

The background features a large, light blue watermark of a university crest. The crest is shield-shaped and divided into three horizontal sections. The top section is a red band containing three white icons: an open book on the left, a dragon in the center, and another open book on the right. The middle section is white and contains a large, stylized blue letter 'A' with two white circles inside. The bottom section is white and contains a large, stylized blue letter 'U' with two white circles inside.

Purchasing Card Process & Controls Review

**P2P Champions Meeting
September 18, 2008**

Overview

- Background
- Related Risks
- SAS 112
- Internal Controls
- Project Objectives
- Best Practices
- Project Approach
- Things to Keep in Mind



Background

- P-Card accounts for approximately \$20M of annual purchases at the University.
- The purchasing card is designed to:
 - Expedite and simplify low dollar, one time purchases.
 - Reduce administrative costs in the Schools & Centers
 - Reduce cost of issuing supplier checks and C-form processing.
- Purchasing authority includes cardholder responsibility & accountability.

Related Risks

- Non-compliance with University policies.
- Inappropriate use of approved buying method.
- Unauthorized purchases.
- Lack of documentation supporting the “business reason” for the purchase.
- Potential misuse, abuse and/or fraud.
- Inaccurate recording & coding of purchases.

SAS 112

- Penn has implemented the SAS 112 project that will affect processes across the University.
 - Document and improve key financial & administrative business processes.
 - Identify and analyze control gap(s) in existing processes.
 - Define and implement internal control/process enhancements.
- This includes the P-Card process.

Internal Controls

A process, effected by the board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations

Project Objectives

Support the SAS 112 project by performing transactional testing designed to:

- Verify that Schools and Centers have implemented and are practicing effective internal controls,
- Identify areas of potential misuse and non-compliance with University policies,
- Develop corrective actions, control activities, and process improvements to increase the overall effectiveness of the program for your School/Center.

Best Practices - Cardholder

- Purchasing card is to be used for valid business purposes only.
- Verify and reconcile all transactions on a periodic basis (e.g., weekly).
- Retain receipts and supporting documentation.
- Provide all support to supervisory reviewer along with monthly statement.

Best Practices – Approver / Allocator

- Review all cardholder transactions monthly.
- Confirm transactions have a valid business purpose and verify that supporting documentation is adequate.
- Review account coding for accuracy.
- Retain all support in accordance with University policies and record retention schedule.
- Maintain updated inventory of all active purchasing cards (e.g., reconcile terminated employees).

Project Approach

- **Phase I:** Obtain complete population of FY 2008 P-Card users and transactions throughout all the Schools and Centers. Select School/Cardholder specific samples for testing.
- **Phase II:** Coordinate with School/Center to request supporting documentation. Test transactions to verify they are valid, authorized, supported, and comply with University policy.
- **Phase III:** Summarize deficiencies, analyze control gap(s) in existing processes, and recommend control and/or process enhancements in coordination with the SAS 112 project.

Things to Keep in Mind

- Audits will be performed throughout FY 2009.
- OACP auditors will be assigned specific Schools and/or Centers, making the requests, and performing the transactional testing.
- The project will be closely coordinated with Purchasing Services, and School/Center senior administrators will be kept up to date on the status of their audits.
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