

Assurance Report

1621 Purchasing Card (P-Card) Review

June 30, 2016

Cindy Rougeou, Executive Director
The LASERS Audit Committee

EXECUTIVE SUMMARY

One observation was noted during this review which relates to four instances where the P-Card procedures and policy are not aligned.

BACKGROUND

This was a planned engagement on the fiscal year end (FYE) 2016 Audit Plan. The fieldwork for this engagement was completed on June 22, 2016.

The LASERS purchasing card program is part of the LASERS overall Procurement, Receiving, Payment and Control program. The LASERS purchasing cards are issued by JP Morgan Chase Bank. These cards enable employees to purchase items conveniently while allowing LASERS to maintain control over purchases. LASERS uses Chase's website, SmartData, to monitor and control card activity.

The benefit of allowing approved card holders to purchase items directly includes increasing the efficiency of acquiring items necessary for their job, streamlining the purchasing and payment processes, and easing purchasing in emergency situations.

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this engagement included reviewing the LASERS purchasing card policies, procedures, and transactions.

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Cindy Rougeou, Executive Director

The primary objectives of this engagement were to:

- Evaluate the key controls to determine if LASERS policies and procedures related to purchasing card use is adequate.
- Verify that transactions are accurate and adhere to the guidelines set by LASERS.

Procedures used to complete this engagement included:

- Reviewing the LASERS Commercial Card Policy.
- Identifying, reviewing and examining policies and controls.
- Analyzing data provided by the Chase Smart Data website and comparing to LASERS data.
- Performing other inquiries necessary to achieve the outlined objectives.

This engagement was conducted in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

OBSERVATION, RECOMMENDATIONS, AND RESPONSES

1. P-CARD POLICY AND PROCEDURES SHOULD BE EVALUATED

OBSERVATION

The following items were noted during this review which relate to instances where the P-Card procedures and policy are not aligned:

- A. When a P-Card is issued to an employee, the first approval that is required is the Cardholder Enrollment Form. The form contains information about what the user is getting approved for which includes the Merchant Category Code (MCC) profile, single transaction limit, and the overall card limit. Merchant Category Codes are four-digit codes assigned to businesses by credit card companies that identifies the area in which the merchant typically does business. The MCC profiles are set up by LASERS to allow and block purchases according to an assigned MCC. After approval, the card is issued matching the criteria outlined on the form.

According to the LASERS Commercial Card Policy, “Whenever any information contained on the *Cardholder Enrollment Form* changes, the changes must be submitted to the program administrator on the form with ‘Change’ checked on the form.” During this review it was observed that several cards’ MCC profiles and limits did not match the approval forms. According to Fiscal, these subsequent approvals were obtained through email and not via the updated form as per policy, since this was more practical and efficient for them.

- B. According to the LASERS Commercial Card Policy, “Louisiana state sales tax should not be charged on card purchases. In the event state sales tax is charged and a credit is warranted, it will be the cardholder’s responsibility to have the vendor-merchant issue a

credit to the cardholder's account. It is LASERS Policy not to pay sales tax; however, LASERS may exempt cardholders from obtaining a credit from the vendor-merchant for state sales tax charges of \$25 or less. If a cardholder continually allows taxes of \$25 or less to be charged to the card, corrective measures must be taken. It is LASERS responsibility to monitor these sales tax transactions to ensure corrective action is taken against repeat offenders."

According to Fiscal, they do not have internally documented procedures for analyzing purchases to identify instances where state sales tax was charged. A formalized process to track the taxes paid will allow for better enforcement of the policy and the ability to hold the card holder responsible, as deemed necessary.

- C. According to the LASERS Commercial Card Policy, "Documentation is required for all purchases and credits. For items purchased over the counter, the cardholder should obtain the customer copy of the receipt. When ordering by telephone, fax, or computer, the cardholder must obtain a packing list or similar document. For items such as subscriptions and registrations, where the vendor does not normally generate a receipt or packing slip, a copy of the ordering document may be used. Acceptable documentation must include a line description and line item pricing for the purchase." According to Fiscal, the procedure when documentation does not exist is for either the cardholder or Accounts Payable to make a note of this on the log and submit to the Chief Fiscal Officer (CFO) for approval or disapproval. The Commercial Card Policy does not allow for exemptions nor do internally documented procedures exist on how to process transactions with missing documentation.
- D. According to Fiscal, when P-Cards are used for travel, the card holder also turns in a travel reimbursement form along with their Commercial Card Log. When Accounts Payable receives these logs and travel is involved, they match the receipts with the log, SmartData, and the travel reimbursement. The internally documented procedures contain details related to the reconciliation process performed by Fiscal when travel is not involved. However, the additional steps performed on the P-Card transaction when travel is involved are not outlined in the internally documented procedures.

RECOMMENDATION

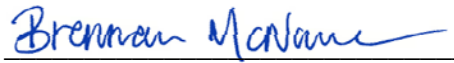
Fiscal should evaluate the current policy and procedures for the areas described in the observation and make updates to ensure they are aligned.

RESPONSE

Fiscal agrees with this recommendation and will update the policy and procedures for the areas described. Fiscal noted that adequate controls are in place and they are just making documented policies and procedures consistent with practice. The priority to address this recommendation has been set as medium with a target completion date of September 30, 2016.

FOLLOW-UP

A follow-up to this engagement will not be scheduled at this time. Audit Services will maintain this information on a tracking report. These items will be tracked until they are closed.



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