INTERNAL AUDIT REPORT

PURCHASE CARD COMPLIANCE

R-17-12

October 12, 2017

Contains sensitive security information that should not be publicized pursuant to Utah Code 63G-2-106 and 63G-2-305(12). Such information is also controlled under 49 CFR parts 15 and 1520 and may not be released without appropriate authorization. This information is highlighted in yellow in the internal version of the Report and should be redacted from any public version of this Report.

Audit key:
In order to protect sensitive security information, the following key is provided:
Service Provider = ███████████████████

Executive Summary

Introduction

Internal Audit has been directed by the Board to perform an internal audit of purchase cards to determine if procurements are performed in compliance with the UTA Purchase Card Policy (policy). The preliminary stage of the audit was concluded on December 28, 2016 and the audit report was finalized in September 2017.

Objectives and Scope

The primary areas of focus for the purchase card audit included:
- Issuing of purchase cards
- Monitoring of purchase cards
- Closing/Rescinding of purchase cards

The period of the preliminary audit was from December 1, 2015 through November 30, 2016 with completion of the audit work focusing on the period March 1, 2017 through August 31, 2017.

Audit Conclusion

Audit Report Rating*	
The audit concluded that the purchase card policy and business practices have been aligned to the changes made to the P-Card Standard Operating Procedures (SOP) for new cardholders. It would be valuable for management to align cardholders who received their cards prior to these policy changes with the current policy. In addition, management should consider including the monthly card limit in the SOP to further improve governance. Internal Audit's review of the P-Card program shows that training is a pre-requisite to obtaining a P-Card and a signature is required prior to a card being issued. The Purchase Card Administration team oversees an ongoing training program to keep managers up to date on the P-Card SOP and has processes in place to monitor non-compliance with the policy. The audit concluded that the administration team is monitoring monthly P-Card transactions for manager approvals and descriptions and following up on exceptions. Management, however, has not been monitoring P-Card transactions for duplicate payments and split transactions, which could compromise the system of control. While this report details the results of the audit based on limited sample testing, the responsibility for the maintenance of an effective system of internal control and the prevention and detection of irregularities and fraud rests with management.	

*Rating is defined in Appendix 2

Internal Audit would like to thank the management and staff for their co-operation and assistance during the audit.

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1. UTA Procurement Card Program Training

Finding R-16-11-1	High
The 2015 purchase card internal audit recommended that the Supply Chain Department conducts refresher training for purchase cardholders." The UTA Procurement Card Program "refresher" training conducted by Supply Chain was not offered to management in 2016.	

Recommendation
Supply Chain should offer the UTA Procurement Card Program training at least annually.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	3/31/2017
We are scheduled to present refresher training at the March manager's meeting. Going forward Supply Chain hopes to create an online refresher training that will be added as an annual LMS training to all P-Card holders.		

Final Status	Implemented
On March 14, 2017 a manager's meeting was held during which "Refresher Course" training was given by the P-Card Administrator and Senior Supply Chain Manager. Single and monthly transaction limits, safeguards and prohibited use was discussed in detail.	

Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A
N/A		

2. Goods Procured Against Contracted Vendors

Finding R-16-11-2	High
The policy states that "P-Cards should not be used to pay supplier with whom UTA has a contract or open line of credit (i.e. PO) unless approved by Supply Chain." The current business practice does not comply with the policy as there is no published exceptions list for a cardholder to refer to in order to stay in compliance with the policy. Based on the audit work performed the following issues were noted: • UTA personnel who procured goods with contracted vendors through the online portal generally received the negotiated/contracted pricing. • UTA personnel who procured goods with contracted vendors in store did not always receive the negotiated/contracted pricing. Additionally, Accounting identified several duplicate payments where goods were procured with a purchase and also paid through accounts payable. Examples of these are: • Fastenal:	

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- o Invoice #UTSAT26411 dated 12/22/2015 for $77.97
- o Invoice #UTSAT26434 dated 12/23/2016 for $26.49
- o Invoice UTSAT26357 dated 12/18/2015 for $116.99
- Affiliated Metals:
  - o Invoice IV-160118 dated 9/23/2016 for $765.00
  - o Invoice IV-160117 dated 9/23/2016 for $309.32
- CVE Technologies Group:
  - o Invoice 52-17977 dated 12/2/2015 for $1,200.00

Recommendation

- Supply Chain should either comply with the current policy or propose an amendment to the policy to align with the current practice.
- Remind all purchase cardholders to properly identify themselves with vendors to ensure the correct account is billed and correct pricing is received.
- Monthly, monitor potential duplicate payments. Management will need to decide where this responsibility is most appropriate.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	3/31/2017

We will meet with accounting to determine a best practice for P-Card use with open contract merchants. By the target date we will revise the SOP to align with the best practice discussed. A reminder for the cardholder to identify themselves as UTA employees for proper pricing will also be included in the training noted in audit finding #2.

Final Status	**High**

The SOP has been amended to remove the statement that a P-Card should not be used to pay a supplier with whom UTA has a contract or open line of credit. Given that P-Card owners can now procure from a supplier with whom UTA has a contract or open line of credit, classroom P-Card training incorporates the importance that P-Card owners should identify themselves with vendors when using their P-Cards to ensure the correct account coding and price. In addition, the UTA logo is printed on all cards to help vendors identify P-Card owners as UTA employees to ensure the correct prices are charged.

Accounting is not currently monitoring for duplicate payments, which increases the risk of duplicate payments not identified at all or not identified timely.

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	10/31/2017

Due to key staff in Accounting leaving UTA, the check for duplicate transactions has not been completed in a timely manner to insure that P-Card uses are not paying for goods and services twice at UTA. Accounting has started the process of fully implementing software that was purchased earlier in 2017, by getting the necessary staff trained on how and what should be done with the software each month. Those three individuals will hopefully be fully trained and have completed the prior audits for duplicate transactions by the date specified above.

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3. Split Transactions

Finding R-16-11-3	**High**
The policy states that the practice of splitting transactions to avoid the single limit transaction amount may "result in disciplinary actions." Potential split transactions (Fiscal Technologies report) were not investigated in a timely manner.	

Recommendation
The Fiscal Technologies report should be reviewed and anomalies followed up in a timely manner.

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	1/31/2017
The Assistant Comptroller over Accounts Payable will review the potential split transactions as reported by Fiscal Technologies and document actions taken. This report along with comments will be retained by the Assistant Comptroller electronically under Accounting/Accounts Payable/Fiscal Technologies.		

Final Status	**High**
Accounting is not currently monitoring P-Card transactions for split transactions, which increases the risk of P-Card payments being manipulated to be under the purchase limits and not being detected.	

Management Agreement	Owner	Target Completion Date
Yes	Comptroller	10/31/2017
Due to key staff in Accounting leaving UTA, the check for split transactions has not been completed in a timely manner to insure that P-Card uses are not circumventing their purchase limits. Accounting has started the process of fully implementing software that was purchased earlier in 2017, by getting the necessary staff trained on how and what should be done with the software each month. Those three individuals will hopefully be fully trained and have completed the prior audits for split transactions by the date specified above.		

4. Monitoring of Account Reconciliation and Manager Approval

Finding R-16-11-4	**High**
The policy states that "any cards not reviewed and approved by both cardholder and approver for two (2) consecutive months may be suspended." There was no monitoring of monthly cardholder account reconciliation or supervisor approval during the period of March 2016 to October 2016. There was a total of 507 instances of non-compliance involving account reconciliation or manager (review) approver during the scoping period. Considering that monitoring of account reconciliation and manager approval did not occur for most of the period under review, no repercussions occurred for employees who were non-compliant with the policy.	

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Recommendation

• Supply Chain should perform the monitoring control mentioned in the observed issue by performing the following:
    ○ Remind all cardholders of the policy to reconcile their account activity monthly.
    ○ Remind all cardholder approver's their responsibility to approve all expenses for their teams assigned to them in the Service Provider monthly.
    ○ Supply Chain sending out monthly reminders to cardholders and approvers regarding compliance with the policy.
• Supply Chain should enforce the policy for consecutives instances of non-compliance.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	2/1/2017

Further review of the data from March through October showed that there were 6 people whose cards were not reviewed for two consecutive months. These card holders have been spoken to and received a warning that further instances will result in the loss of their P-Card privileges. A monthly review of card reconciliation and approval has been added to the job duty of the Office Specialist, who will notify the program administrator to address the issue with the cardholder in compliance with the policy.

Final Status	**Medium**

Each cardholder receives an email from Service Provider at the beginning of each month informing them their transactions are ready for review. The Office Specialist monitors compliance of cardholder review and manager approval. Any instances of non-compliance for 2 consecutive months by the P-Card owner and manager, are followed-up by the Senior Supply Chain Manager. During the selected month, May 2017, there were instances of non-compliance, which was communicated to the Senior Supply Chain Manager by the Office Specialist. The Senior Supply Chain Manager reviewed the report and identified potential errors on the report. He requested the Office Specialist to correct the report. The subsequent communication between the Office Specialist and Senior Supply Chain Manager on the updated report occurred verbally, which created a lack of audit trail. To provide support for execution of the control, it is important to maintain an audit trail e.g. email communication on the results of the review by the Office Specialist. It is also important to note that management monitors for 2 months of non-compliance where both the review did not occur and the manager did not approve the P-Card statement. The SOP has to be updated to reflect this policy decision.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	12/31/2017

Future communication regarding monthly reports will be in a written format between the Office Specialist, Senior Supply Chain Manager and P-Card Administrator. By the target date the SOP will be revised to clarify the monitoring process.

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5.   Cash Advances

Finding R-16-11-5			**High**
Purchase cards are assigned Merchant Category Codes (MCC) that restrict the merchant and type of purchase a cardholder can make. Upon issuance of a new purchase card, Supply Chain will assign an MCC template that most appropriately aligns to the card requester's position. Cash advance MCC codes are assigned to the Computer Supplies and Software template, resulting in the possibility that a purchase card holder can withdraw cash with their purchase card.			
Recommendation			
It is recommended that all cash advance MCC codes are removed from all templates.			
Management Agreement	Owner		Target Completion Date
Yes	Senior Supply Chain Manager		1/15/2017
This issue has been addressed and the code access removed from the card holders.			

Final Status			**Implemented**
The Merchant Category Codes were reviewed and all Cash Disbursement codes have been removed.			
Management Agreement	Owner		Target Completion Date
N/A	N/A		N/A
N/A			

6.   MCC Code Review

Finding R-16-11-6			**High**
UTA has 22 possible MCC templates that can be assigned to UTA purchase cards. All of the Service Provider templates have not been evaluated for appropriateness of MCC codes assigned.			
Recommendation			
Supply Chain should evaluate all 22 MCC templates for appropriateness of codes assigned.			
Management Agreement	Owner		Target Completion Date
Yes	Senior Supply Chain Manager		2/28/2017
A review of all MCC templates will be completed by the target date.			

Final Status			**Implemented**
All 22 codes were reviewed, and as a result of the review 6 codes were updated.			

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Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A
N/A		

7. Training Completion Prior to Purchase Card Issuance

Finding R-16-11-7	Medium

The policy states that "prior to receiving your P-Card you must complete the P-Card training class and test found on the UTA Intranet site under Administration/Supply Chain/P-Card Information."

From a sample of 78 cardholders tested, we found the following exceptions:
- Five employees' training completion date for the UTA Procurement Training Program could not be obtained on the training report.
- Three employees were issued purchase cards before their training completion date.

Recommendation

- Remind Supply Chain to not release purchase cards to employees until training is complete.
- The Training/Curriculum group should investigate the root cause as to why the training report gets suspended in an "In Progress" status. Once the root cause has been identified, the error should be rectified in order to make the training report more reliable.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	1/31/2017

Procurement has created a central repository of training completion certificates that will document training prior to giving the cardholder their P-Card.

Final Status	Implemented

The Learner Management System has been updated to ensure reliable tracking of P-Card training taken by P-Card owners. From a sample of new cardholders selected for the audit period, it has been found that all the cardholders received online training prior to card issuance.

Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A
N/A		

8. Monthly Audits on P-Card expenditure

Finding R-16-11-8	High

The 2015 purchase card internal audit report recommended that random audits should be performed on whether the electronic receipts are attached to purchase card expenditure. This recommendation has not been implemented.

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Recommendation		
Supply Chain should implement the recommendation from the 2015 audit to perform random audits each month to ascertain whether electronic receipts are attached to purchase card expenditures.		

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	1/31/2017
Job duties have been added to the P-Card Administrator position to perform random audits on attached receipts in conjunction with other monthly P-Card duties.		

Final Status	**Implemented**
Based on the audit work performed, the P-Card Administrator performs a monthly audit on all the P-Card statements and sends email reminders to those P-Card owners that are missing receipts.	

Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A
N/A		

9.   Single Transaction Limits

Finding R-16-11-9	**Medium**
The policy states "The Service Provider's Purchasing Card Program is intended to be used business related Micro purchases under $3,000." From a sample of 532 cardholders tested, 44 cardholders have been identified as having a single transaction limit greater than the policy ($3,000).	

Recommendation		
Supply Chain should align purchase card limits with the policy or propose an amendment to the policy to explicitly state the exceptions to the $3,000 single transaction limit.		

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	3/31/2017
By the target date a revision to the P-Card SOP will be completed to allow exceptions to the single transaction limit for specific positions or functions.		

Final Status	**Implemented**
The P-Card SOP was updated with the single transaction limit set at $3,500 along with verbiage that allows for exceptions with executive level approval. In the event that an executive would approve a higher limit, the approval should always be retained in writing to improve the control environment. P-Cards that were issued prior to the updated SOP should be brought in line with the current SOP.	

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Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A
N/A		

10. Detailed Descriptions

Finding R-16-11-10	**High**

The policy states that in order to reconcile a cardholder's account the employee is required to "add a detailed description for each purchase and verify that the account code charged is correct."

From the population of 26,977 transaction items for the scoping period analyzed, 6,061 transactions did not have any detailed description at all.

Recommendation

Remind all cardholders that all transactions for their purchase cards must have a detailed description.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	3/31/2017

By the target date this will be addressed in the manager's meeting training, as well as an email reminder sent out to all cardholders listing the importance of a full purchase description.

Final Status	**Implemented**

During the March 14, 2017 managers meeting the importance of detailed descriptions was discussed and P-Card owners reminded to include the descriptions of expenditure items as part of their monthly process. Each month the P-Card Administrator reviews a list of all purchases and sends out reminder emails to those cardholders that did not include detailed descriptions on the nature of expenditure or where the descriptions was noted as "Miscellaneous".

Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A
N/A		

11. Fuel Transactions

Finding R-16-11-11	**Medium**

The policy states that unauthorized purchases for purchase cards include "fuel for company vehicles where on-site fueling is available at a UTA Division."

While the policy does provide guidance on how fuel should be treated it does not provide adequate detail to determine compliance, for example:

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- For personal vehicle use, whether a purchase card could be utilized for fuel or whether the employee should follow the mileage reimbursement route.
- The appropriateness of utilizing purchase cards for fuel at fuel stations (non-UTA division) within a certain radius of UTA division fuel stations.

Recommendation		
It is recommended that management amends the policy to address the observed issues.		

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	3/31/2017
By the target date the SOP will be revised to add that mileage reimbursement should be used for all personal vehicle travel. We will also add an appropriate radius for fuel purchases at a non-UTA division.		

Final Status		**Implemented**
The P-Card SOP section IV A 3 has been updated to state that mileage reimbursement must be used for all personal vehicle fuel use. This section has also been updated to describe non UTA facilities.		

Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A
N/A		

12. Employee Transfers

Finding R-16-11-12		**Low**
The policy states that "your card must be updated by the Supply Chain Department if you are transferred to another department."		
From a sample of 27 employee transfers tested, human resources failed to send an email to Supply Chain for one employee transfer in order for the appropriate "Change of Approver" in Service Provider to be made.		

Recommendation		
Human resources management should emphasize to the HR employees the importance of sending the notification email to the standard distribution list in UTA.		

Management Agreement	Owner	Target Completion Date
Yes	Manager of HR	1/9/2017
As part of my biweekly meetings with HR Representatives (the employees who sent out transfer notification emails), the importance of timely transfer notifications will be emphasized.		

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Final Status	Low
The audit found that the P-Card Administrator does amend the P-Card system when transfer notifications are received, which is done after the relevant approvals are obtained. However, from a sample of 20 transfers, 2 were found where the system was not updated with the change in reporting manager. To mitigate a breakdown of communication between HR and the P-Card Administrator, it is recommended that a monthly report is received from HR on all transfers during the month to ensure the P-Card Administrator received all the notifications during the month and made the related changes on the system.	

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	10/31/2017
The P-Card Administrator will use this report monthly to identify manager and cost center changes to ensure the correct manager is assigned in the Service Provider card system.		

13. Travel Expenditure Approvals

Finding R-16-11-13	Low
The policy states that "when traveling for UTA business you may use your P-Card for travel expenses if authorized by your RGM of Department Executive. Authorization requests need to be emailed to Supply Chain so the coding on your card can be updated." From a sample of ten cardholders with travel expenditures, evidence of approval by the RGM or Department Executive could not be found for six approvals.	

Recommendation
Supply chain should maintain all travel expenditure approvals (temporary and permanent) in a central repository.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	1/15/2017
Procurement has created a central repository for travel approvals that will document management approval prior to giving the cardholder travel access. This documentation will be going forward and not retroactive.		

Final Status	Implemented
Based on a sample selected for the audit period, it was found that the P-Card Administrator received manager approval prior to turning on the Travel MC Code for each card. It is recommended that management seek updated approval for those cards that had the Travel & Lodging MC Code prior to the revised control environment.	

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	10/31/2017
By the target date the P-Card Administrator will complete a review of previous approvals and obtain updated documentation for Travel MC Code authorizations.		

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14. Itemized Receipts

Finding R-16-11-14	**High**
The policy states that "you must keep itemized receipts of all purchases. Receipts must be scanned, saved as a file and then uploaded into the Service Provider Imaging system during the Reconciling period at the end of the month." From a sample of 25 cardholders tested, six cardholders did not attach receipts and/or detailed descriptions were not added to the purchase card transactions.	

Recommendation
• Cardholders and cardholder approvers should be reminded of the importance of attaching all receipts. • Consequences of not following the policy need to be enforced.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	1/31/2017
Job duties have been added to the Office Specialist position to perform random audits on attached receipts in conjunction with other monthly P-Card duties.		

Final Status	**Implemented**
This job duty was added to the P-Card Administrator duties and was assessed as part of finding 8. The P-Card Administrator reviews a list of all P-Card statements for missing receipts and she sends email reminders to those P-Card owners that are missing receipts.	

Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A
N/A		

15. Tax Exempt Status

Finding R-16-11-15	**Medium**
The policy states that "All UTA purchases are tax exempt." Additionally, the policy states that cardholders need to "Remind merchants that UTA is tax exempt and present them with the tax ID number." From a sample of 25 cardholders tested, five cardholders had instances (20 total) of procuring goods/services without the appropriate tax exempt status.	

Recommendation
• Remind all cardholders to notify the vendor upon purchase of their UTA account and of their tax exempt status.

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- Amend the policy to include narrative around the Company's tax exempt status for consumable goods.

Management Agreement	Owner	Target Completion Date
Yes	Senior Supply Chain Manager	3/31/2017

By the target date this will be addressed in the manager's meeting training, as well as an email reminder sent out to all cardholders listing the importance of ensuring tax exemption at the time of purchase.

Final Status	**Implemented**

This was discussed in the March 14, 2017 managers meeting and included in the PowerPoint presentation sent out to all managers. The Tax Exempt ID number is printed on the front of all new cards along with the UTA logo. Form TC-721 (Tax Exempt Certificate) is also available on the UTA intranet site.

Management Agreement	Owner	Target Completion Date
N/A	N/A	N/A

N/A

APPENDIX 2

* REPORT RATING MATRICES

OVERALL REPORT RATING

The overall report ratings are defined as follows, applicable to the audit scope as defined

Descriptor	Guide
Fully effective	Controls are as good as realistically possible, both well-designed and operating as well as they can be.
Substantially effective	Controls are generally well designed and operating well but some improvement is possible in their design or operation.
Partially effective	Controls are well designed but are not operating that well. OR While the operation is diligent, it is clear that better controls could be devised.
Largely ineffective	There are significant gaps in the design or in the effective operation of controls – more could be done.
Totally ineffective	Virtually no credible controls relative to what could be done.

DETAILED FINDING PRIORITY RATING

Descriptor	Guide
High	Matters considered being fundamental to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within three months.
Medium	Matters considered being important to the maintenance of internal control or good corporate governance. These matters should be subject to agreed remedial action within six months.
Low	Matters considered being of minor importance to the maintenance of internal control or good corporate governance or that represents an opportunity for improving the efficiency of existing processes. These matters should be subject to agreed remedial action and further evaluation within twelve months.

APPENDIX 3

DISTRIBUTION LIST			
Name	**For Action[1]**	**For Information**	**Reviewed prior to release**
President/CEO		*	*
General Counsel		*	
Vice President of Finance	*		*
Senior Supply Chain Manager	*		*
Comptroller	*		*
Manager of Procurement Grants and Contracts	*		*
P-Card Administrator	*		*
Assistant Comptroller	*		*
Manager of Human Resources		*	

[1]For Action indicates that a person is responsible, either directly or indirectly depending on their role in the process, for addressing an audit finding.