Internal Audit Department

June 27, 2023

Dr. Kirk Calhoun
President
The University of Texas at Tyler
3900 University Blvd.
Tyler, TX 75799

Dr. Calhoun,

We have completed the Procurement Card Audit as part of our Fiscal Year (FY) 2023 Audit Plan. The objective of the engagement was to verify compliance with the UT Tyler Main campus "Procurement Card Program Policies and Procedures," located outside of the Handbook of Operating Procedures (HOP), at the UT Tyler Main campus. The scope of the audit was from September 1, 2021, through February 28, 2023, for the University of Texas at Tyler (UT Tyler) Main campus.

This audit was conducted in accordance with guidelines set forth in *The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing* and Generally Accepted Government Auditing Standards. We appreciate the assistance provided by management and other personnel and hope the information presented in our report is helpful.

Sincerely,

Stephen Ford
Vice President, Chief Audit Executive

Enclosure
cc:
Mr. Dwain Morris, Executive Vice President, Administration, Chief Business Officer
Dr. Amir Mirmiran, Executive Vice President, Academic Affairs, Provost
Dr. Julie Philley, Executive Vice President, Health Affairs, Vice Provost
Ms. Kris Kavasch, Senior Vice President, Chief Financial Officer
Mr. Daniel Deslatte, Senior Vice President, Business Affairs, Chief Operating Officer – Health Affairs
Ms. Natalie Harms, Vice President, Finance
Ms. Cindy Troyer, Director, Financial Services
Dr. Archie L. Holmes Jr., UT System Executive Vice Chancellor for Academic Affairs
Dr. John M. Zerwas, UT System Executive Vice Chancellor for Health Affairs
Mr. J. Michael Peppers, UT System Chief Audit Executive
Legislative Budget Board audit@lbb.texas.gov
Governor budgetandpolicyreports@gov.texas.gov
State Auditor's Office iacoordinator@sao.state.tx.us

Procurement Card Audit

June 27, 2023

INTERNAL AUDIT DEPARTMENT
3900 UNIVERSITY BOULEVARD
TYLER, TEXAS 75799

AUDIT OBJECTIVE

The objective of the engagement was to verify compliance with the UT Tyler Main campus "Procurement Card Program Policies and Procedures," located outside of the Handbook of Operating Procedures (HOP), at the UT Tyler Main campus.

OBSERVATIONS

The UT Tyler Internal Audit Department (IAD) reviewed UT Tyler Main campus Procurement Card (ProCard) transactions from 9/1/2021 through 2/28/2023. Utilizing data analytics to analyze the transactions during this time period, there were 19,394 transactions. IAD organized the transactions into distinct categories for the review. These categories consisted of Gift Cards, Controlled Property, Software, Unusual Vendors, Unusual Items, and Other Prohibited Items (e.g., gasoline). Leveraging data analytics, through the use of the University of Texas System's Power BI tool, there were 18,174 transactions that did not appear to raise potential risk concerns. IAD requested supporting documentation for 85 selected transactions from across a number of categories, out of the 1,220 transactions that raised potential risk concerns from the data analytic results. During the review, IAD sought to confirm that each transaction had appropriate documentation based on the current UT Tyler Procurement Card policies and procedures.

Results from the 85 transactions reviewed:

Missing ProCard Logs	17 out of 85
Missing Vendor Hold Status	28 out of 30
No Pre-Approval for Gift Cards	13 out of 22
No Pre-Approval for Computer/iPad	7 out of 9
Prohibited Gas Purchase	4 out of 4
No Pre-Approval for Wireless Communication Device	4 out of 4 (2 had IT approval per HOP 4.9.1)
Missing Software Information Security Review	5 out of 10
Unusual Items	0 out of 18
Unusual Vendor	0 out of 7

This audit identified the following opportunities for improvement		
1	High	*Monitor Procurement Card Transactions*
2	High	*Update Procurement Card Policies and Communicate to Campus*
3	Medium	*Develop and Monitor Procurement Card Training for Cardholders and Budget Authorities*

#1: Monitor Procurement Card Transactions

High: Lack of monitoring increases the risk of card misuse and other risks related to purchases.

Monitoring purchases that are made using a ProCard can be reviewed by downloading a PeopleSoft ProCard transaction report. Data analytics reports are also available to management from the UT System Audit Office that provide details of high-risk or unusual transactions. Currently, there is no ongoing monitoring being completed.

> **Opportunity for Improvement:** Management should consider implementing a monitoring program to review unusual activity on a consistent schedule.

Management Response: Management concurs with the recommendation. Implementation of a monitoring program will be conducted in a phased approach.

In the first phase, we plan to launch a consistent internal review protocol for current cycle Procard transactions using existing UT Share/PeopleSoft queries for State compliance requirements.

The second phase will follow training to use the UT System analytics software and reports to monitor those specific high-risk transactions noted by the audit team.

Responsible Person(s): Director of Financial Services and Credit Card Coordinator

Anticipated Implementation Date: First phase: August 31, 2023; Second phase: Is dependent on training using the UT System analytics tool. September 30, 2023.

#2: Update Procurement Card Policies and Communicate to Campus

High: By not reviewing requirements regularly, information contained within Procurement Card Policies may be incorrect or outdated.

Several findings in the audit were the result of conflicting policies or policies needing to be updated and communicated across campus. Most of the samples tested for purchases over $500, the cardholder failed to conduct a vendor hold search to ensure no funds were owed to the State of Texas by the vendor. Per The Texas State Comptroller, state institutions of higher education are required to verify a vendor's hold status for purchases over $500. The UT Tyler policy requires a vendor hold search for Texas vendors, whereas it should be conducted for all vendors. Also identified in testing were four (4) wireless communication devices purchased. According to HOP 4.9.1, "Wireless Communication Devices," wireless communications devices can be purchased for a legitimate University business or research need and obtain pre-approval from user's department and college Dean / Division Vice President.

Opportunity for Improvement #1: Management should consider updating the UT Tyler Main campus "Procurement Card Program Policies and Procedures," located outside of the HOP, to ensure it accurately and completely reflects the current requirements for procurement card usage at UT Tyler.

Management Response: Management concurs with the recommendation.

Responsible Person(s): Director of Financial Services and Credit Card Coordinator

Anticipated Implementation Date: August 31, 2023

Opportunity for Improvement #2: Based on the results noted above, Management should specifically consider updating "Procurement Card Program Policies and Procedures" to capture that all purchases over $500 require a vendor hold search for all vendors, not solely for Texas based vendors, as is currently stated.

Management Response: Management concurs with the recommendation.

Responsible Person(s): Director of Financial Services and Credit Card Coordinator

Anticipated Implementation Date: August 31, 2023

Opportunity for Improvement #3: Due to the requirements of HOP 4.9.1, Management should consider addressing wireless communication devices in the "Procurement Card Program Policies and Procedures." This could include adding these to the Prohibited list and/or requiring an additional layer of approval.

Management Response: Management concurs with the recommendation.

Responsible Person(s): Director of Financial Services and Credit Card Coordinator

Anticipated Implementation Date: August 31, 2023

#3: Develop and Monitor Procurement Card Training for Cardholders and Budget Authorities

Medium: Procurement Card Holders are not aware of guidelines and could violate Procurement Card Policies and Procedures if not properly trained.

Currently, training is available on the Financial Services website, but completion cannot be tracked or verified. Before a procurement card is issued or renewed the card holder is instructed to complete the training that is available. At that point, the cardholder reports to Financial Services that the training had been completed and the card is then issued.

Opportunity for Improvement: Management should consider developing electronic training for all procurement cardholders and approvers to be completed annually along with the other required training at the Institution.

Management Response: Management concurs with the recommendation. We are coordinating developing electronic Procurement credit card training with the Director of Human Resources using the most current learning management system.

Responsible Person(s): Director of Financial Services and Credit Card Coordinator

Anticipated Implementation Date: September 30, 2023

BACKGROUND

As part of the approved UT Tyler FY 2023 Audit Plan, IAD performed a Procurement Card Audit at the UT Tyler Main campus to determine if cardholders were following Procurement Card Policies. The UT Tyler Main campus had 272 total ProCards issued at the time of audit fieldwork and during FY 2022 had ProCard purchases that amounted to over $3.8 million. Guidance for Procurement Card purchases is provided in the [Procurement Card Program Policies and Procedures](#) located on the Financial Services website. Using the ProCard for prohibited items can increase risks related to various areas including equipment inventory, data protection on IT devices, gift card distribution, theft, and institutional reputation.

STANDARDS

The audit was conducted in accordance with guidelines set forth in _The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing_ and Generally Accepted Government Auditing Standards.

SCOPE and PROCEDURES

The scope of the audit was from September 1, 2021, through February 28, 2023, for UT Tyler Main campus.

To achieve the audit objective, the Internal Audit Department:
- Reviewed applicable policies and procedures.
- Using Power BI Tool, reviewed transactions with key word search and auditor judgement, including:
  - Gift Cards
  - Unusual items
  - Controlled Equipment
  - Unusual Vendors
  - Other Prohibited Items
  - Cell Phone Purchases
- Verified that receipts and ProCard logs were maintained, that Purchases over $500 had a Vendor Hold Search performed, Override for Prohibited Items, IT Approval for Controlled Property, and Information Security review for all Software purchases.

OBSERVATION RANKINGS

Internal audit departments across The University of Texas System use a consistent process to evaluate audit results based on risk factors and the probability of a negative outcome.

Legend	
Priority	_A finding is defined as an issue that if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Tyler._
High	_A finding that is considered to have a medium to high probability of adverse effects to UT Tyler as a whole or to a significant college or department._
Medium	_A finding that is considered to have a low to medium probability of adverse effects to UT Tyler as a whole or to a college or department._
Low	_A finding that is considered to have a minimal probability of adverse effects to UT Tyler as a whole or to a college or department. These findings are communicated separately to management._