

The Office of Internal Performance Audit

Internal Audit Report

Procurement Card (PCard) Audit

Executive Summary

Procurement Cards (PCards) are a Portland Public Schools (PPS) issued credit card that can be used by PPS staff to make school district purchases. While PCards present an efficient and cost-effective way for PPS staff to make simple school district purchases, PCards are also inherently high risk and are vulnerable to misuse. As a result, adequate internal control over the PCard Program is critical.

The Office of Internal Performance Audit (OIPA) has completed an audit of selected PCard transactions that took place during the 2019-2020 school year. The objective of the audit was to assess the adequacy of internal controls over the school district's PCard Program; determine whether the PCard activity is compliant with applicable polic

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- B. We recommend the PCard Program update current guidance to reflect their current practice of notifying new budget holders of the existing proxy access and save documentation of the notification. (Management agreed)
9. A. We recommend the PCard Program Manager obtain a list of employee status changes at least every other week. -OR-
B. We recommend the PCard Program Manager work with the Human Resources department to obtain reports that identify an employee's last day at least every other week. This will enable the PCard Program Manager to follow up with the PCard holder related to any outstanding transactions and deactivate the PCard timely. (Management agreed)
10. We recommend the PCard Program transition to a risk-based PCard transaction review procedure that includes a thorough and complete review of all high-risk transactions. (Management partly agreed)
11. We recommend the PCard Manager/Administrator review and update current Merchant Category Codes (MCC¹) include and MCCs exclude lists to ensure MCCs are not listed on both. (Management agreed)
12. We recommend the PCard Program Manager/Administrator add the list of MCCs identified by OIPA to the MCCs exclude list. (Management agreed)
13. We recommend the PCard Program Manager/Administrator obtain and review Bank of America's Comd()Tj0.717 0 00 TApC32eC(/)-6uenement a2 (em)-5pC32emtm.6 (((/s01 Tw 0Sb.7 (m-1 (
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Background Information

In 2008, PPS entered into a contract with Bank of America to administer the PPS PCard Program. Under the contract, there is no charge for issuance or maintenance of the cards. Additionally, the PCard Program takes advantage of a cash rebate of approximately 1.7% on standard card purchases generating an average of about \$250,000 in rebates annually over the last nine years.

As part of the contract, Bank of America provides access to an electronic payment application, Works. The Works system is an online web-based application that allows the PCard Administrator the ability to assign customized transaction limits and a monthly purchase limit based on the individual PCard holder's needs. The PCard Administrator can also restrict the use of PCards at certain types of vendors, by excluding certain Merchant Category Codes (MCC). The reverse is also true, the PCard Administrator can also pi (on t)-ae355 (r)-5.951 (on t)- aeb4(at)J0.03 Ts0 T

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The PCard Audit was included in the Audit Plan approved by the Portland Public Schools (PPS) Board of Education on July 16, 2019, resolution number 5935.

Prior Audit History

In January of 2019, the Oregon Secretary of State Audit's Division (SoS) issued an audit report of its examination of spending at Oregon Department of Education (ODE) and Portland Public Schools (PPS), which included a review of transparency, controls, and priorities. The audit identified additional steps these agencies could take to improve returns on the state's education investments and increase achievement. While the report provided insight into a variety of topics, for the purposes of this audit, we focused on the portions of the report related to PCard use.

The SoS report made the following recommendation to PPS related to the PPS PCard Program:

- ” PPS should improve controls over purchasing card use. Improvement include requiring management review for at least non-standard and high-dollar transactions, and improving policy guidance on appropriate business purpose, taxpayer-funded meals, parties, student incentives, gifts, and use of unusual merchants. Also, the district should improve aggregate analysis of PCard use data to identify spending trends and unusual transactions.

The SoS report also included comments throughout the report related to the school district's PCard use. The full SoS report, as well as the status of the implementation of recommendations, is posted on the school district's web site at: <https://www.pps.net/Page/15139>.

The SoS Audit's Division is currently working on their follow up on the recommendations included in their report. In an effort to not duplicate efforts, we did not perform any specific follow up procedures on their recommendations. However, within the scope of our audit, we did review evidence of the improved internal controls over PCard use. Specifically, on April 4, 2019, the PCard Program Manager issued a memo to all PCard holders, supervisors, budget holders, and proxies detailing the summary of changes made to the PCard Program to comply with the recommendations of the SoS report. We observed evidence of the implementation of each of the items included in the memo. This memo is included in this report in Appendix B.

Roles and Responsibilities

PPS Management has the primary responsibility to establish, implement, and monitor internal controls. Internal Audit's function is to assess and test those controls in order to provide reasonable assurance that the controls are adequate and operating effectively.

We conducted this performance audit in accordance g Inrfc 0.004 Tw 11.k83he conudies t t rontmem.f

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Procedures, Results, What Works Well, and Recommendations

Procedure:

Determine whether PCard policies, procedures, administrative directive, PCard Manual, and PCard training modules contain best practices, are consistent, and are reviewed and updated as necessary.

Results:

We determined PCard policies, procedures, administrative directive, the PCard Manual and PCard training modules contain best practices, are consistent, and are reviewed and updated as necessary. However, we noted best-practices indicate PCard

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What Works Well:

- x Clear PCard instructions and required training are provided to new PCard holders.
- x PCard Program requires a signature from a new PCard holder when the PCard is picked up.

Management Response:

Recommendation 3: We agree with the recommendation to require proof of completed training with the PCard application and have already implemented this change as of July 1, 2021.

Procedure:

Determine whether PCard transactions are for an allowable purpose.

Results:

We tested 122 PCard transactions and noted all were for an allowable purpose. No exceptions were noted.

What Works Well:

- x Authorizations or pre-approvals on certain purchases and charges were obtained.
- x Over limit transactions include approvals from budget holders and PCard Program Manager.

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Management Response:

Recommendations 4-6: We agree with the recommendations and will continue to support PCard holders and budget holders with training and guidance. We already require PCard holders to upload supporting documentation in Works and do enforce disciplinary action based on the Infraction Table. We will add a detailed recommendation to budget holders regarding review of documentation to our website by November 1, 2021. This recommendation is already in the Budget Holder Review and Sign Off Guide.

Procedure

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Management Response:

Recommendation 7: We agree with the recommendation and will create a separate budget holder infraction table that details the current process for addressing budget holder failures to timely review and sign off on PCard holder transactions by the end of this fiscal year.

Procedure: If applicable, determine whether a signed proxy form was completed for PCard

