

October 3, 2022

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Director, Payables, Tax and Travel
0955

**Subject: *Concur (Procurement Card & Employee Reimbursements)
Report 2022-03***

The final report for Concur (Procurement Card & Employee Reimbursements) Report 2022-03, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

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Director
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Attachment

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AUDIT & MANAGEMENT ADVISORY SERVICES

Concur (Procurement Card & Employee Reimbursements)
Report No. 2022-03
October 2022

FINAL REPORT

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ATTACHMENT A – P-Card Analytics

I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of Concur (Procurement Card (P-Card) and Employee Reimbursements) as part of the approved audit plan for Fiscal Year 2021-22. The overall objective of our review was to evaluate whether internal controls and business processes for Concur provide reasonable assurance that operations are effective and in compliance with applicable University policies, procedures and guidelines. The scope of our review included Employee Reimbursements and P-Card processes, and did not include Travel or Entertainment transactions

Based on our review, we concluded that internal controls and business processes for Concur were generally adequate, and the system is functioning as intended as a single platform supporting Travel, Employee expense reimbursement, and P-Card. The system was effective in providing efficient processing of P-Card purchases and Employee Reimbursements, and included evidence of multiple reviews by the department and central office. We also noted that the system was implemented during the Covid-19 pandemic when there was a particularly high volume of employee reimbursements which were processed timely by the system and IPPS support staff during a partially challenging period. Further, IPPS provided support to departments following the transition to the new system by providing an additional level of transactional review and advising departments on related University policies.

Also, while Concur system fulfilled the main objective for processing Travel, P-Card transactions, and Employee expense reimbursement, it is expected that more improvements will be realized as the new system implementation continues to settle, and processes are refined. Improved monitoring and oversight between the Procurement team and financial unit approvers will ensure an effective and efficient P-Card Program.

We noted several opportunities to enhance the P-Card Program and strengthen the existing controls. In general, these areas related to additional program monitoring which could be implemented to ensure program effectiveness and compliance, such as monitoring for cardholder spending limits, cards with limited activity, segregation of duties conflicts, restricted purchases, and completion of training requirements. In addition, processes could be refined to ensure account termination for separated employees and timely removal of user accounts.

While some system reports were available for IPPS users, there were limited reports for end-users to assist with program oversight and monitoring. Finally, education could also be enhanced for Department P-Card administrators, financial unit approvers, and cardholders to promote stronger adherence to policy and P-Card Program Guidelines, particularly in the areas of expense report and receipt review, and restricted party screening. Management Action Plans to address our findings are summarized below:

A. Cardholder Spending Limits and Cards with Limited Activity

1. The P-Card Program Administrator will remind P-Card team members to ensure that business justification and prior written approval from IPPS Disbursements & Travel or Procurement is obtained and documented for permanent increases greater than \$20,000 for the MCL and greater than \$4,999 for the STL.

2. The P-Card Program maintains a list of cards with high limits that will be annually reviewed for purchase card activity to assess whether increased purchase limits align with the business need without increased risk to the University.
3. The P-Card Program Administrator will implement a process to reevaluate the low usage cards annually and determine if keeping the cards is justified. This can be a report provided to the departments to review their cards to determine if there is still a business need.

B. Cancellation of Cards and Removal of System Accounts

1. The P-Card Program Administrator has reviewed and canceled P-Cards for separated employees identified in this review.
2. The P-Card Program Administrator will provide reports when requested by Department P-Card Administrators that identify P-Card holders so that the Department can take any appropriate action based on cardholder employment status changes. Additional reporting for departments is also being explored.
3. The P-Card Program Administrator and training team will remind Cardholders and Department Administrators to collect cards and submit cancellation requests in Concur to remove the cardholder access after termination or transfer to another department.
4. The Department Administrator Agreement form will be updated to include "cancellation of P-Cards should be submitted in Concur."
5. The P-Card Program Administrator has implemented a process to perform a weekly review to identify separated cardholders and cancel the P-Card.
6. The Concur Administrator has reviewed all users and service accounts that were created and granted manually for testing system during implementation and removed accounts not needed.
7. The Concur Administrator will consider creating an access management procedure that includes a list of all user roles, levels, and types of access and procedures for granting and revoking user access assigned manually.

C. Separation of Roles

1. Management will explore opportunities to develop reports which would enable monitoring separation of roles between cardholders and approvers.
2. The P-Card Program Administrator will remind the departments of the importance of preserving adequate separation of roles between cardholders and approvers.

D. Purchase Restrictions

1. The P-Card Program Administrator will establish a process to periodically review restricted purchases to determine if the exceptions are warranted.
2. The P-Card Program Administrator will ensure that any MCC lifts for restricted items are properly documented and noted in U.S. Bank cardholders' profiles.

E. Purchasing of Inventorial Equipment

1. IPPS will work with Concur to assess if system features such as a pop-up message, can be incorporated to identify potential inventorial purchases and guide a user appropriately.

2. IPPS has established a process that requires employees to provide supporting documentation from the Equipment Management Office for inventorial equipment over \$5,000 prior to IPPS approval of the expense reimbursement.

F. Review of Supporting Documentation

1. The P-Card Program Administrator will include a reminder during the refresher training for Financial Unit Approvers on the importance of reviewing required supporting documentation, including receipts to substantiate expense reimbursements. A reminder will also be provided to the six approvers identified in our review with a high volume of unviewed receipts.

G. Data Discrepancy and Concur Reports

1. The P-Card Program Administrator reviews spend, and a number of transactions on a weekly basis and any variance with U.S. Bank data should be investigated as appropriate.
2. IPPS is working toward making reports available for end-users in the Business Activity Hub. IPPS will also evaluate whether other reports can be developed internally.

H. Restricted Party Screening (RPS)

1. IPPS will incorporate into the P-card initial and annual refresher training program the requirement to perform RPS for foreign purchases.

I. Refresher Training

1. IPPS will automate the training on UC Learning Center so that program participants receive an automated notification when the annual training is due.
2. IPPS will review UC Learning reports to ensure all participants in the Program complete annual refresher training, as required.

Observations and related Management Action Plans are described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of Concur (Procurement Card (P-Card) and Employee Reimbursements) as part of the approved audit plan for Fiscal Year 2021-22. This report summarizes the results of our review.

On July 2020, UCSD implemented SAP Concur as part of the new Financial Information System for processing Travel, P-Card transactions, and Employee expense reimbursement. The Concur platform is used for booking and processing University business travel; processing University entertainment expenses; processing reimbursements to UCSD Employees; managing Travel & Entertainment Card transactions; managing P-Card transactions, and requesting Vanilla Visa Gift Cards¹. Also, as part of this change, the prior UCSD Express Card Program was transitioned to a P-Card model. As of December 1, 2021, a total of 3,319 cardholders had active P-Cards.

UCSD P-Cards are issued by U.S. Bank to authorized faculty and staff who have buying responsibilities. Affiliates may also request a P-Card contingent on approval by the Controller. The P-Card may be used to make authorized purchases in person at the vendor site, over the telephone, and online. The card simplifies buying and paying for most routine, low-cost goods, and services. Benefits of the Program include the elimination of purchase orders (POs), invoice processing, and built-in controls that prohibit restricted purchases.

The P-Card Program is administered by Integrated Procure-to-Pay Solutions (IPPS), Disbursements & Travel division, in Business and Financial Services (BFS). University policy BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management (BUS-43) provides guidelines, procedures, and requirements for implementing the P-Card Program. In order to receive a P-Card, faculty, staff and affiliates must attend training and sign a P-Card cardholder agreement. In addition, cardholders are required to verify transactions and upload their receipts/invoices to Concur at least once a month.

P-Card Program specifications include special features such as limiting the Single Transaction Limit (STL) amount to \$4,999 and the Monthly Cycle Limit (MCL) to \$20,000. The P-Card cycle limit was increased on September 28, 2021 from a previous limit of \$10,000. The current practice allows the limits to be adjusted by submitting a request with a business justification for an increase. The request is reviewed and approved by either the P-Card Program Manager, Director Payables, Tax, and Travel, or Chief Procurement Officer, depending on the increase amount. Additional features include the ability to define Authorized, Restricted and Unauthorized Purchases.

The P-Card Program includes built-in controls called Merchant Category Codes (MCCs²) that prohibit purchases from identified merchant types. Some of the prohibited merchant category codes include hotels, taxicabs, tolls, miscellaneous food, fast food, jewelry, and Point of Interaction (POI) funding, including various merchants' purchases of gift cards, health, and beauty spas. In addition to the MCCs controls, the University has the ability to use Restricted Party Screening (RPS) on visualcompliance.com to ensure compliance with federal export control regulations for certain prohibited transactions with restricted entities that require an export license or further review.

¹ Vanilla Visa gift cards are used for gifts for employees or non-employees, or for Human Subject compensation. Cards can be loaded in amounts between \$20 and \$500.

² MCCs are four-digit codes defined by U.S Bank. This number is used to categorize merchants and businesses by the services and goods offered. MCCs are used to categorize, track or restrict certain types of purchases.

According to the P-Card Program Manager, cardholders can be granted a temporary or permanent MCC lift. The temporary MCC lift is recorded in U.S. Bank and is automatically removed on the expiration date. The permanent MCC lift is indicated on the cardholder's profile and lists the various MCC categories lifted for that particular card. For example, certain departments have certain students, donors, and human subject-related activity needs, so restricted MCCs have been lifted to enable them to purchase specific items. Cardholders' profiles who had MCC lift included notes stating the approval and purpose of the requested restricted category.

University Policy BUS-79 Expenditures for Business Meetings, Entertainment, and Other Occasions requires the University to comply with IRS regulations regarding providing or reimbursing business meals and entertainment. UCSD classifies business event types as meetings, programmatic activities and entertainment (standard and special), each with certain policies and guidelines. Employee reimbursements for meetings and entertainment events are required to comply with University policy and fund-source restriction requirements.

Employee reimbursements are for business-related expenses, and employees must submit a non-event³ reimbursement expense report in Concur. Faculty and staff are required to enter the expenses and attach appropriate documentation into Concur for review by the Financial Unit Approver.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The overall objective of our review was to evaluate whether internal controls and business processes for Concur provide reasonable assurance that operations are effective and in compliance with applicable University policies, procedures and guidelines. The scope of our review included Employee Reimbursements and P-Card processes, and did not include Travel or Entertainment transactions. In order to achieve our objective, we performed the following:

- Reviewed University Policies:
 - BUS-43;
 - BUS-79;
 - BUS-29 Management and Control of University Equipment (BUS-29); and
 - G-41 Employee Non-Cash Awards and Other Gifts, Section E, Unallowable Awards and Gifts (G-41),
- Reviewed information on BLINK related to:
 - Concur Expense Reimbursements,
 - P-Card Program roles, restrictions, training,
 - Concur Expense for P-Card, and
 - Equipment Asset Management,
- Prepared expense reimbursement review and approval process workflow;
- Interviewed a sample of cardholders to determine the business purpose of P-Cards with significantly high Single Transaction Limit (STL) and Monthly Cycle Limit (MCL),
- Interviewed a sample of cardholders to determine their responsibility and understanding as it relates to foreign purchases and restricted party screening;
- Reviewed information on Business Analytics Hub (BAH) related to:
 - Employee Roster Report to determine separated employees and transfers,

³ Non-event reimbursement refers to an employee reimbursement for any non-PO business expense incurred that do not fall under the categories of Events, e.g., meetings, hosted events, etc.

- Employees' Supervisor List to determine subordinates approving their supervisor's expense reports,
- Obtained and analyzed Concur transaction data for the period July 1, 2020 to September 30, 2021 in categories such as:
 - Top cardholders; Top departments; Top vendors; Cardholders with multiple cards and significant high limits; split purchases; weekend and holiday purchases; and restricted purchases, separation of duties violations (See **Attachment A**);
- Examined a judgmental sample of 35 P-Card transactions for compliance with University policy and procedures, including supporting documentation for expenses and business justification; appropriate approvals and separation of duties; documentation of exceptions such as purchases that involved restricted items, prohibited MCCs and transactions exceeding STL and MCL; and
- Examined a judgmental sample of 30 Employee Expense Reimbursement transactions from July 1, 2020 through September 30, 2021 and reviewed for compliance with University policy and procedures, including supporting documentation for expenses and business justification; appropriate approvals and separation of duties; documentation of exceptions; and purchase of assets greater than \$5,000.

IV. CONCLUSION

Based on our review, we concluded that internal controls and business processes for Concur were generally adequate, and the system is functioning as intended as a single platform supporting Travel, Employee expense reimbursement, and P-Card. The system was effective in providing efficient processing of P-Card purchases and Employee Reimbursements, and included evidence of multiple reviews by the department and central office. We also noted that the system was implemented during the Covid-19 pandemic when there was a particularly high volume of employee reimbursements which were processed timely by the system and IPPS support staff during a partially challenging period. Further, IPPS provided support to departments following the transition to the new system by providing an additional level of transactional review and advising departments on related University policies.

Also, while Concur system fulfilled the main objective for processing Travel, P-Card transactions, and Employee expense reimbursement, it is expected that more improvements will be realized as the new system implementation continues to settle, and processes are refined. Improved monitoring and oversight between the Procurement team and financial unit approvers will ensure an effective and efficient P-Card Program.

We noted several opportunities to enhance the P-Card Program and strengthen the existing controls. In general, these areas related to additional program monitoring which could be implemented to ensure program effectiveness and compliance, such as monitoring for cardholder spending limits, cards with limited activity, segregation of duties conflicts, restricted purchases, and completion of training requirements. In addition, processes could be refined to ensure account termination for separated employees and timely removal of user accounts.

While some system reports were available for IPPS users, there were limited reports for end-users to assist with program oversight and monitoring. Finally, education could also be enhanced for department P-Card administrators, financial unit approvers, and cardholders to promote stronger adherence to policy and P-Card Program Guidelines, particularly in the areas of expense report and receipt review, and restricted party screening.

These observations are discussed in greater detail in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Cardholder Spending Limits and Cards with Limited Activity
Some cardholders’ permanent single transaction limit (STL) and monthly cycle limit (MCL) increases did not have the required exception request form for approval by the appropriate IPPS approver. We also noted cards with limited activity that had not been used in over two years.	
Risk Statement/Effect	
Lack of proper internal controls surrounding timely changes to permanent STL and/or MCL may increase the risk of misappropriation and fraudulent transactions.	
Management Action Plans	
A.1	The P-Card Program Administrator will remind P-Card team members to ensure that business justification and prior written approval from IPPS Disbursements & Travel or Procurement is obtained and documented for permanent increases greater than \$20,000 for the MCL and greater than \$4,999 for the STL.
A.2	The P-Card Program maintains a list of cards with high limits that will be annually reviewed for purchase card activity to assess whether increased purchase limits align with the business need without increased risk to the University.
A.3	The P-Card Program Administrator will implement a process to reevaluate the low usage cards annually and determine if keeping the cards is justified. This can be a report provided to the departments to review their cards to determine if there is still a business need.

A. Cardholder Spending Limits and Cards with Limited Activity – Detailed Discussion

Spending Limit Process

University policy (BUS 43) states that each campus shall institute point-of-sale controls to impose additional purchasing limits on each cardholder (limit per transaction, per day and per cycle). The UCSD P-Card Program Guidelines sets the limits for STL and MCL to \$4,999 and \$20,000, respectively. The current practice allows the limits to be adjusted by submitting a request with a business justification. Temporary increases do not require approval or completion of the limit exception request form and requests are submitted via service request in Concur. The cardholders’ profile on U.S. Bank for a temporary increase has date parameters set to automatically revert to the original STL or MCL. Permanent increases require approval by the Procurement Director in BFS for increases over \$20,000 for both STL and MCL.

The P-Card Program consisted of 3,319 active individual accounts as of December 1, 2021. While the majority of individual cards were within the required range for their spending limits, some cards had spending limits that exceeded the designated limits. For example, as illustrated in the table below, we noted that 77 cards exceeded the cardholder STL of \$4,999, and 67 cards exceeded the cardholder MCL of \$20,000.

Table 1a. STL Analysis

STL Range (in \$)	# of Cards	% of Total Cards
0 - 4,999	3,242	97.68%
5,000 - 10,000	39	1.18%
15,000 - 50,000	30	0.90%
100,000 - 150,000	6	0.18%
450,000 - 600,000	2	0.06%
Total Cards	3,319	100.00%

Source: AMAS Analysis of Cardholder Data from U.S Bank

Table 1b. MCL Analysis

MCL Range (in \$)	# of Cards	% of Total Cards
1 – 20,000	3,252	97.98%
21,000 - 50,000	40	1.21%
75,000 - 150,000	15	0.45%
200,000 - 310,000	9	0.27%
600,000 – 9,999,999	3	0.09%
Total Cards	3,319	100.00%

We performed sample testing of 12 cardholders’ who had both the STL greater than \$50,000 and MCL greater than \$100,000. We identified that four (33%) cardholders exceeding the STL and six (50%) cardholders exceeding the MCL did not have a business justification and supporting documents to show approval. In some instances, cardholders completed the “Express Card Account Update Form,” which is utilized for requesting STL and MCL exceptions; however, this form was not approved. In addition to completing this form, a detailed business justification should be attached with the request, which was not provided in all cases.

We also noted no evidence for periodic or annual reviews of P-Card spending limits. The lack of monitoring over spending limits resulted in many cardholders exceeding the established P-Card limits.

P-Cards with Limited Activity

Our review identified 447 P-Cards out of 3,319 active cardholders as of December 1, 2021 with limited use or activity. Of the 447 P-Cards, 129 cards had not been used for two to five years. As of July 21, 2022, all P-Cards identified during our review with limited activity for two to five years have been closed.

Table 2. P-Cards Use

Number of P-Cards	Limited Activity
2	5 Years
3	4 Years
31	3 Years
93	2 Years
318	1 Year
447	

U.S. Bank P-Card purge criteria to purge a cardholder’s account requires an account to meet the following three criteria to be automatically purged: (i) a terminated or closed account, (ii) an account inactive for equal or greater than one year, and (iii) a zero balance. Additionally, accounts with an “Open” status that have been inactive for at least twenty-two (22) months and with a zero balance are purged. Therefore, at least 129 accounts that had been inactive for 24 months should have been purged. Cards with limited usage are less likely to be monitored and may increase the risk of misuse that may not be detected timely.

B. Cancellation of Cards and Removal of System Accounts	
Processes did not consistently ensure the cancellation and deactivation of P-Cards when employees transfer or separate from the University and removal of user access.	
Risk Statement/Effect	
There is an increased risk of unauthorized purchases when the P-Card remains active for employees who have transferred departments or have separated from the University. Also, excess, or improper access to the system can leave sensitive information vulnerable to unauthorized user access.	
Management Action Plans	
B.1	The P-Card Program Administrator has reviewed and canceled P-Cards for separated employees identified in this review.
B.2	The P-Card Program Administrator will provide reports when requested by Department P-Card Administrators that identify P-Card holders so that the Department can take any appropriate action based on cardholder employment status changes. Additional reporting for departments is also being explored.
B.3	The P-Card Program Administrator and training team will remind Cardholders and Department Administrators to collect cards and submit cancellation requests in Concur to remove the cardholder access after termination or transfer to another department.
B.4	The Department Administrator Agreement form will be updated to include “cancellation of P-Cards should be submitted in Concur.”
B.5	The P-Card Program Administrator has implemented a process to perform a weekly review to identify separated cardholders and cancel the P-Card.
B.6	The Concur Administrator has reviewed all users and service accounts that were created and granted manually for testing system during implementation and removed accounts not needed.
B.7	The Concur Administrator will consider creating an access management procedure that includes a list of all user roles, levels, and types of access and procedures for granting and revoking user access assigned manually.

B. Cancellation of Cards and Removal of System Accounts – Detailed Discussion

Cancelation of P-Cards

Departments are responsible for ensuring P-Cards for employees who have separated from the University or transferred to a new department are canceled. The P-Card Department Administrators did not consistently deactivate P-Cards immediately upon an employee’s termination. We matched the U.S. Bank cardholder list with Employee Roster Report to identify employees who have separated from the University or transferred to a different department but still have an active P-card. We noted various issues with 538 accounts (with a status of terminated and closed P-Cards). In 96 cases, transactions were noted on the card after employee separation. An analysis of these cardholder accounts identified the following:

Table 3. P-Cards Cancellation

P-Card Status	Description	# of Active Cards	# With Transactions after Employee Separation
Blank	No status indicated	172	19
T9	Terminated (employee account is closed after termination)	156	37
V9	Closed (can be re-opened, also for accounts reduced to \$1)	210	40
Total Cards		538	96

Source: Analysis of Data from U.S. Bank.

According to the P-Card program guidelines, a reasonable time to cancel cards is within 96 hours of an employee separating from the University. When the P-Card Department Administrator is notified by a cardholder of a separation or transfer, the Department Administrator submits a status change in Concur, and the P-Card program team initiates the cancellation of the card via U.S. Bank.

P-Card Program guidance states the role of a cardholder is to “destroy the P-Card and notify the department administrator upon termination, transferring to a new department or upon department’s request.” However, many cardholders are not aware they should notify the Department Administrator upon termination or when transferring to a new department for the P-Card to be canceled promptly. In addition, there are currently no reports accessible to the departments of active cardholders, so they can take action whenever an employee status changes that may require P-Card privileges to be terminated.

As of July 21, 2022, cardholders identified in table three above with a P-Card status of blank including terminated and closed have been canceled.

[Removal of System Access in Concur](#)

University policy BFB-IS-3 Electronic Information Security (IS-3) states that access to institutional information should follow the Need to Know and Least Privilege Principles (i.e., users should only have access to what is specifically required to fulfill their job functions). We noted the lack of review of roles and access on Concur. For example, there were 89 Concur users who had separated from the University and still maintained Concur roles via integration roles set up through the Oracle Financial Information System. However, this integrated role’s access to Concur is dependent on the timeliness of access termination through the University’s single sign-on system. Therefore, we sampled 13 of the accounts and reviewed their Active Directory status and noted that four of the accounts were still active.

Additionally, there were Concur user accounts, including generic accounts with multiple roles, including administrative roles that were granted manually in Concur during implementation that had not been reviewed to determine if those accesses were still necessary. For instance, there were 27 users with between 10 and 49 roles. While some of the access might still be valid, some accounts are generic, such as consultant accounts, which should be reevaluated to determine if access is still required for legitimate business purposes. Excess or improper access to the system can leave sensitive information vulnerable to unauthorized user access. Therefore, a periodic user access review is recommended to reevaluate user roles, access rights and privileges, and user credentials.

C.	Separation of Roles
We identified 33 cardholders whose P-Card transactions were approved by a subordinate to the cardholder. Additionally, we identified 41 cardholders who approved their own P-Card expenses.	
Risk Statement/Effect	
When subordinates approve cardholders’ transactions, it creates an environment where the verification of expenditures is not an entirely independent process, which could lead to misuse of P-Card.	
Management Action Plans	
C.1	Management will explore opportunities to develop reports which would enable monitoring separation of roles between cardholders and approvers.
C.2	The P-Card Program Administrator will remind the departments of the importance of preserving adequate separation of roles between cardholders and approvers.

C. Separation of Roles – Detailed Discussion

Subordinates Approved Their Supervisors’ P-Card Purchases

University policy (BUS-43) states that “to ensure that the verification of expenditures is an entirely independent process, this person should not be a subordinate of any procurement cardholder.” When cardholders’ transactions are approved by subordinates, it creates an environment where the verification of expenditures is not an entirely independent process which could lead to misuse of P-Card.

While there appeared to be adequate separation of duties in most P-Card transaction approvals between supervisors and their direct reports, we identified 33 cardholders whose P-Card transactions were approved by a subordinate. We identified this condition by analyzing P-Card approved transactions against employee reporting relationships from available Activity Hub reports, as Concur does not contain data on reporting relationships. In addition, the department and the P-Card Program did not have a process to monitor the separation of roles where subordinates may be approving purchases. Separation of duties divides responsibilities to ensure that payment documents are processed correctly by having different people involved in the payment process. A lack of adequate separation of duties increases the risk of fraud and misuse of the P-Card.

Cardholders Approving Own P-Card Purchases

We also identified 41 cardholders who approved their P-Card expenses. According to IPPS, the Concur system had an issue in late 2020 after inception, allowing cardholders to approve their own expenses. As of March 17, 2021, this issue has been resolved in Concur, and there are now controls in place to ensure cardholders cannot approve their own expenses. Therefore, this issue has been resolved.

D.	Purchase Restrictions
A review of P-Card transactions revealed instances where there was a lack of documentation related to exception approval for purchasing restricted items.	
Risk Statement/Effect	
The lack of proper documentation to support approval to purchase restricted items might be perceived as an indication of weak internal controls and/or abuse of the P-Card.	
Management Action Plans	
D.1	The P-Card Program Administrator will establish a process to periodically review restricted purchases to determine if the exceptions are warranted.
D.2	The P-Card Program Administrator will ensure that any MCC lifts for restricted items are properly documented and noted in U.S. Bank cardholders’ profiles.

D. Purchase Restrictions – Detailed Discussion

The P-Card program guidelines note that restricted items cannot be purchased using P-Cards. University policy (BUS-43) states, “cardholders should comply with campus policies, procedures, and program updates related to the use of procurement cards, including limitations on transactions limits, monthly and/or annual spending limits, and prohibited items.” This same policy also states that “the administrator of the P-Card program will maintain a file of all policy exceptions made including a brief description of why the exception was necessary.” In addition, University policy (G-41) states “gifts provided to employees in connection with birthdays, weddings, anniversaries, holidays, farewells, graduations and other occasions of a personal nature” are unallowable.

According to the P-Card program guidance, restricted items can only be purchased when a MCC is lifted through an approval process. An exception to this process is the approval of gift card purchases performed by U.S. Bank representatives once the cardholder obtains approval from the P-Card program team.

Our review of P-Card transactions identified some instances of restricted (prohibited) purchases. Examples of restricted purchases included gift cards (including holiday gifts), alcohol, tickets, sponsorships, repairs and maintenance, taxi, equipment, and purchases such as Amazon Music. A detailed review of a sample of 35 P-Card purchases disclosed that 18 transactions from cardholders’ purchases were restricted items and did not have authorization noted on the U.S. Bank profile to support the purchase.

E.	Purchasing of Inventorial Equipment
Some departments did not properly identify Inventorial Equipment purchased through employee reimbursement to ensure the purchased asset was appropriately tracked and capitalized.	
Risk Statement/Effect	
Lack of accurate equipment recording and tracking increases the risk that University-owned equipment can be lost or stolen. In addition, the University’s financial statements will be inaccurate due to understating of inventorial assets.	

Management Action Plans	
E.1	IPPS will work with Concur to assess if system features, such as a pop-up message, can be incorporated to identify potential inventorial purchases and guide a user appropriately.
E.2	IPPS has established a process that requires employees to provide supporting documentation from the Equipment Management Office for inventorial equipment over \$5,000 prior to IPPS approval of the expense reimbursement.

E. Purchasing of Inventorial Equipment – Detailed Discussion

University policy (BUS-29) defines Inventorial Equipment acquired for \$5,000 or more and with a useful life expectancy of more than one year. The University guidelines require that Inventorial Equipment with a total acquisition cost of \$5,000 or more be tracked in the Campus Asset Management System (CAMS). Purchasing Inventorial Equipment through employee reimbursement is not specifically prohibited by University policies such as BUS-29. However, IPPS recommends that Inventorial Equipment be purchased through Oracle Procurement as a best practice to enable tracking provided by the inventorial process.

During our review of thirty (30) employee expense reimbursements, we identified three equipment purchases that were not properly capitalized as “Inventorial Equipment” according to University Policy. These items were purchased by employees directly, then reimbursed through the Concur employee reimbursement functionality. In addition, the departments did not notify the Equipment Management Office of equipment purchased with a cost of \$5,000 or more for proper recording into the Campus Asset Management system (CAMS) and assignment of UCID property tag. A lack of management and control of Inventorial Equipment increases the risk of University equipment being lost or stolen when there is no record of the purchase/acquisition.

F.	Review of Supporting Documentation
Financial Unit Approvers did not always review receipts and supporting documentation before approving expenses.	
Risk Statement/Effect	
Lack of proper supporting documentation, approval and business justification can lead to prohibited or fraudulent reimbursement requests.	
Management Action Plan	
F.1	The P-Card Program Administrator will include a reminder during the refresher training for Financial Unit Approvers on the importance of reviewing required supporting documentation, including receipts to substantiate expense reimbursements. A reminder will also be provided to the six approvers identified in our review with a high volume of unviewed receipts.

F. Review of Supporting Documentation – Detailed Discussion

Review of Expense Reimbursements Documentation

Concur can report on transactions that are approved by an approver who has not viewed the supporting documentation, such as receipts. As part of our review, we noted certain expense reimbursements were approved without the Financial Unit Approver viewing the receipts (supporting documentation). Our review identified the following control risk related to the review and approval process.

- 386 (88%) of the 438 expense reimbursements approved (totaling \$448,881) sent for payment from July 1, 2020 through September 30, 2021 had receipts that the approver did not view.
- Six approvers did not view receipts for 121 expense reimbursement reports which account for a total amount of \$191,782 (43%) of expenses approved without receipts viewed.

IPPS informed that it may be possible for users to view receipts by hovering over the receipt icon, however, the system may not record this action as viewing the receipt. Reviewing supporting documents, including receipts to substantiate expense reimbursements, is a good practice to ensure expense reimbursement requests meet the University’s business purpose and have adequate supporting documents.

G.	Data Discrepancy and Concur Reports
Analysis of P-Card transaction data between Concur and the U.S. Bank identified discrepancies among the two data sets. Also, there is a need to develop and deploy certain end-user reports.	
Risk Statement/Effect	
Lack of proper internal controls over design, implementation, and operation support can result in discrepancies in data.	
Management Action Plans	
G.1	The P-Card Program Administrator reviews spend, and a number of transactions on a weekly basis and any variance with U.S. Bank data should be investigated as appropriate.
G.2	IPPS is working toward making reports available for end-users in the Business Activity Hub. IPPS will also evaluate whether other reports can be developed internally.

G. Data Discrepancy and Concur Reports – Detailed Discussion

Data Discrepancy

Our analysis of P-Card transaction data obtained from Concur did not agree with totals from U.S. Bank. We noted a discrepancy of \$5,427,988 between Concur P-Card transactions in the amount of \$50,227,575 compared to \$55,655,563 reported by the U.S. Bank for transactions from July 1, 2020 through September 30, 2021. There was insufficient documentary evidence available to support why P-Card transactions generated from Concur did not agree to the transactions originating from the bank.

Even though the data had discrepancies, we were able to assess the reliability of the P-Card transactions by tracing sample transactions to source documents and verifying other compliance information directly on the cardholders’ accounts on U.S. Bank. However, the completeness of Concur transaction data could

not be validated due to the P-Card transactions discrepancy. For data to be considered reliable, accuracy and completeness are two assertions required to be met.

IPPS has a weekly process in which the P-Card Program Administrator reviews the transaction data and performs a reconciliation between the U.S. Bank, Mellon Bank, and Concur to verify the accuracy of transactions. Typically, there are minimal variances noted during this reconciliation process and they are investigated appropriately. Therefore, it is possible that the variance identified during our review may be the result of a reporting error, rather than a variation in the data sets.

Concur User Reports

We noted that Concur did not have certain end user reports during the review. However, IPPS had identified certain reports that Concur has been requested to develop, including:

- Reconciliation reports to use for general ledger (i.e., transactions that have been extracted);
- Active cardholders and Active P-Card Department administrators;
- Employees who have changed departments and those who have separated from the University;
- Delegates’ role report (show delegates by department and who they are a cardholder for); and
- Reports identifying outstanding credit memos (i.e., transactions requiring reimbursements from the cardholder).

Also, Concur provides standard reports, but access to those reports is limited mainly to the IPPS staff. Additionally, Concur provides the ability to build custom reports; for example, some of the reports required for this review needed to be built using the Concur report tool. End-user reports are key to providing users visibility to business processes that support efficient and effective operations.

H.	Restricted Party Screening (RPS)
We noted one instance where Restricted Party Screening was not performed before making a purchase from a foreign entity. Interviews indicated that cardholders were generally not aware of requirement.	
Risk Statement/Effect	
Non-compliance with Restricted Party Screening puts the University at risk of purchasing from prohibited vendors and non-compliance with federal export control regulations.	
Management Action Plan	
H.1	IPPS will incorporate into the P-card initial and annual refresher training program the requirement to perform RPS for foreign purchases.

H. Restricted Party Screening (RPS) – Detailed Discussion

The U.S. government restricts collaborating with or shipping to certain individuals or organizations. Certain transactions with restricted entities are prohibited and require an export license or further review. RPS is required for Paying foreign persons or entities (for purchases, travel, reimbursement, etc.), foreign collaborations, awards or agreements with foreign entities, and international shipments. Blink guidance states that the cardholder is responsible for ensuring that all vendors located abroad are screened by Visual Compliance, the RPS tool, prior to completing any transaction.

During our review of 30 employee expense reimbursements, we identified one foreign transaction where Restricted Party Screening was not performed prior to purchasing services from a vendor located abroad. Currently, the cardholder is responsible for performing the screening and obtaining the screening results, which should be attached to the receipt as supporting documents. However, during our review, the sample departments were not aware they needed to conduct this check.

The campus uses RPS on visualcompliance.com for escalation and export license reviews to ensure compliance with federal export control regulations. Non-compliance with Restricted Party Screening puts the University at risk of purchasing from prohibited vendors and non-compliance with federal export control regulations.

I.	Refresher Training
Monitoring of cardholder and Financial Unit Approver training could be improved. We noted there is no process to ensure that cardholders and Financial Unit Approvers complete the annual refresher training.	
Risk Statement/Effect	
Failure to monitor completion of cardholders' and reviewers training may result in a lack of knowledge surrounding the policies for P-Card use and increase the risk of unauthorized purchases and fraudulent activity.	
Management Action Plans	
I.1	IPPS will automate the training on UC Learning Center so that program participants receive an automated notification when the annual training is due.
I.2	IPPS will review UC Learning reports to ensure all participants in the Program complete annual refresher training, as required.

I. Refresher Training – Detailed Discussion

University policy (BUS-43) requires that cardholders and reviewers complete refresher training annually. Since Concur launched on July 1, 2020, the P-Card team has offered virtual instructor-led training to accommodate the remote work environment. The virtual instructor-led P-Card program training course in the UC Learning Center includes a review of policies and procedures related to the University P-Card program.

However, we noted there is no formal process to ensure that cardholders and Financial Unit Approvers complete the annual refresher training or to track the training status of the cardholders and reviewers. Cardholders and reviewers are offered the initial mandatory training when joining the Program. The previous practice for notifying participants to take the annual refresher training was through a mass email which the P-Card Program discontinued after the transition to Concur.

Attachment A P-Card Analytics

Roles and Responsibilities

The table below depicts the P-card Program's roles and responsibilities.

Roles	Responsibilities
Cardholder	Cardholder responsibilities include: <ul style="list-style-type: none"> • Purchasing only allowable goods and services that are not restricted items. • Keeping all purchases to less than \$4,999 (splitting purchases into multiple transactions to avoid the \$4,999 limit is not allowed and can result in the suspension of card use). • Destroying the P-Card and notifying their DA when transferring position to a new department, upon termination, or upon department request. • Providing the purchase documentation to their Delegate or attaching Itemized Receipt/Proof of Payment on the Expense report in Concur for each transaction. • Using Visual Compliance to purchase goods from foreign vendors to ensure compliance with federal export control regulations. • Never lending or sharing their P-Card. • Must be familiar with their funding sources and should contact their Procurement Card department administrator if they are uncertain about their fund source restrictions.
Department Administrator	Department Administrators (DA) responsibilities include: <ul style="list-style-type: none"> • Ensuring P-Cards are closed when an employee separates, transfers, or is terminated. • Ensuring timely expensing and appropriate record keeping. • Separation of duties; a DA should not be in a subordinate role to the cardholder. • Monitoring card usage to ensure that Purchasing, Disbursements, and internal control policies and procedures are being followed. • Knowing the P-Card limitations and restrictions. • Responsible for ensuring P-Cards are closed when an employee separates, transfers, or is terminated. • Answering cardholder questions about special fund restrictions.
Financial Unit Approver	Financial Unit Approver (FinU) responsibilities include: <ul style="list-style-type: none"> • Verifies appropriateness of the expense and chart strings • Reviews and approves P-Card expense reports in Concur
P-Card Program Administrator (Central Office)	P-Card Program Administrator's responsibilities include: <ul style="list-style-type: none"> • Administering the P-Card program accounts, systems, and tools. • Communicating with U.S. Bank on P-Card issues. • Monitoring dispute activity and requesting new or modified cards from U.S. Bank. • Verifying cardholder employment status. • Auditing for compliance with P-Card program policy. • Monitoring transaction activity for fraud detection and prevention. • Providing in-person visits to departments. • Training, certifying, and assigning DAs.

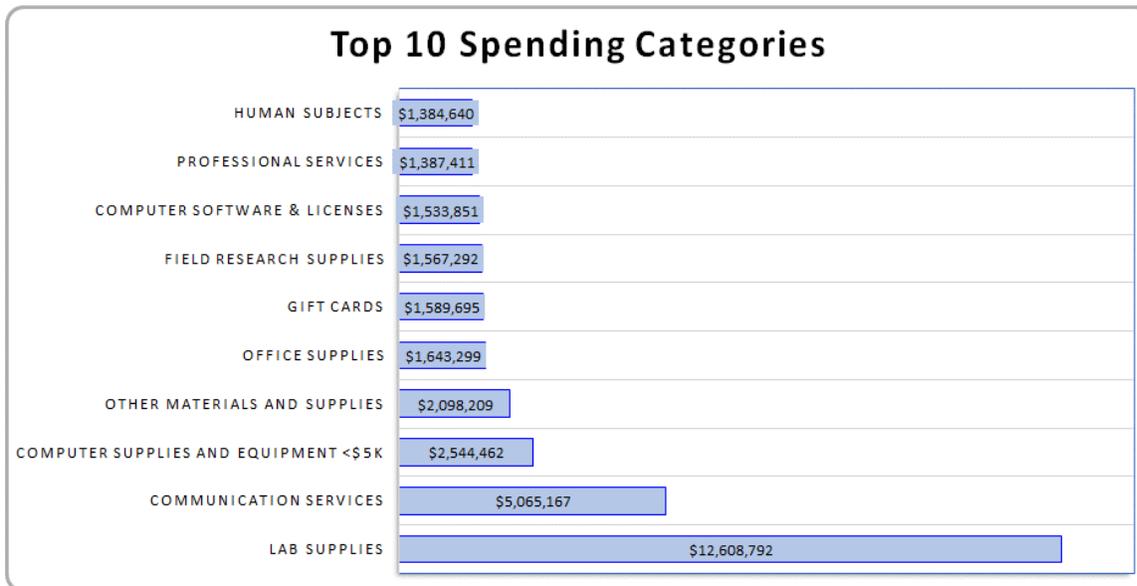
Source: <https://blink.ucsd.edu/buy-pay/ways/procurement-card/program-roles.html#Program-Roles>

Attachment A P-Card Analytics

P-Card Transaction Analytics

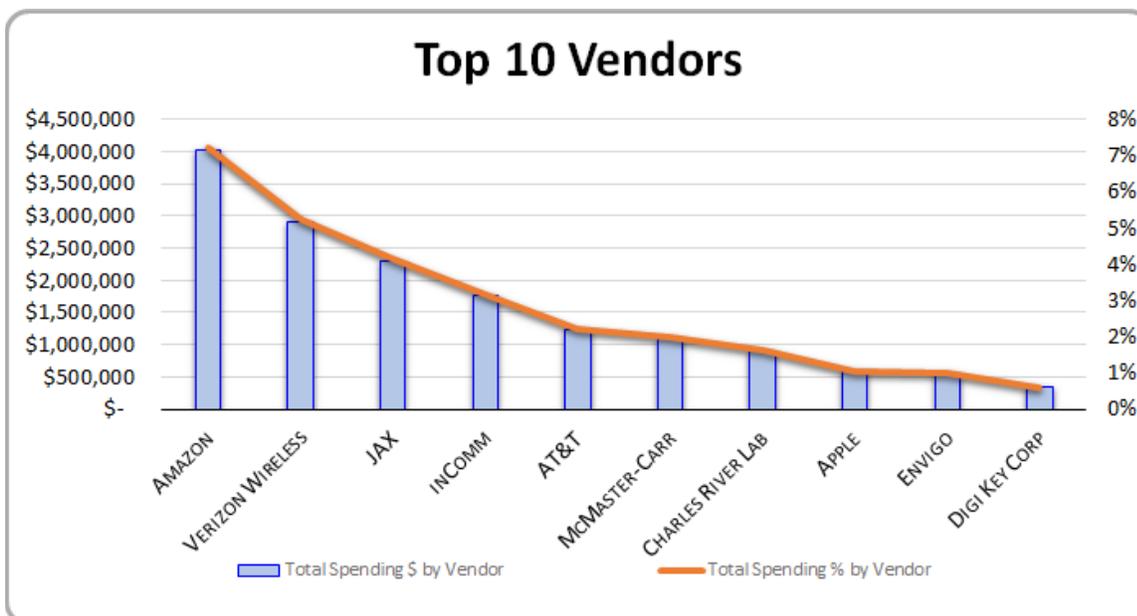
The chart below illustrates the top 10 spending categories, which account for 63% of all total P-Card transactions from July 1, 2020, through September 30, 2021. As demonstrated below, Lab Supplies are the highest spending category with a total cost of \$12.6M or 25%.

1. Spending by Categories



2. Top 10 Vendors

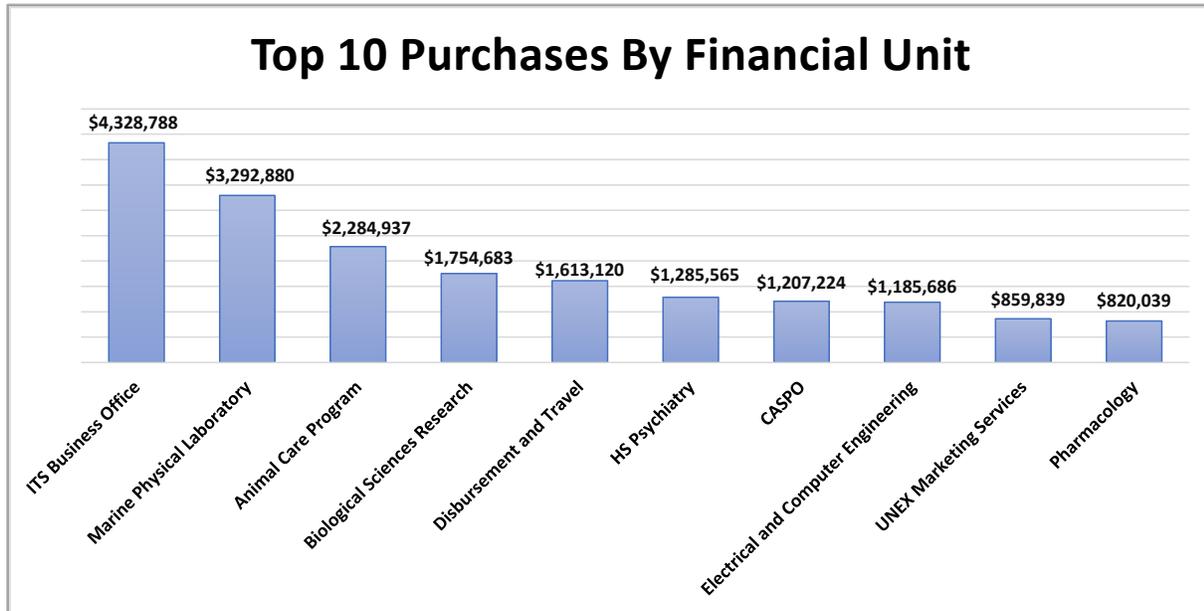
The chart below illustrates the top 10 vendors which account for \$15.7M or 28% of total P-Card transactions during the period of July 1, 2020, through September 30, 2021. As illustrated in the graph below, Amazon is the top vendor with total spending of \$4M or 7%.



Attachment A P-Card Analytics

3. Top 10 Purchases by Financial Unit

The chart below illustrates the top 10 purchases by the Financial Units, which account for \$19M or 37% of total P-Card purchases from July 1, 2020, through September 30, 2021. As illustrated on the graph below, Information Technology Services (ITS) Business Services had the highest purchases with \$4.3M or 9%.



4. Aging – Employee Reimbursement

The chart below provides aging for employee reimbursement for July 1, 2020 to September 30, 2021. A high percentage (99%) of reimbursements occurred within 30 days for a total of \$10,538,494.39 were processed within 30 days.

Days Elapsed Range	Transaction Count	Transaction Count %	Reimbursement Amount	Reimbursement Amount %
0 - 30	41,363	98.75%	\$10,538,494.39	98.84%
30 - 60	420	1.00%	\$103,112.06	0.97%
60 - 90	52	0.12%	\$10,858.85	0.10%
90 - 120	21	0.05%	\$7,658.51	0.07%
120 - 150	24	0.06%	\$2,201.61	0.02%
150 - 180	2	0.00%	\$130.59	0.00%
180 - 210	2	0.00%	\$198.08	0.00%
210 - 240	1	0.00%	\$49.55	0.00%
Grand Total	41,885	100.00%	\$10,662,703.64	100.00%