

**Procurement Card Purchases Audit**



**June 2021**

OFFICE OF AUDIT AND CONSULTING SERVICES  
3900 UNIVERSITY BOULEVARD  
TYLER, TEXAS 75799

**AUDIT OBJECTIVE and CONCLUSION**

The objective of this audit was to verify compliance with The University of Texas at Tyler (UT Tyler) Procurement Card (ProCard) Program Policies and Procedures.

This audit resulted in two opportunities to strengthen controls over purchases.

**OBSERVATIONS and OPPORTUNITIES FOR IMPROVEMENT**

This audit identified the following opportunities to strengthen internal controls		
1	Medium	Reference pre-approval requirement for software purchases
2	Medium	Remind employees of Procurement Card Policies and Procedures

**Software Purchased Without Approval**

**Medium:** Information Technology and data risks are increased without the required approvals for software purchases.

15 different software products, including cloud storage, were purchased by 25 individuals using a ProCard. Though software is not a prohibited purchase, pre-approval is required as described on the [Information Technology \(IT\) Support webpage](#) which states: “All IT related purchases (hardware and software) that are not on the pre-approved lists must be reviewed by IT before the purchase is made or the PO is created.” This pre-approval is necessary to verify software will not create a risk to data security or the university’s computers and network. Also, many software products are available at a discount of up to 80% through IT Support. The [Procurement Card Program Policies and Procedures](#) does not reference pre-approval required for software. Including a reference to the required approval will raise awareness of this important control.

**Controlled Computer Equipment Purchases**

**Medium:** Controlled IT equipment purchased using a ProCard may not have security controls installed and may not be included in inventory records.

Detailed testing identified two controlled computer equipment devices purchased using a ProCard. The [Procurement Card Program Policies and Procedures](#) lists controlled computer equipment as a prohibited purchase. Controlled computer equipment is required to be pre-approved by the Information Technology (IT) department to ensure security controls are installed and devices are encrypted as required. Also, equipment purchased using a ProCard is not automatically included in inventory records, which are used for annual verification of items.

**1: Reference pre-approval requirement for software purchases:** Procurement Card Policies and Procedures should be updated to include a reference to pre-approvals required for software.

**Management Response:** *Management concurs with the recommendation. Financial Services will update documented ProCard guidelines, procedures, and other resources to reflect the IT departmental policy for the pre-approval of software purchases.*

**Anticipated Implementation Date:** *September 1, 2021*

**2: Remind employees of Procurement Card Policies and Procedures:** To promote awareness of the Procurement Card Policies and related IT approvals required, Financial Services should send a university-wide communication reminding employees to comply with the policies, specifically referencing purchases of controlled equipment and the pre-approval required for software purchases.

**Management Response:** *Following the update of documented ProCard guidelines, procedures, and other resources, Financial Services will communicate the controlled equipment and software purchase compliance requirements to cardholders. References will also be made to available guidelines and resources.*

**Anticipated Implementation Date:** *September 1, 2021*

### **BACKGROUND**

The UT Tyler Office of Audit and Consulting Services completed this Procurement Card Purchases Audit to determine if cardholders are complying with [Procurement Card Program Policies and Procedures](#), including purchasing prohibited and personal items. UT Tyler currently has 275 employees with a ProCard and had over \$3.3 million of ProCard payments in Fiscal Year (FY) 2020. Using the ProCard for prohibited items can increase risks related to various areas including; equipment inventory, data protection on information technology (IT) devices, gift card distribution, theft, and institutional reputation.

A Procurement Card Purchases Audit was conducted in FY 2020 and included the following recommendations:

- Acknowledgement of policies by procurement card approvers;
- Required training for cardholders and supervisors; and
- Monitoring of procurement card transactions by Financial Services.

These recommendations are scheduled to be implemented by September 1, 2021.

This audit was included in the FY 2021 Annual Audit Plan which was approved by the Institutional Audit Committee.

**The University of Texas at Tyler**  
**Procurement Card Purchases Audit**

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**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 this audit included ProCard transactions from March 1, 2020, through February 28, 2021. The procedures conducted included, but were not limited to, the following:

- Reviewing applicable policies and procedures;
- Discussing purchases with campus ProCard and IT department leaders;
- Selecting a judgmental sample using data analytics that identified 1,980 transactions with unusual merchant names and/or item descriptions; and
- Reviewing supporting documentation to determine compliance with university policies.

**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.

<b>Legend</b>	
<b>Priority</b>	<i>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.</i>
<b>High</b>	<i>A finding that is considered to have a <u>medium to high probability</u> of adverse effects to UT Tyler as a whole or to a significant college or department.</i>
<b>Medium</b>	<i>A finding that is considered to have a <u>low to medium probability</u> of adverse effects to UT Tyler as a whole or to a college or department.</i>
<b>Low</b>	<i>A finding that is considered to have a <u>minimal probability</u> of adverse effects to UT Tyler as a whole or to a college or department. These findings are communicated separately to management.</i>