UCSC Pro-Card Administration

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Presentation Overview

- Based on the audit report at UCOP web site or by contacting UCSC.
- Audit report organization
  - Executive Summary
  - Purpose
  - Background
  - Scope
  - Observations

Executive Summary

- Pro-Card controls provided reasonable assurance that campus cardholder purchases would be made in accordance with campus and university policy, and errors would be identified and corrected in the normal course of business.

- We did not identify any inappropriate purchases or misuse of university funds from tests performed.

- Considerable opportunities were identified to streamline the program.

Executive Summary - Observations

A. Streamlining Pro-Card Administrative Processes

- Efficiency gains could be realized by eliminating the practice of receiving and maintaining paper Pro-Card statements and supporting documentation within Financial Administrative Services and Transactions (FAST), and by utilizing on-line tools available from the Pro-Card vendor bank.

B. FAST Pro-Card Review and Monitoring

- Opportunities were identified for enhancing elements of the Pro-Card review and monitoring activity conducted by FAST.

C. Restricted Item List

- Opportunities existed for re-examining the campus restricted item list for applicability, as it included more restricted items than lists maintained at other UC campuses.

D. Using Pro-Card vs. CruzBuy (SyQuest)

- Use of the Pro-Card for low value purchasing continued to be the choice of high use cardholders and provided an easy way to acquire items at a competitive price. Training and/or search functionality within CruzBuy could be enhanced so that users could more easily locate the lowest price vendor.

E. Recognizing Revenue using Payment Plus

- The campus could increase revenues by making vendor invoice payments using a Payment Plus Pro-Card instead using ACH or paper checks.

Purpose

- To assess the effectiveness and efficiency of the campus Pro-Card program including review of internal controls and procedures developed to support the program
- To review local and system-wide policies related to Pro-Cards

Background

- The campus Pro-Card program was introduced in 1996 as a mechanism for reducing cost and facilitating low value purchases.

- Internal controls have improved dramatically since a 2008 audit identified fraudulent purchases and other problems.

- Controls exist in AP, units, and at US Bank.

Audit Program/Scope

- All UCSC Pro-Card Transactions/statements for FY14
- UCSC Pro-Card procedures and internal controls
- UCSC and Systemwide Pro-Card policy
- Interviews and process flowcharting with central office staff
- Interviews with managers and staff from campus units
- Interviews with managers from UCOP and other UC campuses
- Attend meeting with systemwide Pro-Card user's group
- Flowchart processes related to P.O. and Pro-Card payment processing
- Interview senior managers at US Bank
- Interview high dollar cardholders

Detailed Transaction Testing

- 20 Amazon (to compare price paid and evaluate whether PO would provide better controls).
- 20 PayPal (PP will likely bypass MCC codes that restrict certain types of purchases).
- 10 Baytree Bookstore (bookstore purchases can be made via TOE to avoid paying credit card fees).
- 10 purchases over $3,500.
- 10 purchases between $200-3,499.
- 10 transactions funded by Federal funds.
- 10 transactions (or more based on initial tests) from units who are distributed office of record.

Data Mining

- We used Microsoft Access with an open database connectivity (ODBC) middleware driver to connect to the Oracle database for our production FIS data.

- The following are examples of data mining used in this audit.

Top 10 vendors

$280,820.00	AMAZON .COM Total
$57,230.91	OFFICE MAX Total
$46,686.58	PayPal Inc Total
$35,514.20	THE HOME DEPOT #6968 Total
$33,889.66	MCMASTER-CARR Total
$26,828.50	UCSC BAYTREE BOOKSTORE Total
$25,283.94	AT&T*BILL PAYMENT Total
$24,342.97	HERITAGE FOOD SERVICE GRO Total
$23,936.46	GILLIG CORPORATION Total
$23,787.05	UCSC Bay Tree Bookstore Total

OfficeMax vs. Amazon Price Comparison

Item	Office Max	Amazon	Difference
Colorqube 8870 Inkjet Printer	$3,281.62	$1,949.44	$1,332.18
HP LaserJet CP4025 Printer	$1,512.72	$1,052.07	$460.65
Samsung SyncMaster S24A850DW 24"" LED LCD Monitor - 16:10 - 5ms - TAA	$633.43	$658.98	($25.55)
Planar Systems, Inc PT1500MX Touchscreen LCD Monitor	$507.84	$445.14	$62.70
Panasonic TH-32LRH30U 32"" LCD TV - 16:9 - HDTV	$480.96	$214.00	$266.96
ViewSonic 24"Widescreen HD LED Monitor - VG2439M-LED	$377.64	$192.22	$185.42
Dell 27" Black LED Monitor - S2740L	$369.03	$299.99	$69.04
Colorqube 8870 Ink (Black)	$341.76	$195.00	$146.76
Plantronics headset	$311.15	$260.93	$50.22
Samsung Chromebook	$249.99	$223.60	$26.39
Windows 8.1 Pro Pack	$199.06	$143.99	$55.07
SanDisk Memory Card 32GB	$176.63	$69.99	$106.64

Subtotal by Cardholder

$60,745.74	00031297 Phillip - PCARD TRANS Total
$60,675.06	00032154 Jay E - PCARD TRANS Total
$53,337.25	00095390 Terri Marie - PCARD TRANS Total
$51,105.25	00020072 David - PCARD TRANS Total
$49,738.58	00080738 Olivia - PCARD TRANS Total
$47,376.76	00067867 Terry Dawn - PCARD TRANS Total
$45,278.52	00080739 Joe - PCARD TRANS Total

Individual Transaction Dollar Amounts

FARINVA_INVH_CODE	FABINVH_TRANS_DATE	FARINVA_APPR_AMT	FABINVH_ONE_TIME_V END_NAME	FARINVA_ORGN_CODE	FARINVA_FUND_CODE	FARINVA_ACCT_CODE	FARINVC_COMM_DESC
A03325	6/23/14	$10,818.46	CITY OF SANTA CLARA-FIN	660403	19900	000010	00005785 Sylvia J - PCARD TRANS
A03231	3/11/14	$4,752.00	HILTON - SCOTTS VALLEY	728000	19900	000010	00001919 Elisabet - PCARD TRANS
A03161	12/16/13	$4,384.63	GILLIG CORPORATION	680671	20270	000765	00020072 David - PCARD TRANS
A03261	4/14/14	$4,176.00	HILTON HOTELS	728000	19900	000010	00001919, Elisabet - PCARD TRANS
A03040	7/22/13	$3,982.00	EXCHNG VISITOR PROG	407660	19900	000010	00076567 , Mary R - PCARD TRANS
A03300	5/22/14	$3,787.50	GILLIG CORPORATION	680671	20270	000765	00020072 David - PCARD TRANS
A03062	8/19/13	$3,525.00	PDFLIB GMBH	723025	19917	000070	00063728 Matthew - PCARD TRANS

Observations – Streamlining Pro-Card Administrative Processes

Inefficient procedures

- Most units send paper statements and supporting documentation to FAST via campus mail which are filed and retained in FAST.

- FAST manually selects statements for review from the stacks of paper received each month and files the rest

Solutions identified

- Office of record model appears to be sound.

  - If all units were designated office of record FAST could request electronic copies of only statements selected for review (including current office of record units). FAST could retain authority to place cardholders on probation or suspension.

- US Bank offers payment analytics software to identify high risk transactions for review. UCSD may also have an ACL solution that could be used.

Observations – FAST Pro-Card Review and Monitoring

- FAST manually emails units when statements are ready to download and anytime statements are late arriving at FAST (this process requires almost 20 hours a month). US Bank offers automated email services for all cardholders. If all units become office of record email may not be needed.

- FAST does not track all statements reviewed (only violations).

FAST Criteria for Selecting Statements for Review

- One out of ten statements

- All statements over $3,500

- All new cardholder statements for the first three months after they get a card

- Three months of statements for any cardholder placed on probation for violations

- Log all violations detected in the samples selected for review

- Place cardholders who violate policy on probation

- Suspending cards for more serious violations

- Processing TOE journals as requested

Observations – Restricted Items List

Opportunities existed for re-examining the campus list of restricted items

- UCSC has the most comprehensive list of restricted item of any UC campus
- The list has grown from 14 items in 2005 to 101 items today
- No one knows what some items on the list mean, such as "data security"
- It was widely agreed in FAST and purchasing that some items do not need to be restricted.
- UCOP policy does not include a list of restricted items and each campus has developed their own list
- UCSC used to have a list of pre-approved service provider who had insurance certificates on file and offered low risk services. Currently all services are blocked.

Observations – Using Pro-Card vs. CruzBuy (SyQuest)

- High dollar cardholders stated that Pro-Card was the easiest way to obtain items quickly at a competitive price.

- The controllers financial affairs unit, which includes procurement, maintained that use of strategically sourced contracts provided the best value.

- Using CruzBuy Purchasers were paying 10% more on purchases using OfficeMax.

- The outcome was an agreement to assess the search functionality and training enabling users to obtain the best pricing on purchases using vendors available in CruzBuy.

Observations – Recognizing Revenue using Payment Plus

- Campus could increase revenue by obtaining and using Payment Plus Pro-Cards to obtain incentives by paying P.O. related invoices

- Vendors will have to agree to accept Pro-Card

- US Bank will contact vendors on our behalf to secure agreement

- Modifications to financial information system are required

Summary - Lessons Learned

- Flowcharting processes to determine effort (time) involved was very time consuming as it had never been done before.

- Multiple exit meetings were needed to resolve different perceptions between Procurement and cardholders/units.

- Campus purchasers did not always obtain best pricing.

Conclusion/Q&A

- Wrap-up

- Q&A