



Corrective Action Plan Follow-up Review: Purchasing Card Audit

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Final Report

Audit Plan Code: 20-19

Management and leadership implemented a corrective action plan with 29 activities to address the findings, observations, and recommendations in the original audit report. As such, this follow-up report represents the close-out of the corrective action plan.



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Abbreviations

BOA	Bank of America
CAP	Corrective Action Plan
EPISD	El Paso Independent School District
IIA	Institute of Internal Auditors
TEAMS	Total Education Administrative Management Solution



Follow-up Review

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Background

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, Performance Standard 2500 - Monitoring Progress, require we "...establish and maintain a system to monitor the disposition of results communicated to management." Internal Audit has established the Corrective Action Plan (CAP) process to meet this requirement. The process includes monitoring and reporting whether management has implemented corrective actions to address audit findings, observations, and recommendations.

Internal Audit issued the Purchasing Card Audit Report to District management and administration on September 11, 2019. The objective of the original audit was to determine whether the purchasing card user administration and the transaction review process were functioning as designed in the EPISD Financial Services Credit Card Manual. The scope covered purchasing cards administered and purchasing card transactions made during the period of September 1, 2017 to July 31, 2018.

The original audit report included nine (9) findings, three (3) observations, and 16 recommendations to take appropriate and timely corrective actions. In summary, our audit noted instances where the purchasing card user administration and the transaction review processes were not functioning as outlined in the EPISD Financial Services Credit Card Manual. Such instances included, but were not limited to, incorrect BOA Works cardholder setup, untimely deactivation of p-cards, untimely sign off of p-card transactions, and no formal process to identify cardholders' changes in positions and separations.

District management and leadership agreed with our recommendations and developed a CAP with 29 activities. For reference, a summary of the original audit report findings and observations is provided in **Exhibit A**.

Objective and Scope

The objective and scope of this follow-up review was to determine whether management implemented the 29 CAP activities or took other actions to address the nine (9) findings, three (3) observations, and 16 recommendations outlined in the Purchasing Card Audit Report.

Methodology

To achieve our follow-up review objective, we:

- Held meetings and communicated with persons responsible for carrying out the CAP activities.
- Reviewed supporting documentation provided by management as evidence of completion for the CAP activities.

Inherent Limitations

This was a limited scope follow-up review covering only the actions taken by administration to address the original audit findings, observations, and recommendations stated in the Objective and Scope section of this report. No representations of assurance are made to other areas or periods not covered by this follow-up review.

Summary of Results

Management implemented a corrective action plan with 29 activities to address the nine (9) findings, three (3) observations, and 16 recommendations in the original audit report.

CAP Activities	Implemented	Overall CAP Status
30	29*	Closed

*The initial CAP submitted by management had 29 activities. Due to a system limitation, Financial Services was not able to implement CAP activity eight (8) and agreed to implement an alternate activity (activity 30), which serves as a compensating control.

This report represents the close-out of the corrective action plan.

Original Recommendations and Status of CAP Activities

The original recommendations, the person(s) responsible, and the status of the CAP activities are outlined below:

1

Original Recommendation: We recommend Financial Services ensure a "Request for Cardholder or Change in Credit Card Status" form is submitted before a credit card is issued to a new cardholder as outlined in the Credit Card Manual. Budget authorities should determine if the employee for whom they are requesting a credit card has a business need for it and ensure the employee agrees s/he needs a credit card. Budget authorities should document the business need determination.

We recommend Financial Services determine if the new cardholder process should be revised to allow alternative supporting documentation to add cardholders other than the "Request for Cardholder or Change in Credit Card Status" form. Any revisions to the process should be clearly documented in the Credit Card Manual.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activities two (2) and six (6) as follows:

Activity 2: "AP will determine if the new cardholder process should be revised to allow alternative supporting documentation to add cardholders other than the 'Request for Cardholder or Change in Credit Card Status' form."

Activity 6: "Accounts Payable will require a 'Change in Credit Card Status' form signed by Budget Authority and or BoA Works Program Administrator before a credit card is issued to a new cardholder as outlined in the Credit Card Manual. Document the business need for the p-card in the form. Will update Credit Card Manual to reflect requirement."

Person Responsible: Payment Service Analyst – Financial Services

Status: Implemented activities 2 and 6

2

Original Recommendation: We recommend Financial Services determine if there are additional cardholders who do not meet the position level requirement per the Credit Card Manual. If cardholders do not meet the position level requirement, Financial Services should determine whether their credit card spend control profile is correct or incorrect in the system and change it if needed. If during this process Financial Services identifies p-cards that have no business justification, the p-cards should be deactivated immediately.

In addition, procedures on exceptions to the position level requirement for p-card cardholders should be clearly documented in the Credit Card Manual if necessary. The procedures should include documenting the business justification to assign a p-card to an employee who does not fulfill the position level requirement.

Management and Leadership Response: Agreed with the majority of the recommendation and incorporated into the CAP as activities one (1), and three (3) through five (5). Management did not agree to deactivate p-cards that have no business justification, but stated they would change them if needed (e.g., from a p-card to a reloadable card).

Activity 1: "Accounts Payable (AP) will review entire BoA data base of users to identify any employees who do not meet the position requirement. AP will revise Credit Card Manual eligibility requirements. Cardholders identified will be corrected to meet position requirement."

Persons Responsible (activity 1): Payment Services Analyst – Financial Services and Director Technology Services Applications – Information Technology

Activity 3: "Correct the spend control profile for the ten p-card cardholders identified as not meeting the position requirement to hold a p-card."

Activity 4: "Document in the Credit Card Manual procedures on exceptions to the position level requirement for p-card cardholders. The procedures should include documenting the business justification to assign a p-card to an employee who does not fulfill the position level requirement."

Activity 5: "Accounts Payable will conduct a complete review of BoA Works spend control profiles data base for all p-card users to determine whether they are correct or incorrect in the system and change them if needed."

Person Responsible (activities 3, 4, and 5): Payment Services Analyst – Financial Services

Status: Implemented activities 1, 3, 4, and 5

Original Recommendation: Financial Services should develop and implement a formal process to timely identify cardholders with changes in positions and employment status (i.e., separations) to maintain the cardholder administration integrity within BoA Works. This process should minimize the risks of (i) allocating purchases to incorrect budget accounts and (ii) p-card misuse after an employee has separated from the District. We also recommend including the deactivation and return of p-cards as part of exit meetings/exit checklists for employees who separate from the District.

3

We recommend a designee from Financial Services work with Human Resources and Technology Services to determine whether a TEAMS report is available or can be created to provide, in a timely manner, changes in positions and separations from the District. The report should be used periodically by Financial Services to make corresponding timely updates and maintain the cardholder administration integrity within BoA Works.

Financial Services should clean/update the cardholder list periodically, at least on a quarterly basis, to minimize the risk (i) there are cardholders who are no longer employees of the District, (ii) cardholders' information in BoA Works is incorrect, and (iii) credit card transactions are allocated to incorrect accounts due to changes in positions.

Management and Leadership Response: Agreed with the majority of the recommendation and incorporated into the CAP as activities seven (7) through ten (10). The CAP activities do not include deactivation and return of p-cards during exit meetings/exit checklists. Management will rely on a daily notification system for employee separations instead. Due to a system limitation, Financial Services was not able to implement CAP activity eight (8) and agreed to implement an alternate activity (activity 30), which serves as a compensating control.

Activity 7: "The practice of relying on cardholders to report employment separations will be enhanced by also working with Technology and HR to develop a notification from TEAMS to be run on a daily basis and emailed to the BoA Program Administrator within 5 working days of information being uploaded to TEAMS to deactivate cardholders within a timely manner."

Activity 8: "The practice of relying on cardholders to report employment Transfers will be enhanced by also working with Technology and HR to develop a notification from TEAMS to be run on a daily basis and emailed to the BoA Program Administrator within 5 working days of information being uploaded to TEAMS to update cardholders' information within a timely manner."

Activity 9: "Accounts Payable will check all BoA Works data base on a periodic basis (at least quarterly) to capture any discrepancies with employee separations and changes in positions whether or not cardholder used the p-card and make changes as needed."

Activity 10: "Accounts Payable will require a 'Change in Credit Card Status' form signed by Budget Authority and or BoA Program Administrator when alerted by system generated TEAMS notification for employee transfers."

Activity 30: "Request access to report that can be run by the Payment Services Analyst to capture employee transfers and update cardholders' information within a timely manner."

Person Responsible (activities 9 and 30): Payment Services Analyst – Financial Services

Persons Responsible (activities 7, 8, and 10): Payment Services Analyst – Financial Services, Director Technology Services Applications – Information Technology, and Executive Director Talent Acquisition and Personnel Administration – Human Resources

Status: Implemented activities 7, 9, 10, and 30
Not Implemented activity 8

4

We recommend a program administrator update the location code in BoA Works for the five cardholders who had a change in position per TEAMS.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activity 11.

Activity 11: "Program administrator will update the location code in BoA Works for the five cardholders who had a change in position per TEAMS."

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented

5

We recommend Financial Services determine if BoA Works allows for a cardholder to be assigned to two different location codes. If possible, the location codes for the cardholder assigned to two different schools should be updated in BoA Works. If not possible, Financial Services should implement a manual compensating control to assign expenses to the correct location code.

In addition, we recommend Financial Services follow-up with the cardholder mentioned in Finding 3 to determine the correct allocation for the credit card purchase s/he made. Reclassify through a journal entry in TEAMS if needed.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activities 12 and 13 as follows:

Activity 12: “Determine if BoA Works allows for a cardholder to be assigned to two different location codes. If not possible, implement a manual compensating control to properly assign expenses to the correct location code. The Credit Card Manual will be updated to reflect process.”

Activity 13: “Accounts Payable will verify p-card purchase made by cardholder was allocated to the correct account code.”

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented activities 12 and 13.

Transaction Review Process

6

We recommend Financial Services determine the correct p-card setup for the two administrators mentioned in Finding 4 and update accordingly.

In addition, Financial Services should ensure the p-card review process is being documented in BoA Works for these employees.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activities 14 and 15 as follows:

Activity 14: “Accounts Payable will correspond with BoA Works technical support to determine why timestamp not appearing on two p-card users.”

Activity 15: “Determine the correct p-card set up for the two administrators - and update accordingly.”

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented activities 14 and 15

7

We recommend Financial Services update the Credit Card Manual by (i) clearly identifying the position that will have the responsibility of reconciling p-cards; (ii) reflecting the actual p-card review process; and (iii) stating consequences for p-card abuse (e.g., escalate p-card abuse to the cardholders' supervisors and remove credit card).

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activity 17 as follows:

Activity 17: “Accounts Payable will update Credit Card Manual to reflect correct sign-off, approval process for p-card users, and consequences for p-card abuse (e.g., escalate p-card abuse to the cardholders’ supervisors and remove credit card).”

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented

8

We recommend adding verbiage to the Credit Card Manual requiring supporting documentation be uploaded to BoA Works for flight reservations to include a list of passengers and their role within the District (e.g., student, employee). This will help determine the correct allocation of expenses (i.e., correct object codes) and identify passengers who are neither employees nor students.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activity 21 as follows:

Activity 21: “Accounts Payable will work with Athletics to clearly identify supporting documentation to reflect purchase for either students or employees for proper account coding.”

Persons Responsible: Payment Services Analyst – Financial Services and Athletics Director

Status: Implemented

9

We recommend the person(s) who is responsible for reviewing receipts uploaded in BOA Works ensures the receipts are itemized. If the receipt does not provide sufficient information to determine whether (i) the purchase is allowable and (ii) it has been allocated correctly, additional documentation should be uploaded to support the purchase.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activities 20 and 21 as follows:

Activity 20: “Accounts Payable will review BoA Works p-card tested receipt upload to identify the issue as to why it did not open.”

Person Responsible: Payment Services Analyst – Financial Services

Activity 21: “Accounts Payable will work with Athletics to clearly identify supporting documentation to reflect purchase for either students or employees for proper account coding.”

Persons Responsible: Payment Services Analyst – Financial Services and Athletics Director

Status: Implemented activities 20 and 21

10

We recommend Financial Services implement a notification system to inform cardholders they have not reconciled their p-card transactions and that they are out of compliance.

Also, we recommend Financial Services consider implementing a process for Accounts Payable to review p-card transactions periodically rather than five days after each p-card transaction takes place. This process could assist in standardizing the review process and reducing the effort of keeping track of p-card transaction and review dates individually.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activities 16, 18, and 19 as follows:

Activity 16: “Accounts Payable will implement procedure to enforce timely reconciliation process from budget authorities and update Credit Card Manual accordingly.”

Activity 18: “Accounts Payable will implement procedure to enforce timely reconciliation process from P-card users.”

Activity 19: “Accounts Payable will identify clearly in Credit Card Manual the time line for Accounts Payable and/or the BoA Works Program Administrator to reconcile p-card transactions.”

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented activities 16, 18, and 19

11

We recommend a process be developed and implemented to periodically review purchases that exceed the single transaction limit of \$500 to determine if the purchases have a business justification and comply with local policies/guidelines to include, but not limited to, the Credit Card Manual.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activity 23. According to the Executive Director of Financial Services, they currently review all p-card transactions. As such, they can identify purchases that exceed the single transaction limit and follow up to determine if they have a business justification.

Activity 23: “Accounts Payable will update Credit Card Manual to reflect exceptions to the \$500.00 limit through pre-approval process and account code updates with pre-approval from Executive Director of Financial Services through various forms of communication.”

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented

12

We recommend object codes that should not be used with credit card purchases are not provided as an option for the cardholders to select in BOA Works. If cardholders need to use an object code for which they do not have access, we recommend Financial Services determine whether the purchase would be appropriate and whether they should provide access to the object code on a case by case basis. The process Financial Services will follow for those cases should be clearly documented in the Credit Card Manual.

Management and Leadership Response: Agreed with the majority of the recommendation and incorporated into the CAP as activity 22. The CAP activity does not include limiting object codes to only those that should be used with credit card purchases. Management stated since they review all p-card transactions, they can identify discrepancies in object codes and determine allowability on a case by case basis.

Activity 22: “Determine the process to be followed when cardholders need to use an object code for which they do not have access in BoA Works. Document the process in the Credit Card Manual.”

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented

13

We recommend Financial Services develop and implement a process to review credit card usage by cardholder periodically (at least on an annual basis) and reevaluate the business need for those cardholders who have low or no credit card activity. If there is no need for a cardholder to have a credit card, the credit card should be deactivated in BOA Works and destroyed immediately.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activity 25 as follows:

Activity 25: “Develop and implement a process to review credit card usage by cardholder on a periodic basis (at least on an annual basis) and reevaluate the business need for those cardholders who have low or no credit card activity. If there is no need for a cardholder to have a credit card, the credit card will be deactivated in BoA Works and destroyed immediately.”

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented

14

We recommend Financial Services determine if there is a business need for the employees who have not picked up their credit card from the Accounts Payable Department. For those cardholders with no business need, the credit card should be deactivated in BOA Works and destroyed immediately.

We also recommend adding verbiage to the Credit Card Manual requiring new cardholders to pick up credit cards within a specific number of days.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activities 26 and 27 as follows:

Activity 26: “Determine if there is a business need for the employees who have not picked up their credit card from the Accounts Payable Department. For those cardholders with no business need, the credit card will be deactivated in BoA Works and destroyed immediately.”

Activity 27: “Add wording to the Credit Card Manual requiring new cardholders to pick up credit cards within a specific number of days.”

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented activities 26 and 27

15

We recommend Financial Services correct the three instances where cardholder identification data was incorrect if it has not been corrected already. Furthermore, we recommend developing a process to periodically review cardholder information (e.g., employee ID, name) and ensure such information is up to date.

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activities 28 and 29 as follows:

Activity 28: “Correct the three instances where cardholder identification data was incorrect if it has not been corrected already.”

Activity 29: “Develop a process to periodically review cardholder information (e.g. employee ID, name) and ensure such information is up to date.”

Person Responsible: Payment Services Analyst – Financial Services

Status: Implemented activities 28 and 29

16

We recommend the Procurement Services Department staff obtain the necessary access to BOA Works and monitor purchases for compliance with the \$50,000 threshold outlined in Board Policy CH(Local).

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activity 24 as follows:

Activity 24: "Accounts Payable will search for options to track vendors to ensure compliance with the \$50,000 purchasing threshold outlined in Board Policy CH(Local)."

Persons Responsible: Payment Services Analyst – Financial Services and Executive Director Procurement and School Resources.

Status: Implemented

Exhibit A – Summary of Original Audit Results

Finding	Summary Findings
1	Purchasing cards (p-cards) have been issued to employees who do not meet the position requirement due to an incorrect setup in the employees' BOA Works spend control profile. In addition, the process followed to add new cardholders has not been consistent with the one outlined in the Credit Card Manual. If the formalized process is not followed, there is a risk individuals could have inappropriate access to p-cards.
2	Purchasing cards are not deactivated timely, as there is no formal process to identify employment status changes. As such, there is a risk cardholders can make purchases after they have separated from the District.
3	<p>Cardholder information in BOA Works has not been updated timely as there is no formal process to identify changes in positions. If location and account codes are not updated in BOA Works timely and accurately, p-card purchases could be impacting the wrong budget accounts.</p> <p>We could not determine if a p-card purchase made by a cardholder was allocated to the correct account code.</p>
4	<p>Purchasing card transactions for three administrators show "automatic" sign off/approval in BOA Works. It appears the p-card was set up incorrectly for these three administrators in the system unintentionally.</p> <p>After March 2018, p-card transactions for one of the administrators had been corrected and showed Accounts Payable's sign off/approval in BOA Works instead of "automatic."</p>
5	We identified instances where p-card transactions were not reviewed and reconciled as outlined in the Credit Card Manual. In these instances, cardholders and Accounts Payable did not reconcile p-card transactions on a timely basis and program budget authorities did not reconcile or approve p-card transactions. There is a risk potential discrepancies were not identified and resolved timely.
6	Supporting documentation uploaded in BOA Works for four p-card transactions was not sufficient to determine if the p-card transactions were allowable and/or allocated to the correct object code(s).
7	We identified p-card transactions totaling \$3,261.40 that were allocated to the incorrect account object code.
8	We identified 27 transactions/purchases within the scope period, which exceeded the \$500 single transaction limit outlined in the Credit Card Manual. The p-card transactions were for food, printer, project celebration items, physical education equipment, etc.
9	Credit card purchases are not being tracked by vendors to ensure compliance with the \$50,000 purchasing threshold outlined in Board Policy CH(Local) and the Credit Card Manual.

Observation	Summary Observations
1	While performing the Cardholder Administration Process tests, we noted 35 out of 43 cardholders had not used their p-card. They did not have activity recorded in BOA Works as of October 8, 2018.
2	The Accounts Payable Department manager reported s/he was storing sealed envelopes with a credit card inside for seven cardholders from different locations. The employees identified as cardholders had not picked up their card for at least two months. The cards showed a status of "active" per BOA Works, but there were no transactions for such cards as of October 8, 2018.
3	We found three instances where cardholder identification data was incorrect. We selected a sample of 15 cardholders to test the completeness and accuracy of the list of cardholders provided by Financial Services. We noted the employee IDs for two employees were incorrect and an employee name had not been updated in BOA Works. The employee's name was changed on August 8, 2017 per TEAMS and it had not been updated in BOA Works as of August 9, 2018.



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