



AUDIT AND ADVISORY SERVICES  
SANTA BARBARA, CALIFORNIA 93106-5140  
Tel: (805) 893-2829  
Fax: (805) 893-5423

May 4, 2021

To: Jim Corkill, Associate Vice Chancellor and Controller  
Jacob Godfrey, Associate Director and Chief Procurement Officer  
Business & Financial Services

Re: **Procurement Card Program**  
**Advisory Project No. 08-21-0005**

We have completed a review of the Procurement Card Program as part of the 2020-21 annual audit services plan. The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by Business and Financial Services, Intercollegiate Athletics, Geography, Institutional Development, Marine Science Institute, Natural Reserve System, Physical Activities & Reservation, Student Health, and ETS Networking, Communication & Security Services personnel during the review. If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ashley Andersen".

Ashley Andersen  
Director  
Audit and Advisory Services

Enclosure

cc: Chancellor Henry Yang  
David Marshall, Executive Vice Chancellor  
Chuck Haines, Associate Chancellor for Finance and Resource Management  
UCSB Audit Committee  
Alexander Bustamante, Senior Vice President and Chief Compliance and Audit Officer

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# UC SANTA BARBARA

UCSB Audit and Advisory Services

Audit Report

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## Procurement Card Program

May 4, 2021

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**Performed by:**

Antonio Mañas-Melendez, Associate Director

Gifty Mensah, Senior Auditor

Anne-Sophie Gatellier, Senior Auditor

**Approved by:**

Ashley Andersen, Audit Director

Report No. 08-21-0005

## **EXECUTIVE SUMMARY**

### **OBJECTIVE**

The primary purpose of the audit was to assess the adequacy of internal controls of the overall procurement card program, and procurement card practices and processes in selected campus departments.

### **CONCLUSION**

Based on the results of the work performed within the scope of the audit, the procurement card program has overall adequate internal controls. However, there are opportunities to improve the following areas:

- Separation of duties between cardholders and recipients
- Approval process
- Support documentation
- Monitoring and reporting

## **OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES**

### **1. SEPARATION OF DUTIES**

#### **OBSERVATION**

Our assessment of controls found overall adequate assurance of separations of duties between the operations of cardholders, administrators, reviewers, and allocators<sup>1</sup> in the system. We found that the roles within the system are separately identified to maintain separation of duties. Additionally, there were adequate compensatory controls in place for departments that had conflicting roles.

However, there is a need for departments to enforce the separation of duties requirement between cardholder and purchase recipient. When the purchase is performed outside of the campus procurement system, Gateway, there is not always evidence to support that someone other than the cardholder received the items purchased or documentation of the involvement of other individuals in a transaction.

#### *Mitigating Conflicting Roles*

Roles have been assigned to different individuals to ensure maximum separation of duties in procurement card (FlexCard) transactions. As required of the campus policy, a cardholder cannot fill the role of a department administrator. However, a cardholder can be a backup reviewer or allocator but cannot review their own transactions.

During the review, we identified exceptions to the separation of duties requirement for all departments. Subsequently, we verified whether there are reasonable compensatory controls implemented to mitigate the risk for the exceptions found. We found:

- Two cardholders who are also administrators for their departments. However, in both cases, the cardholder is a backup administrator.
- 57 cardholders who are reviewers in their own departments. We were informed that these are back-up reviewers to allow the smooth running of the program in their departments and not for their own transactions.

#### *Approval Control*

The system does not allow cardholders to approve their own transactions.

We compared cardholder user IDs with reviewer user IDs to confirm whether any cardholder reviewed and approved their own transactions in the system over fiscal year 2019-2020. No cardholder reviewed or approved their own transactions.

Additionally, we verified a section of the application source code and a test case from Enterprise Technology Services (ETS) to determine whether the application has implemented an automatic control to avoid that cardholders can approve their own transactions in the FlexCard management module. We observed that the system makes a match by comparing Employee IDs and denies access to the same IDs. An error message is generated when a reviewer employee ID equals a cardholder employee ID in a transaction review.

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<sup>1</sup> See details in the background section.

### *Reception Process*

We obtained the documentation for a sample of 40 purchases from eight departments and confirmed whether items purchased were received by someone other than the cardholder and whether two or more individuals were involved in the transactions as required.

UC policy<sup>2</sup> states that “a reviewer or an individual other than the person placing an order shall certify that the items ordered were received. If the purchasing unit is too small to provide an independent confirmation of receipt, an individual from an outside unit may perform this step”

We found:

- Seven items were received by the cardholder who purchased the items. Three of these did not document if someone other than the cardholder was involved in the purchase. Four had evidence to support that two or more people were involved with the purchase.
- Three purchases did not have certification that the items were received. However, there were two or more people involved in the purchase.
- 19 items were received by someone other than the cardholder, as required.
- 11 transactions were intangibles, such as services and subscriptions that are not required to be certified. Nine of 11 transactions documented the business need and the involvement of several individuals in the department, but there was only support documentation of an invoice for two.

### **RECOMMENDATION**

To ensure maximum separation of duties at the transaction level, we recommend Procurement Services:

- Update FlexCard guidance to emphasize the importance of preserving an adequate separation of duties between cardholders and recipients and the importance of maintaining adequate support documentation.
- Document in a procedure the implementation of periodic controls to ensure departments follow the separation of duties principle. Such controls could be included in periodic audits.

### **MANAGEMENT RESPONSE**

Procurement Services will:

- Update FlexCard guidance to emphasize the importance of preserving an adequate separation of duties between cardholders and recipients and the importance of maintaining adequate support documentation.
- Document in a procedure the implementation of periodic controls to ensure departments follow the separation of duties principle. Such controls could be included in periodic

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<sup>2</sup> UC BUS 43 - *Purchases of Goods and Services; part 6 - Procurement Card.*

audits.

*Audit and Advisory services will follow up on the status of these issues by October 29, 2021.*

## **2. APPROVAL AND DOCUMENTATION**

### **OBSERVATION**

Our evaluation of a selection of FlexCard transactions found the need to standardize the pre-approval process and to centralize the location of the support documentation across campus departments, particularly for transactions performed outside of Gateway. Transactions performed in Gateway were formalized and consistent with the pre-approval process and support documents were uploaded in Gateway for ease of access.

#### *Pre-Approval*

During the review, from eight departments we selected 20 FlexCard transactions performed in Gateway and 40 transactions outside of Gateway to determine whether prior approval was obtained and support documents were available.

For Gateway transactions, we found that all transactions in the sample had been pre-approved in the Gateway requisition process by someone who was not the cardholder. For non-Gateway transactions, pre-approval or the need to purchase is not always documented. Specifically:

- For five transactions, no prior approval was obtained and the involvement of another person in the department was not documented.
- For one transaction, pre-approval was incomplete. The approval document was prepared for DocuSign but not signed electronically.
- 33 transactions had been pre-approved, and the need to purchase was documented in various forms:
  - For eight pre-approved transactions, the pre-approval was documented through email and was not centralized in a departmental repository. Each cardholder keeps their pre-approval emails in their own mail box, which could lead to a loss of documentation if the cardholder were to leave the University.
  - For one transaction, the need for the transaction was documented for a lower amount and was not updated when the amount increased.

#### *Support Documents*

Transactions are mostly supported with the minimum documentation (order documents & receipt documents) as required. However, the level of support documentation covering transactions differs across campus departments. Particularly, we found that:

- 32 out of 40 transactions outside of Gateway had the minimum documentation. Seven transactions did not have receipt documents to confirm receipt of the item purchased. These transactions were divided between three departments. One transaction was an instance of fraud that had been identified before the audit.

- 18 out of 20 Gateway transactions had the support documents uploaded. Two had no support documents uploaded.

*Post - Approval*

During the audit, we determined whether all transactions were post-approved within the required 14-day window and found that transactions are not always post-approved as required.

When transactions are not approved before the 14-day window closes, they are automatically charged to the default account. Additionally, US Bank voids any fraudulent charges if the department does not dispute within 60 days after the transaction date, and the cardholder will assume the fraudulent charge.

Our analysis of transactions for fiscal year 2019-20 revealed the following:

- 2,732 were reviewed after the 14-day window:
  - 1,841 were reviewed between 15 to 60 days.
  - 569 were reviewed after 60 days.
- 185 were never reviewed and approved as of the date of the audit.
- 36,679 transactions were approved within the window as required.

We were informed that when a transaction appears in the Allocation module a system notification email is sent to the cardholder and the department allocators and reviewers. Reminders are sent before the 14<sup>th</sup>, 30<sup>th</sup>, and 60<sup>th</sup> day when unapproved.

### **RECOMMENDATION**

We recommend Procurement Services evaluate the implementation of possible measures; including establishing a central process for prior approval of transactions and storage of back up documentation centrally as well as ensuring that all transactions are approved within the defined window as required.

### **MANAGEMENT RESPONSE**

We recommend Procurement Services evaluate the implementation of possible measures; including establishing a central process for prior approval of transactions and storage of back up documentation centrally as well as ensuring that all transactions are approved within the defined window as required.

*Audit and Advisory services will follow up on the status of these issues by October 29, 2021.*

## **3. PROCUREMENT CARD PROGRAM MONITORING**

### **OBSERVATION**

Procurement Services implemented overall adequate controls to monitor compliance with procurement card program requirements. However, our work has highlighted the need to implement additional tools and procedures to guarantee a more effective monitoring process across campus departments. We found:

- Controls are decentralized at the department level and there was limited consistency of processes and internal controls across campus departments.
- Procurement Services would benefit from obtaining more adequate reports and tools to increase automatization and data analytics analysis.
- Management of restricted Merchant Category Codes (MCC)<sup>3</sup> was essentially a manual process, leaving room for human error. For example:
  - The MCC list was not updated.
  - Lack of support documentation for exceptional approval to allow purchases of restricted merchant categories.
  - Restricted merchant categories were not closed after being temporarily authorized.

### *General Program Monitoring*

We found that there is a need to discuss and introduce a consistent procedure that can be implemented across campus departments. We noted that departmental review of procurement card transactions varies across departments. Some departments require all FlexCard purchases to be documented through Gateway and some require Gateway for high value amounts; some departments centralize their support documents while others allow cardholders to keep their support documents. As an example, in Student Health, cardholders keep their approval email while ETS Networking and Communication & Security Services centralizes all documents and retains them in a centralized location for a period of five years.

Procurement Services informed us that due to the COVID pandemic, since March 2020, Procurement Services was unable to perform limited monthly audits of transactions to verify compliance with program requirements. Additionally, previous audit results were stored in hard copies which were kept in the office. With the COVID restrictions on campus visits, the administration could not access the reports and we could not review prior audit reports.

### *Monitoring and Reporting Tools*

Procurement Services have access to 22 reports that identify unusual activities during their monthly audits. As mentioned before, these audits were not performed since March 2020 due to COVID and we could not review a sample of these reports.

We identified that Procurement Services manually identifies cards that have been inactive for more than 6 months due to the absence of such a report. This has highlighted the need to evaluate the inclusion of a report for dormant cards for efficient monitoring of FlexCard activities.

### *Management of Restricted Merchant Categories*

Procurement Services uses MCC to restrict cards from transactions with some merchant categories like Medical or Money Services. Some departments have a card with exceptionally open codes due to their mission, for example medical supplies for Student Health. On a case by case basis, Procurement Services can temporarily open a restricted MCC to a cardholder. The request usually comes in the form of emails and phone calls from Cardholders when their transaction is declined by the bank.

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<sup>3</sup> MCC are merchant codes defined by the bank. They are used to identify the merchant's type of business.

During our testing, we selected a sample of 15 transactions with “Closed (high-risk)” and “Exception” MCC status and confirmed exceptional approval by Procurement Services for those purchases to ensure that restricted MCC are adequately monitored.

We found the following:

- Support documentation for the temporary opening of the MCC for the 15 samples was not maintained and centralized. We were informed that email correspondence was not retained and the staff who was assigned this task has left the University and the department does not have access to the documentation.
- Procurement Services could explain the legitimacy of most of the transactions. However, the case-by-case analysis from Procurement Services to understand whether the temporary opening of MCC makes sense is not documented. There were two cases where Procurement Services had less detail about the nature of transactions, and it is not clear if cardholders provided details of the transaction before the MCCs were opened.
- MCC monitoring activities are manually tracked and this has highlighted the need to implement automatic controls for this task to strengthen the controls. For example:
  - Procurement Services did not have an updated list of the MCC template for monitoring. The complete list available was based on a 2006 schedule. There were MCCs that were identified on the template as "CLOSED TO ALL UCSB" but were opened. For example, in one transaction the open MCC was wrongly identified in the MCC template as "CLOSED TO ALL UCSB". We were informed during the audit that the template was being updated.
  - Procurement Services manually tracks temporary MCC opening and closing. As a result, we were informed that some of the restricted MCCs were still opened on some of the cards during the time of the audit. We were informed of the following actions to solve this problem:
    - Procurement Services has started a new tracking sheet to track temporary opened codes and monitor on a weekly basis. Additionally, the MCC opening will be integrated in the new system, Concur, which is yet to roll out.
    - The administration is going to explore a bank function that will allow the temporary opening of an MCC and subsequent automatic closure.

## **RECOMMENDATION**

To guarantee effective monitoring, we recommend Procurement Services:

- Discuss with departments and determine a consistent and uniform procedure to handle FlexCard activities in areas such as approval, documentation, and review.
- Document and centralize the exceptional approval of restricted MCCs.
- Ensure the MCC template is frequently updated for effective tracking.
- Ensure that, prior to the implementation of the new system, the tracking sheet for temporary opened MCCs is kept current.

## MANAGEMENT RESPONSE

To guarantee effective monitoring Procurement Services will:

- Discuss with departments and determine a consistent and uniform procedure to handle FlexCard activities in areas such as approval, documentation, and review.
- Document and centralize the exceptional approval of restricted MCCs.
- Ensure the MCC template is frequently updated for effective tracking.
- Ensure that, prior to the implementation of the new system, the tracking sheet for temporary opened MCCs is kept current.

*Audit and Advisory services will follow up on the status of these issues by October 29, 2021.*

## 4. EXAM AND TRAINING

### OBSERVATION

Our work found overall adequate controls to track the exam qualifications for cardholders and reviewers in the Management Module of the FlexCard application. The module sends out an email notification to Procurement Services and the cardholder prior to the expiration of the exam. When the cardholder fails to pass the exam on the expiration date, Procurement Services subsequently suspends/deactivates the card. Reviewers automatically lose their reviewer role in the system when the exam expires and is not renewed. Prior to COVID, in-person training classes were held for program participants.

However, monitoring of cardholders' exam and suspension of cards could be improved. We found active cardholders with expired exams and cardholders who have exited the university whose cards were not suspended. Additionally, Procurement Services does not always receive the email notification on the expired exams, and the module is not always updated to reflect current card status.

During the audit, we reviewed the exam history report from the FlexCard management module to identify all active cardholders who were overdue in their exam, and verified whether their cards had been suspended as required. We found 12 active cardholders whose exams had expired and their card status were as follows:

- Six cards had been suspended as required. However, the following can be said of five of these suspended cards:
  - The status of two of the cards had not been updated in the FlexCard management module to reflect that they were suspended.
  - Two were for retired staff considered still active in the FlexCard exam module. We were informed that the Card Management Module is not integrated with campus identity management. This results in having retired staff to have an active exam status in the application.
  - One was suspended during the audit.
- Six cards were active and had not been suspended following the cardholders' overdue exams:

- Two of these cardholders have exited the University. We were informed that the current module is not integrated with the campus identity management system to update and notify when a staff exits. Procurement Services does not have a way to know when a user exits and relies on departments to communicate staff exits.

Procurement Services mentioned that the Administration will roll-out a new system in 2022 that would interface with the Human Resource system for more efficient card management.

- Two cardholders were on extended leave and had monthly recurring charges on their cards. During the audit, the departments were arranging to transfer monthly charges to another card to have these cards suspended.
- Procurement Services did not receive a notification on the last two cardholders expired exams to initiate the follow-up and card deactivation process. We were informed that the system is old and that this could be a technical issue.

The card suspension process is tracked manually. This could lead to delays in card suspension. There is the need to have an automatic process to suspend the card when the exam is overdue.

In addition, we selected a random sample of 12 active reviewers and confirmed whether they maintained their FlexCard program eligibility by having a valid annual exam. All active reviewers in the sample had a valid exam.

We interviewed Procurement Services about the existence of training requirements and were informed that the program includes an in-person training for department administrators, reviewers and allocators, and cardholders. The training covers an overview of the FlexCard program and important information for all participants, regardless of their role, such as the consequences of card misuse, documentation and records retention requirements, audit requirements and how to handle fraud.

However, due to the COVID remote work environment, there has not been an in-person training since March 2020 and participants are to self-train. The Administration is currently considering incorporating the FlexCard training with another annual mandatory training for availability and tracking.

## **RECOMMENDATION**

We recommend Procurement Services evaluate an automatic process to suspend cards when an exam is overdue and to identify cards for suspension that have been inactive for a prolonged period of time. Additionally, prior to the new system roll out, we recommend they implement control measures to ensure all active cardholders have a valid exam.

## **MANAGEMENT RESPONSE**

Procurement Services will evaluate an automatic process to suspend cards when an exam is overdue and to identify cards for suspension that have been inactive for a prolonged period of time. Additionally, prior to the new system roll out, they will implement control measures to ensure all active cardholders have a valid exam.

*Audit and Advisory services will follow up on the status of these issues by October 29, 2021.*

## GENERAL INFORMATION

### BACKGROUND

#### Overview

##### *UC Procurement Card Program*<sup>4</sup>

A procurement card is a credit card authorized by the University of California to designated employees to enable the timely purchase of low-value goods or services. The card is routinely accepted by merchants who accept VISA or MasterCard for payment. The card is a corporate liability card, issued to an employee only for University purposes. Its use is subject to strict cardholder purchasing controls which cannot be exceeded without authorization. A settlement is executed electronically on the settlement date providing the opportunity for the University to eliminate costs for processing purchase orders, supplier invoices and for issuing checks, for each supplier.

There is only one type of procurement card at UCSB, which is referred to as a FlexCard. The FlexCard is issued to an individual, not to a department, and the card and account number cannot be used by anyone other than the cardholder. Payment liability rests with the University, not the cardholder.

#### *Separation of Duties*

Department should regularly review that separation of duties is maintained at all times among cardholders, department reviewers, and department administrators. Additionally,

- The department administrator may also fill the role of reviewer or allocator; he or she cannot be a cardholder.
- A cardholder may also fill the role of an allocator; he or she cannot be a department administrator.
- The reviewer is responsible for approving (and thereby transferring to General Ledger) all transactions within the 14-day window before payments are automatically allocated to the default location-account-fund-sub-object code (LAFSO) established for each FlexCard. If the approval does not occur in a timely fashion, the reviewer is responsible for ensuring that it is corrected via the Transfer of Expense (TOE) system.
- The reviewer may also fill the role of department administrator. All reviewers are automatically granted allocator privileges, although some departments may choose to set up separate allocators. If a reviewer is a back-up cardholder, he/she cannot approve any purchases made on his/her FlexCard and has view-only access to them.
- The allocator is responsible for assigning all purchase transactions to the appropriate LAFSO, including splitting payments between different LAFSOs. Allocators cannot approve any transactions.

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<sup>4</sup> BFS BUS-43- *Purchases of Goods and Services*.

FlexCard policy prohibits a reviewer from being in a subordinate position to a cardholder. A small department with insufficient personnel to designate back-ups while avoiding employee-supervisor conflicts may need to go outside of the department to designate back-up reviewers and cardholders.

All reviewers, allocators, and cardholders must pass the exam that corresponds to the role of the FlexCard program. Both FlexCard exams are accessed through the FlexCard Management Module. All new department administrators must attend a FlexCard department administrator class prior to applying.

### *Roles and Responsibilities*

Daily management of the program is decentralized to the department level. The department head is responsible for ensuring that appropriate administrative, financial, and management controls are observed, including FlexCard purchasing activities.

The department administrator is responsible for the approval, assignment (and re-assignment) of the reviewer, allocator, and cardholder roles within the department's FlexCard program. The department administrator is also responsible for ensuring that all FlexCard program controls and requirements are observed, including, but not limited to, adequate separation of duties, monitoring of purchases to ensure that restricted commodities are not purchased, maintenance of all required purchase documentation, use tax and non-taxable payment compliance, and fraudulent transaction monitoring. In order to ensure the smooth running of its FlexCard program, departments should designate back-ups for the cardholder and the reviewer. Having back-ups is important when the cardholder or the reviewer is absent for an extended period of time, due to vacation or illness, or because he/she leaves the department.

The reviewer is responsible for ensuring that the FlexCard is used appropriately by cardholders and if misuse is detected, reporting such misuse to the department administrator who is responsible for ensuring that all necessary corrective and disciplinary actions are taken.

The cardholder is responsible for safeguarding the FlexCard; he/she must never give the account number to anyone else and must not allow anyone else to use the card. No personal purchases can be made on the FlexCard. Before making a purchase, the cardholder must ensure that all departmental purchasing requirements have been met and that all approvals have been obtained.

An individual other than the person who places an order shall periodically perform an administrative review of selected purchase documents to verify that the expenditures listed on the daily procurement card transaction report are supported by the required internal documentation.

### *Source Documentation<sup>5</sup>*

Source documentation from the supplier shall provide enough detail to allow verification of all expenditures listed on the daily transaction report.

- *Purchases Made in Person:* To document purchases made in person, the cardholder shall provide a credit card slip (customer copy) or cash register tape, signed by the

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<sup>5</sup> BFS BUS-43- Purchases of Goods and Services.

cardholder. If the purchased merchandise is not itemized on the signed document, at the time of the sale, the purchaser shall request and obtain a cash register tape or a manual itemized receipt from the Supplier (unless the purchaser is aware that the line item detail will be provided automatically as part of the transaction record generated by the supplier).

- *Mail, Telephone, or Internet Orders:* To document mail, telephone, or internet orders, the department shall obtain pricing/billing information on a document that accompanies the shipment of items (e.g., a packing slip). Such a document must provide enough information, as specified above, to allow verification of the items purchased.

**Analysis of FlexCard Transactions for fiscal year 2019-20**

Out of a total of 176 departments that made purchases with a FlexCard, 35 had more than \$100,000 transactions for fiscal year 2019-2020 and the highest being Student Health with \$977,705 value. There were 523 cardholders who transacted during fiscal year 2019-2020 review period. 27 made purchases of more than \$100,000 transactions during the review period.

Table 1 shows FlexCard vendors with at least \$100,000 in transactions for fiscal year 2019-20. The campus engaged with 13,344 merchants for the review period with Verizon wireless being the highest with \$200,543 value.

<b>Table 1</b>		<b>Total Expenses per Vendors FY 2019-20</b>	
<b>Vendor Name</b>			<b>Total</b>
VZWRLLSS*APOCC VISB			\$200,543
ABB CONCISE			198,544
RUFFALO NOEL LEVITZ LLC			197,200
UCSB UNIV CTR BOOKSTORE			190,203
MARBORG DISPOSAL			168,008
AMAZON WEB SERVICES			154,840
TROXELL COMMUNICATIONS IN			142,770
EXP SCRPTS CURASCRIPT SD			136,110
APPLE.COM/US			132,077
ASD SPECIALTY HEALTHCARE			130,939
AT&T*BILL PAYMENT			127,138
MECHANICAL TURK			124,589
CLEANHARBORS ENVIROMNTL			111,402
PRAXAIR DIST INC OAM			108,841
*Others			10,894,476
<b>Grand Total</b>			<b>\$13,017,680</b>

Source: Settlement Services and Capital Asset Manager and auditor analysis.  
 \*Others includes 13330 vendors.

Table 2 shows the number of FlexCard transactions for each vendor for the review period.

<b>Table 2</b>		<b>Number of Transactions per Vendor FY 2019-20</b>	
<b>Vendor Name</b>		<b>Purchases</b>	
READYREFRESH BY NESTLE		1,854	
VZWRLSS*APOCC VISB		1,067	
THE HOME DEPOT #6623		781	
VERIZONWRLSS*RTCCR VB		677	
UCSB UNIV CTR BOOKSTORE		548	
AT&T*BILL PAYMENT		501	
BAY ALARM COMPANY		330	
AMAZON WEB SERVICES		327	
UCSB TPS CAMPUS PD		293	
THE HOME DEPOT 6623		272	
PRAXAIR DIST INC OAM		272	
COSTCO WHSE #0474		272	
HWW INC DBA AD CLUB		271	
CANON SOLUTIONS AMER INC		244	
MARBORG DISPOSAL		235	
SQ *SBPRINTER.COM		222	
APPLE.COM/US		209	
*Others		31,221	
<b>Grand Total</b>		<b>39,596</b>	

Source: Settlement Services and Capital Asset Manager and auditor analysis.

\*Others are the number of transactions from 13327 vendors.

Table 3 presents the volume and value of transactions by days of the week for the review period.

<b>Table3</b>		<b>Purchases by Days of the Week FY-2019-20</b>	
<b>Day</b>	<b>Purchases</b>	<b>Total</b>	
Monday	5,090	\$1,850,479	
Tuesday	7,542	2,479,796	
Wednesday	7,235	2,705,558	
Thursday	7,460	2,602,149	
Friday	6,942	2,320,993	
Saturday	3,474	738,379	
Sunday	1,853	320,326	
<b>Grand Total</b>	<b>39,596</b>	<b>\$13,017,680</b>	

Source: Settlement Services and Capital Asset Manager and auditor analysis.

## SCOPE AND METHODOLOGY

The scope of our work included reviewing prevailing policies and procedures, testing of selected records supporting transactions, and examining procedural controls relating to such transactions based on the risk assessment performed.

Specifically, we:

- Obtained and analyzed transaction data for fiscal year 2019-20 in categories such as:
  - Overall transaction amount totals
  - Top cardholders
  - Top department
  - Top vendors
  - Top MCCs
  - Cardholders with the highest avg transaction amount
  - Weekend and holiday purchases
  - Purchase mode (In-store, Gateway, Amazon, eBay)
- Verified whether active cardholders maintained their FlexCard program eligibility by having a valid annual exam.
- Verified whether active reviewers maintained their FlexCard program eligibility by having a valid annual exam.
- Assessed the FlexCard processes to determine if it provides adequate assurance that there are sufficient separations of duties between the operations of Cardholders, Administrators, Reviewers, and Allocators.
  - Identified Administrators who are cardholders and confirmed the reasonableness of the compensatory controls in place.
- Selected a sample of transactions and determined that cardholders did not review or approve their own transactions.
- Selected a sample of transactions/purchases and verified that the recipient is a different individual from the cardholder.
- Selected a sample of approved Gateway and non-Gateway transactions to determine whether approval is documented and support documents are uploaded.
- Determined that all transactions were approved within the 14-day window (Post-Approval).
- Determined and reviewed how department Administrators and Reviewers perform reviews of transactions and periodic audits. Obtained any evidence of reviews and audits performed.
- Obtained a list of all prohibited MCCs. Selected a sample and reviewed to identify transactions with suppliers with prohibited MCCs and confirmed exceptional approval of those purchases.

## **CRITERIA**

Our review was based upon standards as set forth in the UC and UCSB policies, best practices, and other guidance relevant to the scope of the review. This review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- UC BUS 43 - *Purchases of Goods and Services*
- UCSB FlexCard Management Procedures

**AUDIT TEAM**

Ashley Andersen, Audit Director  
Antonio Mañas-Melendez, Associate Director  
Gifty Mensah, Senior Auditor  
Anne-Sophie Gatellier, Senior Auditor