



**AUDIT COMMITTEE
APRIL 23, 2014
8:00 A.M.**

**MCCORMICK ROOM
30 7TH STREET EAST
SAINT PAUL, MN**

Please note: Committee/Board meeting times are tentative. Committee/Board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

- (1) Minutes of Meeting of January 21, 2013 (pages 1-5)**
- (2) Internal Audit Update
- (3) Select External Audit Firm(s) for Systemwide External Auditing Services (pages 6-9)**
- (4) Review Results of the Purchasing Card Internal Control and Compliance Audit (pages 10-29)

Members

Ann Anaya, Chair
Philip Krinkie, Vice Chair
David Paskach
Elise Ristau
Michael Vekich

Bolded items indicate action required.

Section III – Audit Findings and Recommendations

1. Many institutions lacked adequate controls related to employee and supervisory reviews of cardholder purchases.

We saw inconsistency in supervisory review of Pcard purchases at the institutions we tested. For example, two institutions relied on the use of purchase orders as review and approval of purchases; however, the cardholder supervisor was not always involved in the purchase order process. At another college, supervisors do not review cardholder purchases; instead, reviews are performed by staff in the business office. The supervisor's review of cardholder purchases and supporting documentation is one of the most important Pcard controls. The business office can determine that a purchase seems reasonable, but only the supervisor is in the position to know if the purchase is allowable, appropriate, and needed. MnSCU System Procedure 7.3.3 Purchasing Cards requires supervisors² to review purchases, including itemized receipts and the monthly cardholder statements, to ensure each purchase is allowable, appropriate, and authorized.

We also saw inconsistency among institutions on cardholder reviews of purchases. For example, institutions that used purchase orders for each transaction considered the purchase order to be the cardholder review and approval for the transaction. Other institutions required cardholders to sign a transaction log or statement of transactions to demonstrate the cardholder's review and approval of the transactions. For some items tested, we did not see evidence the statement had been reviewed by the employee. The MnSCU system procedure requires cardholders to review monthly cardholder statements from the Pcard vendor for accuracy and ensure all transactions posted are legitimate transactions made by the cardholder. The cardholder must attach itemized receipts issued by the vendor and any other documentation, and sign the statement to certify good or services have been received.

We also tested transactions to determine if statements were submitted timely to the business office. We noted that some statements were not submitted timely to the business office. Many submissions were not dated by the supervisors; therefore, we were unable to determine if reconciliations were submitted timely. MnSCU system procedure requires submission of cardholder reconciliations to the business office in a timely manner, defined in procedure as five days.

Most supervisors learn of cardholder purchases when the cardholder submits their monthly statement and supporting documentation to the supervisor for review. Supervisors should be notified independently, such as a system-email alert or statements routed directly to them rather than by the cardholder. This ensures the supervisor is aware they have Pcard transactions to review and approval. Without it the cardholder could circumvent the control.

In addition, some institutions did not design their procedures so supervisors send the completed reconciliation package directly to the business offices. Instead, in some cases,

² MnSCU Procedure 7.3.3 Purchasing Cards requires a supervisor or authorized reviewer to review cardholder transactions. This role will be referred to as "supervisor" throughout the audit report.

