

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES



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Sheryl Vacca
SENIOR VICE PRESIDENT
CHIEF COMPLIANCE AND AUDIT OFFICER

April 29, 2016

EXECUTIVE DIRECTOR KALMIJN

RE: Draft Audit Report Project No. P16A012: Procurement Card and Travel and Entertainment Card Transactions Review

Attached is a copy of the final report for Project No. P16A012: Procurement Card and Travel and Entertainment Card Transactions Review. With the issuance of this final report, please destroy any previous draft versions. We very much appreciate the assistance provided to us by you and members of your staff during our review. If you should have any questions please feel free to contact me at 510-987-9646 (email: matthew.hicks@ucop.edu).

A handwritten signature in black ink, appearing to read "Matt Hicks".

Matt Hicks
Systemwide Deputy Audit Officer

Attachment

cc: Executive Vice President Nava
Senior Vice President Vacca
Director Smith
Systemwide Audit Manager Cataldo
Team Lead Lozano
Principal Auditor Wong
Data Manager Zorn

UNIVERSITY OF CALIFORNIA
ETHICS, COMPLIANCE AND AUDIT SERVICES
OFFICE OF THE PRESIDENT
SYSTEMWIDE AUDIT

Procurement Card and Travel and Entertainment Card Transactions Review
Audit No. P16A012
March 2016

Work Performed by:
Principal Auditor Wong
Data Manager Zorn

Work Reviewed by:
Systemwide Audit Manager Cataldo
Systemwide Deputy Audit Officer Hicks

Executive Summary

Introduction

Internal Audit has completed a review of Procurement Card (Pcard) and Travel and Entertainment Card (T&E card) transactions. The purpose of audit was to evaluate Pcard and T&E card transaction compliance with University policies and procedures, and determine if adequate controls are in place.

The Pcard is a VISA card for staff that simplifies purchasing of most routine low cost goods and services. Cardholders are responsible for ensuring proper use of the cards and reviewers are responsible for approving transactions and reviewing supporting documentation. Personal use of the card is not permitted. The UCOP Business Resource Center (BRC) is responsible for monitoring for compliance with Pcard procedures.

The T&E card is a university-sponsored card issued to UCOP employees who travel or entertain on behalf of the university. UC is responsible for paying all approved travel and entertainment expenses, while the cardholder is responsible for paying any personal expenses, late fees, and for ensuring the timely submission and accuracy of cardholder travel or entertainment expense reports. Personal use of the card is not permitted. BRC is responsible for monitoring compliance with T&E card procedures.

As of December 3, 2015, there were 39 Pcard holders at UCOP. Between December 2014 and November 2015, Pcard total spend was approximately \$860,000 of which \$451,000 was charged by BRC staff. BRC processes procurement requests and payments for other UCOP departments. As of December 4, 2015 there were 259 T&E card holders, each with individual account credit limits of \$3,125. Between January 2015 and December 2015, T&E card total spend was approximately \$630,000.

Objective and Scope

The audit objectives were to determine whether Pcards and T&E cards are used for University business-related purposes, transactions complied with University's policies, and to evaluate the adequacy of controls in place to mitigate the risk of inappropriate use of Pcards and T&E cards.

To accomplish these audit objectives, the following procedures were performed:

- Interviewed BRC personnel to obtain an understanding on procedures and controls in place.
- Verified Pcard holders as of December 3rd, 2015 were all UCOP employees.
- Verified T&E card holders as of December 4th, 2015 were all UCOP employees.
- Reviewed UC Travel and Entertainment policies, Materiel Management policy, and Non-employee gifts policy.
- Reviewed Pcard and T&E card monitoring procedures and verified notifications were sent to Pcard and T&E Card holders as needed.
- Reviewed Pcard transactions between December 2014 and November 2015 for compliance with daily limit and split transactions.
- Judgmentally selected 25 Pcard transactions based on vendor names (Amazon, Facebook, PayPal, etc.) between December 2014 and November 2015 and reviewed for compliance with University policies.
- Judgmentally selected 28 T&E card transactions based on merchant category code description (miscellaneous personal services, theatrical producers, etc.) between January 2015 and December 2015 and reviewed for compliance with University policies.

Overall Conclusion

As a result of our audit testing, we concluded that Pcard and T&E card transactions generally complied with University policies. Pcard and T&E card transactions were properly approved, contained adequate supporting documentation and proper separation of duties, and generally were for legitimate University

purposes. We did not identify any instances of split transactions or daily limit violations, and procedures and controls were adequate to mitigate the risks of Pcards and T&E cards inappropriate use.

We noted one T&E cardholder was separated from UCOP but the T&E account was not closed, and BRC closed this account immediately upon Internal Audit notification. This appears to be an isolated incident and not a systemic control deficiency as BRC regularly receives email notification from HR when an employee is terminating and receives regular employee separation reports from Payroll. The transaction in question occurred prior to these control measures.

We also identified five instances of T&E card transactions totaling \$837 that were for personal use. In each of these five instances, BRC identified the personal use and concluded that the T&E cards were used in error. The travelers paid US Bank directly for these charges. Four of the transactions were \$50 or less, and one was for \$740. In all cases, BRC notified the traveler that the personal purchase was not allowable as result of their normal review process.

We recommend that BRC continue to remind T&E cardholders on T&E card use restrictions periodically via the BRC Blast of the month.