Report to the Audit and Compliance Committee of the UHS Board of Regents on:

UNIVERSITY OF HOUSTON – CLEAR LAKE PROCUREMENT CARD MANAGEMENT
AR2023-13

UNIVERSITY of HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

EXECUTIVE SUMMARY

Overview and Scope Summary

This is a performance audit of University of Houston-Clear Lake (UHCL) current Procurement Card (P-Card) policies, procedures, and use. The audit will be used to gauge efficiency, effectiveness, control systems, compliance, and appropriate use of P-Cards at UHCL.

The scope is Fiscal Year (FY) 2019 through FY 2022.

UHCL Procurement Card - Spend by Year
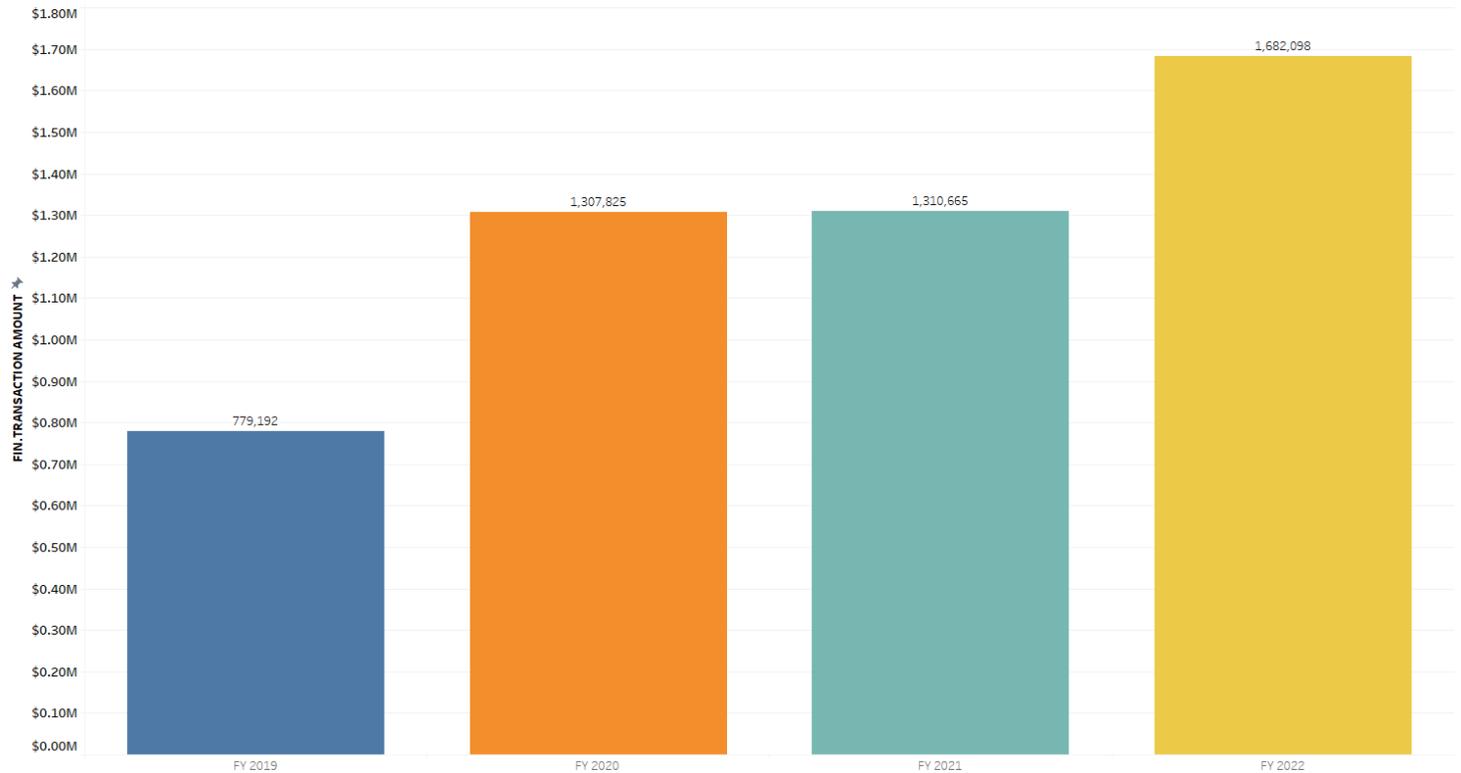
Overall Audit Opinion

UHCL P-Card administration has processes, policies, and guidance in place for managing P-Card related activities. The audit identified policy, procurement, cardholder use and P-Card user guide enhancement opportunities. Additional control enhancements are needed to achieve maximum effectiveness.

Summary of Recommendations:

- Set credit limits to the maximum expected single month spend based on the previous year's spend on the P-Card for that, or similar, area.
- Issue only one card to one individual.
- Require credit checks for all cardholders prior to issuance of a card and, at least, annually.
- Use data analytics to create an enhanced review of level one/two vendors and payment/credit processors such as PayPal, Amazon, etc.
- Create a database of violations, regardless of the reason for the violations, and use it as the basis for policy actions and control enhancements.
- Require reconciliation due dates be within five business days after the end of the current cycle.
- Require department management to oversee the return of purchase cards, specifically, the direct supervisor or manager of the unit.
- Evaluate the use of buying club memberships to ensure that they are cost beneficial to use.

- Evaluate the feasibility of a UHCL level of contract or membership for places like buying clubs.
- Eliminate the use of shadow systems for P-Card management.
- Use data analytics such as PowerBI, Tableau, or other tools available to monitor business rule violations such as split transactions, etc.
- Use Citibank control panels (MMC/Commodity Code) to limit purchases of questionable or prohibited items.
- Set up a centrally defined procedure for P-Card purchases of gift or stored value cards which includes monitoring and distribution of cards.
- Use an internal means of payment such as journal entry, transfer of funds, etc. for internal purchases.

Management's Response:

Management has discussed and agree with the recommendations to improve procurement card operations. We have already begun taking steps to implement the recommendations and looking into the feasibility of others. Steps we have already taken or are currently working on include.

- Reviewing and lowering credit limits on procurement cards.
- Partnering with HR to develop a process for review of prospective cardholders.
- Developing a process for tracking violations and imposing sanctions.
- Developing a process for reviewing and monitoring club memberships.
- Blocked additional merchant category codes from allowed vendors.
- Developing data analytics for monitoring the procurement card program.

The UHS Department of Internal Auditing would like to thank the Accounts Payable and Procurement Departments for their cooperation and assistance during this review.

Sincerely,

Phillip W. Hurd
Chief Audit Executive University of Houston
System

PWH/pwh/PC Audit

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