totaling \$227) where completed expense reports were not approved by staff independent of the cardholder, as required by the pCard manual. For those instances, the assigned approvers (i.e., cost center manager, grant manager, and pCard manager) were configured as "not required" in the Workday system.

We **recommend** that (1) management should ensure pCard purchases are independently reviewed and approved, (2) if a pCard approver role is delegated by a cost center manager to an individual who is also a cardholder, the individual’s pCard transactions should be reviewed by a supervisor and/or independent staff. As an alternative compensating control, the cost center manager who delegated the approver role should periodically obtain and review reports of pCard transactions made by the individual, and (3) Procurement Department management should work with OIT to re-examine the Workday business process configurations for Expense Reporting and ensure that all completed expense reports are reviewed and approved by staff independent of the cardholder. Ideally, a supervisor, cost center manager, grant manager, and Financial Affairs staff (as applicable) should review the expense report.

Observation #4: Late Submission of Transaction Expense Reports

As described in the background section, the University pCard transactions are processed in Workday, and pCard charges are settled through the expense reporting process. Cardholders or their designee prepare expense reports for their purchases and submit them for review and approval by the applicable cost center manager or designee. Through this process, a reconciliation between the cardholder's charge receipts and what is reported by BOA will be handled through the Expense Report process in Workday.

Pursuant to the revised University pCard Manual⁵, pCard charges must be fully approved within thirty (30) calendar days after the date of purchase. This 30-day period includes the submission of a receipt (by the cardholder and/or cardholder’s delegate), the creation of an expense report in Workday (by the cardholder and/or cardholder’s delegate), and the appropriate approvals (Cost Center Manager, Research Accountant (if applicable), etc.) completed. If the lifecycle of the process exceeds 30 calendar days, a justification will be required as to why the process is late.

We determined that, generally, pCard transactions were timely approved and processed. However, as shown in the table below, we noted a total of 28 instances at the four audited divisions/department where expense reports were not created, submitted, or fully approved within the required 30 days.

Department/Divisions	# of Late Submissions
Academic Affairs	9
Athletics	9
Research	7
Student Affairs	3
Total	28

⁵ <https://www.fau.edu/procurement/files/purchasingcard/manual.pdf>, section F, page 8

Although the reasons or justifications for the delays were mostly documented in Workday as required by the pCard manual, the absence of timely reviews and approvals of pCard purchase documentation and statements increases the risk that errors and unauthorized purchases may not be timely detected and resolved.

We **recommend** that management should emphasize the importance of timely submission and approval of pCard expense reports to cardholders or their designees.

Observation #5: Rebate Revenue Verification and Reconciliation

FAU participates in the pCard program through the University of Florida (UF)’s existing contract with Bank of America (BOA). The bank offers annual financial incentives in the form of rebates to participating agencies that meet certain conditions, and when those agencies’ total dollar amount of pCard purchase transactions reaches or exceeds the established minimum threshold. Because the University participates in a partner program with UF and the University of Central Florida, FAU receives rebates based on the volume of activities and spending levels of the three universities.

Based on the records made available to us, we noted (as shown in the table below) that FAU earned rebates in the amount of \$192,244 in 2021 and \$235,150 in 2022.

Calendar year	pCard Spending by FAU	Rebate Amount Earned by FAU
2021	\$8,822,624	\$192,244
2022	\$10,807,943	\$235,150

As part of the audit, we verified source records and determined that the rebate amounts earned by FAU for 2021 and 2022 were correct, received, deposited, and properly recorded. However, as confirmed by Financial Affairs personnel, records did not evidence reconciliation or verification by staff to ensure the amounts earned and payments received from BOA were accurate and complete. Without verification, management cannot be certain that the annual rebate amount the University receives from BOA is accurate and complete.

We **recommend** that Financial Affairs management should ensure that annual rebates are received, verified, timely recorded, and documented. The process may include verifying that received rebates are correct based on the volume of annual pCard purchases (as reflected in Workday) and the contractual rebate rates.

Observation #6: Periodic Refresher Training Required

FAU currently requires initial training for new cardholders and cost center managers to ensure employees are informed of the processes, their responsibilities, and the governing rules and regulations. New cardholders are required to complete a pCard training certification on Canvas before they are issued a pCard. Likewise, cost center managers are required to complete training regarding the Workday/pCard expense reporting process from the Controller's Office. However, periodic refresher training is not currently required for existing cardholders and cost center managers to ensure their continued knowledge of processes and key changes in policies and procedures governing pCard usage.

The training module developed for the pCard program is maintained in the Canvas Course Dashboard for employees to voluntarily take the training when needed, but it is not required. In addition to the changes that may result from the recommendations provided in the report, numerous changes to the pCard rules, procedures, and processes may have occurred since the inception of the program. Refresher pCard training will keep cardholders, cost center managers, and others involved up to date with the current program rules and processes and reduce the risk of non-compliance with program requirements.

We **recommend** that Financial Affairs management should (1) update the pCard training module, (2) require all active cardholders and cost center managers to periodically (i.e., at least annually) complete a refresher certification training, and (3) consider only issuing replacement pCards (e.g., when an existing pCard expires) if the cardholders complete the required refresher training.

Observation #7: Purchasing Card Policy Manual Update

In accordance with best business practices, the Procurement Department developed a written Purchasing Card User Manual for the operation and administration of the University's pCard activities. The pCard policy manual was last updated in 2019 (almost four years ago), and even though it's generally adequate and comprehensive, it does not address some key relevant processes.

We **recommend** that the manual should be updated to address current practices and requirements, the applicable process enhancements made as a result of the audit, and the following suggestions:

1. Clarify or enhance the current notification process, responsibilities, and timeliness when a cardholder terminates, transfers, or no longer needs the card.
2. Include a requirement that, in instances where the cardholder's direct supervisor is not the cost center manager, the supervisor should review and approve the pCard transactions. When it is not practicable for the supervisor to review and approve every transaction made by the cardholder, then the supervisor should periodically obtain reports and review the cardholder's transactions.

3. Clarify Procurement Department's expectation for "itemized receipts." For instance, proper itemized receipts should (as applicable) provide:
 - Item quantities and unit amounts.
 - Item Description.
 - Total Cost.
 - Vendor name and address.
 - Date of purchase.
 - Date goods received.

(Note: Prior to the report being issued, the Procurement Department provided the revised pCard Manual⁶ for our review. This demonstrates that the department has initiated corrective actions to address our recommendations.)

Observation #8: Financial Affairs Oversight and Administrative Function

As noted in the background section, Financial Affairs is responsible for administering and overseeing the University's pCard program and activities in the participating colleges and departments/divisions. Monitoring activities are necessary to ensure compliance with pCard manual terms and provisions and confirm that the University's pCard program is operating efficiently and effectively. Oversight and administrative functions performed by Financial Affairs includes (but are not limited to):

- Establishing and updating the policies and procedures in the University's Purchasing Card User Manual governing the use of pCards.
- Reviewing and approving all FAU Purchasing Card Request Forms which indicate the credit card spending limits for the employees requesting pCards.
- Creating accounts and requesting BOA to issue new and replacement cards.
- Maintaining cardholder profiles and cancelling cards within the Bank of America (BOA) Works system.
- Setting up employee access capabilities and permissions within the BOA Works system.
- Reviewing and approving user access to certain action items within the Workday Expense Reporting business process.
- Providing training to all University employees receiving an FAU pCard or who have direct or delegated responsibilities under the pCard program.
- Reviewing, approving, or rejecting expense reports completed and submitted by cardholders upon approval by the applicable cost center manager.
- Receiving, reviewing, verifying, reconciling, and approving monthly invoices submitted by BOA for payment (reimbursement) of processed pCard transactions.
- Ensuring that all pCard transactions have been properly coded within the WorkDay Expense Reporting module at the end of each monthly cycle.
- Receiving and ensuring the accuracy and completeness of bank rebate deposits received from BOA for participation in the pCard program.

⁶ <https://www.fau.edu/procurement/files/purchasingcard/manual.pdf>

Overall, we found that the Financial Affairs administrative and monitoring efforts are adequate and appropriate. However, we **recommend** the following enhancements to the division's current efforts:

1. Enhance information processing controls, which includes a variety of controls to check accuracy, completeness, and authorization of activity and transactions. Specifically, assigned staff should perform a more detailed review of expense reports (prior to approval) to ensure that:
 - Adequate and appropriate supports, including itemized receipts, are attached.
 - Items purchased are allowable.
 - Purchases are not split and spending limits are not exceeded.
 - Expense reports have been approved by a cost center manager, supervisor, or designee.
 - Cardholder complies with all other relevant procedures requirements.
2. Periodically compare recent employee terminations recorded in the Workday HR module to the active cardholder files for the purpose of identifying instances where departments/divisions or the system failed to timely notify Financial Affairs of the termination. The pCard Administrator should immediately cancel the employees' card upon termination or when the card is no longer needed.
3. Periodically communicate with departments/divisions to ensure spending limits are appropriate, spending profiles are applicable for the related job, unused cards are identified, and there are no active pCards for terminated employees.
4. Work with Bank of America (BOA) to utilize the current functionality that exists within the Works system to capture each cardholders' respective department and division.
5. Work with BOA and FAU OIT to understand the current capabilities within the respective Works and Workday systems to perform data analysis and develop dashboards to identify anomalies and assist in the reporting of pCard activities to FAU management.

VP/PROVOST RESPONSE

Joint Response by the Vice Presidents for Financial Affairs, Student Affairs, Research, Athletics, and the University Provost.

We have had the opportunity to review the draft report and provide appropriate feedback. In addition, the OIG was generous with their time in communicating with us strategies which may be implemented in our areas to ensure a successful action plan. We look forward to working within our individual divisions, as well as collaboratively, in consultation with the OIG to improve processes to ensure compliance with the audit findings.

MANAGEMENT ACTION PLANS

ACADEMIC AFFAIRS DIVISION

Action plan	Responsible Employee	Target Date
<p>Recommendation #1 - Deans, Directors, Department Heads, or their designated staff should timely notify the Purchasing Card Administrator or designee when a cardholder terminates or when the card is no longer needed.</p>		
<p>1 The applicable department head or designee will ensure terminations are entered into WorkDay timely, thereby providing timely notification of cardholder terminations to the Purchasing Card Administrator or designee. The applicable department head or designee will also follow the process established by the Purchasing Card Administrator or designee for notification of when the cards are no longer needed in a timely manner.</p>	<p>Iselgis Garcia</p>	<p>5/1/2024</p>
<p>Recommendation #2 - Management should emphasize or remind cardholders of the importance of adhering to their authorized spending limits and not splitting purchases into multiple transactions to circumvent authorized spending limits. Reviewers and approvers should enhance their reviews to detect and address instances of split or overlimit purchases with applicable cardholders.</p>		
<p>1 Cardholders will be reminded not to exceed their authorized spending limits and not to split purchases into multiple transactions to circumvent their authorized spending limits.</p>	<p>Iselgis Garcia</p>	<p>5/1/2024</p>
<p>2 Reviewers and approvers (e.g., cost center managers or designees) will enhance reviews to ensure timely detection of overlimit or split transactions.</p>	<p>Iselgis Garcia</p>	<p>5/1/2024</p>
<p>Recommendation #3 - Management should ensure pCard purchases are independently reviewed and approved. If a pCard approver role is delegated by a cost center manager to an individual who is also a cardholder, the individual's pCard transactions should be reviewed by a supervisor and/or independent staff. As an alternative compensating control, the cost center manager who delegated the approver role should periodically obtain and review reports of pCard transactions made by the individual.</p>		
<p>1 The expense report for pCard transactions will be reviewed and approved by an individual independent of the cardholder who made the transaction, in addition to approval by the cardholder's supervisor. If approver roles are delegated to cardholders, the cardholders' transactions will be periodically reviewed by a supervisor and/or independent staff.</p>	<p>Iselgis Garcia</p>	<p>5/1/2024</p>
<p>Recommendation #4 - Management should emphasize the importance of timely submission and approval of pCard expense reports to cardholders or their designees.</p>		

1	Cardholders will be reminded to complete and submit the expense reports for their pCard purchases in a timely manner. The expense reports review and approval process will also be completed in a timely manner in accordance with the deadlines stipulated in the pCard Manual.	Iselgis Garcia	5/1/2024
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ATHLETICS DEPARTMENT

Action plan	Responsible Employees	Target Date	
Recommendation #1 - Deans, Directors, Department Heads, or their designated staff should timely notify the Purchasing Card Administrator or designee when a cardholder terminates or when the card is no longer needed.			
1	Kathryn or Caroline will inform the pCard Administrator when Athletic employees with pCards are terminated or when cards are no longer needed.	Caroline Kingsdorf and Kathryn Cullen	Complete*
Recommendation #4 – Management should emphasize the importance of timely submission and approval of pCard expense reports to cardholders or their designees.			
1	Kathryn will monitor the unreconciled Athletic transactions and send out monthly reminder emails to each cardholder. The cardholder’s supervisor will also be copied on the subsequent emails. If a cardholder is non-responsive, Caroline will further enforce accountability.	Caroline Kingsdorf and Kathryn Cullen	Complete*

STUDENT AFFAIRS DIVISION

Action plan	Responsible Employee	Target Date	
Recommendation #1 - Deans, Directors, Department Heads, or their designated staff should timely notify the Purchasing Card Administrator or designee when a cardholder terminates or when the card is no longer needed.			
1	The applicable department head or designee will timely notify the Purchasing Card Administrator or designee of cardholder terminations or when cards are no longer needed.	Dr. Larry Faerman	4/1/2024
Recommendation #2 – Management should emphasize or remind cardholders of the importance of adhering to their authorized spending limits and not splitting purchases into multiple transactions to circumvent authorized spending limits. Reviewers and approvers should enhance their reviews to detect and address instances of split or overlimit purchases with applicable cardholders.			
1	Cardholders will be reminded not to exceed their authorized spending limits and not to split purchases into multiple transactions to circumvent their authorized spending limits.	Dr. Larry Faerman	4/1/2024

2	Reviewers and approvers (e.g., cost center managers or designees) will enhance reviews to ensure timely detection of overlimit or split transactions.	Dr. Larry Faerman	4/1/2024
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Recommendation #4 - Management should emphasize the importance of timely submission and approval of pCard expense reports to cardholders or their designees.

1	Cardholders will be reminded to complete and submit the expense reports for their pCard purchases in a timely manner. The expense reports review and approval process will also be completed in a timely manner in accordance with the deadlines stipulated in the pCard Manual.	Dr. Larry Faerman	4/1/2024
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DIVISION OF RESEARCH

Action plan	Responsible Employee	Target Date
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Recommendation #1 - Deans, Directors, Department Heads, or their designated staff should timely notify the Purchasing Card Administrator or designee when a cardholder terminates or when the card is no longer needed.

1	The applicable department head or designee will ensure terminations are entered into WorkDay timely, thereby providing timely notification of cardholder terminations to the Purchasing Card Administrator or designee. The applicable department head or designee will also follow the process established by the Purchasing Card Administrator or designee for notification of when the cards are no longer needed in a timely manner.	Lynn Asseff	5/1/2024
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Recommendation #2 - Management should emphasize or remind cardholders of the importance of adhering to their authorized spending limits and not splitting purchases into multiple transactions to circumvent authorized spending limits. Reviewers and approvers should enhance their reviews to detect and address instances of split or overlimit purchases with applicable cardholders.

1	Cardholders will be reminded not to exceed their authorized spending limits and not to split purchases into multiple transactions to circumvent their authorized spending limits.	Lynn Asseff	5/1/2024
2	Reviewers and approvers (e.g., cost center managers or designees) will enhance reviews to ensure timely detection of overlimit or split transactions.	Lynn Asseff	5/1/2024

Recommendation #3 - Management should ensure pCard purchases are independently reviewed and approved. If a pCard approver role is delegated by a cost center manager to an individual who is also a cardholder, the individual's pCard transactions should be reviewed by a supervisor and/or independent staff. As an alternative compensating control, the cost center manager who delegated the approver role should periodically obtain and review reports of pCard transactions made by the individual.

1	The expense report for pCard transactions will be reviewed and approved by an individual	Lynn Asseff	5/1/2024
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	independent of the cardholder who made the transaction, in addition to approval by the cardholder's supervisor. If approver roles are delegated to cardholders, the cardholders' transactions will be periodically reviewed by a supervisor and/or independent staff.		
Recommendation #4 - Management should emphasize the importance of timely submission and approval of pCard expense reports to cardholders or their designees.			
1	Cardholders will be reminded to complete and submit the expense reports for their pCard purchases in a timely manner. The expense reports review and approval process will also be completed in a timely manner in accordance with the deadlines stipulated in the pCard Manual.	Lynn Asseff	5/1/2024
FINANCIAL AFFAIRS DIVISION			
Action plan		Responsible Employees	Target Date
Recommendation #1 - The Purchasing Card Administrator or designee should ensure pCards are immediately cancelled upon receiving notification of cardholder termination or when cards are no longer needed.			
1	The pCard Administrator or designee will immediately cancel cards upon receiving notification of cardholder terminations or when cards are no longer needed.	Ailene Finelli Gianella Diaz Lina Jaroslavsky	Complete*
Recommendation #2 - Procurement Department management should continue its efforts to work with BOA to ensure the automated system controls are working as intended. Also, as part of the automated controls, BOA should include a process for notifying the department of cardholder's attempts to exceed spending limits.			
1	The Procurement Department will work with BOA to ensure (1) automated system controls for spending limits are working as intended, (2) automated controls include a process for notifying the department of cardholders' attempts to exceed spending limits.	Maria Yerganian	Complete*
Recommendation #3 - Procurement Department management should work with OIT to re-examine the Workday business process configurations for Expense Reporting and ensure that all completed expense reports are reviewed and approved by staff independent of the cardholder. Ideally, a supervisor, cost center manager, grant manager, and Financial Affairs staff (as applicable) should review the expense report.			
1	With the assistance of OIT, the Procurement Department will ensure the Workday business process is configured so that all completed expense reports are reviewed and approved by a supervisor and staff independent of the cardholder.	Maria Yerganian	Complete*
Recommendation #5 - Financial Affairs management should ensure that annual rebates are received, verified, timely recorded, and documented. The process may include verifying that received rebates are			

correct based on the volume of annual pCard purchases (as reflected in Workday) and the contractual rebate rates.		
1	Staff will be assigned, and a process will be put in place to ensure that the annual rebates received from BOA are correct based on the volume of annual pCard purchases (as reflected in Workday) and the contractual rebate rates.	Maria Yerganian Complete*
Recommendation #6 - Financial Affairs management should (1) update the pCard training module, (2) require all active cardholders and cost center managers to periodically (i.e., at least annually) complete a refresher certification training, and (3) consider only issuing replacement pCards (e.g., when an existing pCard expires) if the cardholders complete the required training.		
1	The current pCard training module will be updated to reflect the practices, requirements, and changes made as a result of the audit.	Maria Yerganian Melodi Ramtallie Ailene Finelli Gianella Diaz Lina Jaroslavsky 01/31/2024
2	Cardholders and cost center managers will now be required to take the pCard refresher training at least annually.	Melodi Ramtallie Ailene Finelli Lina Jaroslavsky 01/31/2024
Recommendation #7 – The pCard manual should be updated to address current practices, requirements, and the enhancement suggestions provided in the report.		
1	The current pCard Manual will be updated to be consistent with the current practices, requirements, and suggestions provided in the report, including (1) clarifying the notification process when cardholders terminate or no longer needs the card; (2) the requirement of supervisory review and approval of pCard transactions; (3) the expectations for itemized receipts; and (4) the procedures for verifying, processing, and documenting annual rebates received from BOA.	Maria Yerganian Complete*
Recommendation #8 - Financial Affairs should enhance the current administrative and monitoring efforts to include the suggestions provided in the report.		
1	Financial Affairs will improve on its current administrative and monitoring efforts by considering and implementing the enhancement suggestions provided in the report.	Gianella Diaz Complete*

*Per the department, corrective actions and/or procedures have been put in place. Completion will be verified during the audit follow-up process.

Engagement Team

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Audit supervised and approved by: Reuben Iyamu, MBA, CIA, CFE, CIGA, CIG
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