

Audit and Finance Agenda Item

Meeting Date: 9/8/11

Title of Item: Foothill-De Anza Procurement Card Program

Background and Analysis:

The District contracted with an independent certified public accounting firm, Vavrinek, Trine, Day & Co., LLP, to perform an operational review, also known as a performance audit, of the Foothill-De Anza Procurement Card program. The performance audit report was presented to the Audit & Finance Committee at the June 2, 2011 Audit & Finance Committee meeting.

Staff have reviewed the findings and recommendations from the performance audit and agree with the auditors recommendations. As a result, the procurement card procedures have been updated to reflect the recommended changes. Management's response to each individual audit finding and recommendation is attached.

Recommendation: Information Only

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Is backup provided?	Yes

Foothill-De Anza Community College District
District Procurement Card Performance Audit
Management's Response
August 31, 2011

Audit Finding No. 1

As part of our review in fiscal year 2005-06, we documented District accounting procedures related to the issuance, control and review of Procurement Cards. Written District accounting procedures were documented in April 2011, but do not include all processes. We have prepared the draft procedures attached based our review of documented procedures and interviews with the Executive Assistant, the District Accountant charged with overseeing the audit process and the ETS Applications Programming Supervisor in charge of the automated posting, reporting and audit selection process for Procard statements.

Recommendation

Management should review the Attachment 2 draft procedures and our recommendations, determine any modifications that may be needed, and officially adopt procedures to provide a basis for auditing compliance and establishing accountability.

Management's Response

We agree with the audit finding. The procedures outlined in Attachment 2 have been adopted with some minor modifications for feasibility, accountability and compliance. The procedures being followed will provide an appropriate basis for future audit compliance and accountability.

Audit Finding No. 2

In our performance audit report dated June 23, 2006, we recommended that the Business Office should obtain a signed and approved application for each cardholder, including those issued before the application requirement was implemented. We also recommended that a request for increased limits should be placed in the cardholders file by District accounting with a notation of the date the change was made with the bank and the initials of the person making the change.

Recommendation

We recommend that any active Procurement Cards that are not supported by an approved application and increased limit, if applicable, should be noted. An application should be sent to the approving manager for each card and limit not approved indicating that the card will be terminated if not approved in 30 days.

Management's Response

We agree with the audit finding. All changes to limits from April 2011 onward have been documented and are on file, changes to limits before April 2011 will be completed by September 30, 2011, along with an application on file for each card. Cardholders who have not complied with the request for a new application will have their card terminated on October 1st.

Audit Finding No. 3

Many employees have more than one procurement card; some employees have as many as six cards. Each card is linked to a FOAP, budgetary account string. A separate approval should be required for each card.

Recommendation

To help identify and cross reference cards and increases to the standard limits with the appropriate approved applications and limit increase requests, we recommend that the last four digits of the card number be written on the applications and limit increase requests.

Management's Response

We agree with the audit finding. The last four digits of the card number are written on applications as of July 1, 2011 (correct date?), and each limit increase request requires an email paper trail that is filed with the application.

Audit Finding No. 4

The "Documentation of District Office Procedures" issued April 20, 2011 states, "The District Business Services office accepts approvals from the Chancellor, Presidents, Vice Presidents, Vice Chancellors or Deans" and the Procurement Card Application asks for signature of the Authorizing Dean, Vice President, Vice Chancellor, or President. Supervisors and Managers have authority to approve expenditures up to \$5,000. In practice they also have the authority to approve Procurement Card applications up to a limit of \$5,000 a month.

Recommendation

We recommend that the Procurement Card application form be updated to reflect that Supervisors and Managers have authority to approve applications and increases to the standard limits up to \$5,000 a month.

Management's Response

We agree with the audit finding. A new card application form has been updated and put into use as of June 6, 2011.

Audit Finding No. 5

Procurement Card Policy Signed by Cardholders. When an employee picks up a Procurement Card, he/she must sign the Procurement Card Policy. The Executive Assistant provides a copy of the signed Procurement Card Policy to the cardholder. The Procurement Card Policies and Procedures have not been updated to reflect the April 2011 procedures. For instance, procedures issued April 2011 prohibit Procurement Card charges for personal/travel insurance. This prohibition is not included in the February 2010 Procurement Card Policies and Procedures currently provided to and signed by the cardholder.

Recommendation

We recommend that the Procurement Card Policy Statement signed by and provided to cardholders be updated with the current Policies and Procedures.

Management's Response

We agree with the audit finding. Current policies and procedures, updated as of April

2011 have been included on the Procurement Card Policy Statement .

Audit Finding No. 6

Dissemination of Current Policies and Procedures. Policies and procedures require change with changing circumstances. The procedures do not provide for the notification of changes to Procurement Card Policies and Procedures to existing cardholders and to the cardholder's immediate supervisor/manager charged with reviewing the cardholder's monthly statements and invoices. Procedures pertinent to cardholders and supervisors charged with reviewing cardholder's monthly statements are posted in the Banner Portal System, however, the posted information has not been updated for the current procedures.

Recommendation

All affected staff and management should be notified when there has been a change to policies and procedures. We recommend that policies and procedures posted in the Banner Portal System be updated to reflect current approved procedures. Cardholders and their immediate supervisors are notified by email each month when card statements are available for viewing in the Banner Portal System. We also recommend that the email include a statement notifying them when there has been a change to the posted policies and procedures.

Management's Response

We agree with the audit finding. Effective July 1, 2011, when a change to the posted policies and procedures takes place, it is posted in the Banner Portal System and an email notification is sent out when the monthly statement notification email is sent.

Audit Finding No. 7

Management Notification of Cardholders. In our performance audit report dated June 23, 2006, we recommended the procedures be amended to provide an annual listing to the College Presidents indicating each manager/supervisor and the individual cardholders and limits assigned to them. We also recommended that an annual listing should be provided to the managers or supervisors listing those cardholders assigned to them.

Recommendation

We recommend the procedures stipulate the annual listing be provided to managers and supervisors as well as the College President and Chancellor and include the cardholder's supervisor/manager and the daily and monthly limits of each card.

Management's Response

We agree with the audit finding. The annual listing of each individual cardholder and corresponding manager/supervisor will be enacted in January 2012. An interim listing of each individual cardholder will go out by September 30, 2011 to notify Presidents and Chancellor of this information.

Audit Finding No. 8

Quarterly Verification of Cardholder Employment Status. In our performance audit report dated June 23, 2006, we recommended that a bank listing of current credit card holders should be provided to Human Resources or Payroll for verification quarterly. The

Procurement Procedures dated April 2011 states, "The Executive Assistant will quarterly reconcile the list of all cardholders with records from payroll to verify cardholder privileges, suspensions and active status of employment." The procedure has been partially implemented, but the reconciliation process has not been defined. On May 13, 2011, the Executive Assistant requested a listing of all terminated employees since 2008, however, the listing has not been received. In addition, the list of terminated employees will not identify employees on a long-term leave of absence.

After our testing of procedures in 2006, but prior to the issuance of the June 23, 2006 report, Human Resources began providing Business Services with a monthly list of terminated employees. Human Resources subsequently ceased providing that list. The list of cardholders is obtained from the Visa Data Center by ETS. After our interview with the ETS Applications Programming Supervisor, we were told that ETS will compare the list of cardholders against the District's employee database and create an exception list of any cardholders who are either non-employees or non-active employees on a monthly basis. The listing will be provided to the Executive Assistant.

Recommendation

The new procedure for comparing the list of cardholders obtained from the Visa Data Center to the District's employee database and creating an exception report on a monthly basis should be documented in writing in the District Business Office Procurement Card Procedures. We recommend the Executive Assistant cancel all Procards issued to anyone on the exception list. We also suggest that the Executive Assistant notify the cardholder's supervisor or manager that the card has been cancelled because the cardholder is no longer an active employee.

Management's Response

We agree with the audit finding. A list of all terminated employees was obtained shortly after the audit report was issued and reconciled with the list of all procard holders. The list of terminated employees that is produced by Human Resources for the monthly Board of Trustees meetings is used to cross reference each employee with the list of employees issued a procard. The Executive Assistant immediately cancels procards for any employee that is listed on the Board termination list.

Audit Finding No. 9

Quarterly Verification of Cardholder Authorization and Limits. In our report dated June 23, 2006, we recommended that the comparison of bank credit card limits and authorizations on file should be made quarterly and corrected as necessary. Bank credit card limits should not exceed those limits documented as approved in District accounting files. We were told by the Executive Assistant that the reconciliation has not been performed and that the files do not include approved applications and approval for increased limits over the standard limits for some cardholders.

Recommendation

We recommend that the list of cardholders and limits obtained from the Visa Data Center by ETS be reconciled to the approved Procurement Card applications as well as to approved request for increases to the standard limits on a quarterly basis. As recommended in "Documentation of Cardholder and Card Limit Authorization", an

approved application and limit increase should be obtained for any cards for which proper approval is not on file.

Management's Response

We agree with the audit finding. The process for the initial updating of all user procard limits is ongoing and will be completely updated by September 30, 2011. This reconciliation will be done on a quarterly basis going forward.

Audit Finding No. 10

Identification of Cardholder's Immediate Supervisor/Manager. The list of cardholder's and their card limits is obtained from the Visa Data Center by ETS. ETS obtains the name of the cardholder's immediate supervisor/manager from the Human Resources database in the Banner System. We were told by the ETS Applications Programming Supervisor that the name of the supervisor/manager for some cardholders cannot be identified because some employee positions are not properly linked to a supervisor/manager and some supervisor/manager positions are vacant. The Executive Assistant's name has been inserted as supervisor/manager in these cases. The Executive Assistant does not have access to the monthly statements for these cardholders and does not receive documentation for review.

The review and approval of each cardholder's monthly statement and supporting invoices is a key control in the monitoring process. It is imperative that the appropriate supervisor/manager be identified for every cardholder. Furthermore, as the Executive Assistant places the orders for new credit cards, increases card limits and receives the cards from Visa Commercial Services. In no instance should the Executive Assistant be listed as Supervisor/Manager for a cardholder.

Recommendation

We recommend that a list of all cardholder's without an identified supervisor/manager be sent to Human Resources to determine whom the cardholder reports to. We also recommend that the list of cardholder's and immediate supervisor/managers be compiled each month and reviewed by Executive Assistant to ensure that every cardholder has a designated supervisor/manager.

Management's Response

We agree with the audit finding. The project of the identification of a supervisor/manager for each procard holder has been ongoing since the audit report was issued in collaboration with the HR department and ETS. Due to time delays in developing the required reports in the new Banner system, the automation of this function is not fully complete. All supervisor/manager listings will be complete by September 30th, along with a monthly system to compile and ensure that every cardholder has a correctly designated supervisor/manager. The system for reconciliation is being formatted with the help of ETS.

Audit Finding No. 11

Listing of Transactions by Category for Vice Chancellor. The Procedures issued April 20, 2011 state, "The Vice Chancellor (of Business Services) will receive a listing of all transactions by category from the prior month by ETS for review of any unusual charges.

The Vice Chancellor has authority to flag any unusual activity for audit. The procedure had not been implemented as of the date of our interview.

Recommendation

We recommend that the procedure be implemented as soon as possible.

Management's Response

We agree with the audit finding. This practice was implemented as of July 2011.

Audit Finding No. 12

Efficiency/Cost Savings Study. Increased efficiency and cost savings are a primary justification for use of credit cards. In our report dated June 23, 2006, we recommended that the District periodically document the time and dollar savings and compare to the results of the purchasing review to credit card activity.

The District has not completed a study of the time and cost savings realized by authorizing use of the Procurement cards for several years.

Recommendation

We again recommend that the District document the time and dollar savings to justify the use of credit cards.

Management's Response

We agree with the audit finding. A plan and matrix for comparison is currently under development. A cost savings analysis will be completed by December 2011.

Audit Finding No. 13

Review of Expenditures by Purchasing. During our review in fiscal year 2005-06, we noted that the cumulative total of purchases by cardholders with certain vendors is significant, and that some purchases may be able to be obtained with additional discount by District purchasing. We recommended that purchases be sorted and summarized by vendor for analysis by purchasing. Discounts or rebates may be negotiated with vendors having significant purchasing activity.

Recommendation

We again recommend that purchases be sorted and summarized by vendor and provided to purchasing for review for types of purchases that could be made through purchasing at a savings.

Management's Response

We agree with the audit finding. Management will work with ETS to have the appropriate vendor report developed and automated for review by Purchasing by December 2011.