**UNIVERSITY OF CALIFORNIA, DAVIS**
**AUDIT & MANAGEMENT ADVISORY SERVICES**



**Procurement Card Reconciliations**

**Audit & Management Advisory Services Project # 24-17**



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**Fieldwork Performed by:**

Haley Shaul, Senior Auditor/Analyst

**Reviewed by:**

Tony Firpo, Associate Director

**Approved by:**

Ryan Dickson, Director

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## Management Summary

As part of the fiscal year (FY) 2024 audit plan, Audit and Management Advisory Services (AMAS) conducted a review of Procurement Card Reconciliations.

The Procurement Card (P-Card) is a Visa corporate card for approved departmental cardholders to purchase goods and certain services. The P-Card is not used for expenses related to travel or entertainment. It is a charge or corporate Procurement Card, rather than a credit card. Full liability rests with the university for immediate payment to U.S. Bank for all transactions. The P-Card is assigned by the bank to the employee but is issued in the name of and on behalf of the university. The Card Program is available to all employees (including Agriculture and Natural Resources (ANR) and School of Medicine) but excludes most employees purchasing for Hospital (Chart H) accounts/departments.

## Purpose and Scope

The purpose of this review was to assess practices related to departmental P-Card expense reporting and reconciliation. The period under review was FY23.

To perform our review, we interviewed the Banking Card and Expense Management Supervisor; reviewed relevant policies and procedures, utilized the FY23 U.S. Bank and UC Davis (UCD) transactions reports; reviewed Aggie Expense reports to identify potential unallowable or fraudulent transactions as well as to ensure proper reconciliation of transactions including applicable sales and use tax; reviewed the P-Card Assigned Training Status report to ensure compliance with annual training requirements; compared the U.S. Bank active card listing to the UCD active card listing for completeness and accuracy; reviewed the UCP-272 Employee Roster to ensure all active cardholders are current UCD or ANR employees; reviewed the Unreconciled Transactions report to ensure compliance with reconciliation requirements; and reviewed the listing of fiscal officers and their respective cardholders to ensure adherence to policy including an appropriate transaction reviewer volume.

## Conclusion

AMAS observed that staff are dedicated to improving compliance with relevant policies and procedures and to ensuring proper use of the P-Card. AMAS testing of sales tax entries during transaction reconciliation revealed that cardholders had entered sales tax information incorrectly during transaction reconciliation. Errors during sales tax reconciliation can lead to an overpayment of tax by the university. It is not feasible to calculate or estimate the university's FY23 tax overpayment because of the volume of P-Card transactions and the manual review process that would be required.

Additionally, we found that exceptions being granted to fiscal officers or account delegates to the number of cardholders they oversee are not being tracked[1]. Finally, AMAS determined that tracking of P-Card training requirements is substantially a manual process, and that reporting on annual training compliance is not readily available. Additional information, recommendations, and management corrective actions are included in the body of this report.

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[1] UC Davis Policy and Procedure Manual (PPM) 350-22 states that fiscal officers or account delegates should verify the transactions of no more than 10 cardholders.

**Observations, Recommendations, and Management Corrective Action**

**A. Cardholders are frequently entering incorrect sales tax information during transaction reconciliation.**

During transaction reconciliation, cardholders are responsible for ensuring that any sales tax that was paid to a vendor is entered in the sales tax field or that the expense is marked as tax exempt. In some instances, the sales tax automatically imports into the sales tax field, but in other instances it does not and has to be manually entered by the cardholder. The AggieExpense System automatically pays use tax on any tangible property purchased by cardholders where sales tax was not already indicated as paid.

There were over 200,000 P-Card transactions during FY23. AMAS tested 20 of these transactions and found errors made during tax reconciliation on 4 of the transactions. This is an error rate of 20% and resulted in an overpayment of approximately $170 in tax by the university. Due to the volume of P-Card transactions and the manual review involved, it is not feasible for AMAS or management to quantify the exact overpayment of tax during FY23.

In addition, the policy for use tax accrual correction states that use tax adjustment can only be processed when the individual adjustment exceeds $100 for contract/grant accounts and exceeds $500 for all other fund sources. Many transactions do not meet or exceed those amounts, and so a refund request is not always possible. Adding a flag to Concur to remind users to ensure they have performed reconciliation of the sales tax is crucial in addressing potential overpayment of tax by the university.

It was also determined that sales tax reconciliation is not a component of the initial or refresher P-Card trainings. It is imperative that cardholders be trained on proper reconciliation of sales tax to avoid any potential overpayments of tax by the university.

### Recommendations

- The Banking Card and Expense Management Supervisor should work with Concur to add a flag to the system that will prompt cardholders to ensure that they have performed sales tax reconciliation.
- The Banking Card and Expense Management Supervisor should update the initial and refresher cardholder trainings to include steps for proper reconciliation of sales tax.

### Management Corrective Actions

1. By December 31, 2024, the Banking Card and Expense Management Supervisor will work with Concur to add a flag to the system that will prompt cardholders to ensure that they have performed sales tax reconciliation.
2. By December 31, 2024, the Banking Card and Expense Management Supervisor will update the initial and refresher cardholder trainings to include steps for proper reconciliation of sale tax.

### B. Exceptions granted to fiscal officers or account delegates who oversee more than 10 cardholders are not being tracked.

UC Davis Policy and Procedure Manual (PPM) 350-22 states that fiscal officers or account delegates should verify the transactions of no more than 10 cardholders. This is a safeguard that was put in place to ensure that no reviewer is responsible for reviewing more transactions than can be appropriately managed. The policy allows for exceptions to be granted on a case-by-case basis. However, AMAS determined that exceptions granted are not being tracked.

Supply Chain Management personnel stated that the 10-cardholder limit is an older policy that was put in place prior to new system capabilities, policies, and procedures. The Banking Card team may choose to consult with Supply Chain Management (SCM) and Finance, Operations and Administration (FOA) to explore possibilities for revising the cardholder limit.

#### Recommendation

- The Banking Card and Expense Management Supervisor should develop a process to track exceptions granted to the number of cardholders that a fiscal officer or account delegate reviews transactions for or should consult with SCM and FOA to revise the cardholder limit stated in PPM 350-22.

#### Management Corrective Action

1. By December 31, 2024, the Banking Card and Expense Management Supervisor will develop a process to track exceptions or will revise the cardholder limits in PPM 350-22.

### C. A training status report is not readily available to determine when cardholders are past due on training requirements.

At present, the process used by the Card Program Coordinator to determine if cardholders are meeting training requirements is manual. The Learning Management System (LMS) generates a monthly report that is sent to the Card Program Coordinator. Once received, the Card Program Coordinator must manually determine the training status for each cardholder. Manual processes are time consuming and have a higher rate of errors and omissions.

#### Recommendation

- The Card program Coordinator should consult with LMS to determine reporting capabilities.

#### Management Corrective Action

1. By December 31, 2024, the Card Program Coordinator will consult with LMS to determine reporting capabilities.

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