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WEST PLAINS

Procurement & Travel Policies & Procedures

April 27, 2022

Report No. 174-22

Office of Internal Audit & Risk Management



DATE: April 27, 2022

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Procurement & Travel Policies & Procedures

BACKGROUND

The University procures goods and services (not including contracts for construction or for the professional services of architects, engineers, and land surveyors) through the aid and guidance of the Office of Procurement. The Office of Procurement is currently comprised of a Director, three Buyers, the Procurement Card Coordinator, and two Procurement Technicians. Together, these seven full-time employees are responsible for ensuring the best and lowest source is identified, verified, and obtained for the University's approximately \$75 million in supplies and services annually. In addition, the payment of all related transactions is processed through the Office of Accounts Payable, which has four full-time staff comprised of one Director, one Manager and two Accounting Technicians. Each of these offices also employs two Graduate Assistant's and both offices are overseen by the Chief Financial Officer. Over the past ten years, these two offices have seen transaction volume and value increase but staffing levels have decreased, often filling vacancies with Graduate Assistants.

Under the current policies, University departments are authorized to solicit goods and services with a transaction value of less than \$10,000 themselves, including use of procurement cards for transactions of \$3,000 or less. For transactions valued at \$10,000 or more, competitive procurement is required through the Office of Procurement. Goods and services with a transaction value of \$25,000 or more require both advertisement and competitive solicitation.

University related travel expenses can be covered in three different methods under current policy. The employee may pay for expenses personally and request reimbursement, the employee may request a travel advance, or the employee may request a Single Event Travel (SET) card.

OBJECTIVE AND SCOPE

This report is the result of three different engagements with slightly differing objectives and scopes which resulted in correlating recommendations. We believe it more appropriate to report on all three engagements in one report to ensure concise and clear communication with management and the Board.

The Chief Financial Officer requested a review of procurement policies with a specific objective of building increased efficiencies into current procedures. This request was made while Internal Audit & Risk Management was already engaged in a transactional audit of the single event travel (SET) card program and a program review of procurement card controls. Overall, our objectives with each of these audits/reviews was to identify controls in need of improvement, evaluate the efficiency and effectiveness of current procedures, and develop implementable recommendations. The scope included, but was not limited to, the year ended June 30, 2021.

SUMMARY

Procurement thresholds should be reviewed and possibly revised; criteria requiring separate contract documents should be developed and the Office of Procurement should review potential use of screening software; computer hardware and software purchases should require pre-approval from the Office of Information Services; a standardized form for sole or single feasible source justification should be implemented and the criteria for these solicitations enhanced to ensure competitive solicitation is not circumvented; and other policies should be revised to ensure requirements are clear, concise, and complete.

The Procurement Card Manual and related documents should be updated to align with current procedures and clearly communicate required procedures and expectations; requirements for department coordinator review and approval should be re-educated and enforced; consideration should be given to requiring supporting documentation to be uploaded to the web-based system and increased use of the mobile application where most useful; and risk based criteria should be added to monthly reviews to ensure time is utilized for the most significant or risky transactions and penalties for repeat violations should be enforced.

Independent oversight of SET card processes is necessary to ensure all cards issued are appropriately processed; the application and related processes could be improved; written procedures should be enforced or updated to align with actual and best practices, sufficient documentation should be retained and submitted in reasonable timeframes; penalties for non-compliance should be developed and enforced; and guidance for cancelled trips should be developed. After these changes are made, use of existing software and program expansion should be further explored by management.



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Field work completed: April 6, 2022

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Procurement & Travel Policies

Through policy review and revision, the Office of Financial Services can redirect staff resources to higher value, higher risk items, enhance the quality of certain procurement activities, better define management's risk appetite, and ensure users have access to complete, clear, concise, and consistent guidance.

A. Procurement thresholds

Operating policy 8.16, Procurement Procedures, has not been updated since January 8, 2018. Since that date, state regulations regarding procurement have changed, as has the volume and complexity of transactions processed.

The current policy requires transactions totaling \$10,000 or more to be competitively procured by the Office of Procurement. The policy also requires the Office of Procurement to use a formal bid solicitation process including advertisement for transactions totaling \$25,000 or more. In addition, the policy allows transactions less than \$10,000 to be procured at the department level, but only transactions less than \$3,000 are allowed on a procurement card (unless special exception has been allowed by the Office of Procurement).

To analyze the workload and better assess the risk associated with each threshold, we averaged transactions processed by the Office of Accounts Payable and through the procurement card program for the years ending June 30, 2019, 2020 & 2021. Our review focused on transactions with a value greater than \$0. It is important to note transaction volume decreased during years 2020 & 2021 due to impacts of the COVID-19 pandemic; however, budget challenges presented during years 2022 & forecasted for 2023 will likely hold some areas of spending at this same lower level, making this average reasonable for current estimated annual volume.

Transaction Value Threshold	Average Number of Transactions	Percentage of Total Transaction Volume	Total Value of Transactions	Percentage of Total Transaction Value
Less than \$3,000	71,000	94%	\$22,000,000	15%
\$3,001 - \$10,000	3,000	4%	\$16,000,000	11%
\$10,001 - \$25,000	800	1%	\$13,000,000	9%
\$25,000 - \$100,000	500	0.7%	\$24,000,000	17%
More than \$100,000	200	0.3%	\$69,000,000	48%

We also reviewed procurement policies applicable to purchasing for the State of Missouri and other public four-year institutions. We consolidated similar information for institutions and determined the following:

	Procurement Card	Competitive Procurement Not Required	Competitive Procurement by Department	Competitive Procurement by Office of Procurement	Competitive Procurement with Advertising
State of Missouri	\$0 - \$999	\$0 - \$9,999	\$10,000 - \$49,999	\$50,000+	\$100,000+
Other public four-year institutions	\$0 - \$9,999			\$10,000+	\$100,000+
	\$0 - \$4,999		\$5,000 - \$9,999	\$10,000+	\$100,000+
	\$0 - \$4,999 or less			\$ 5,000+ or less	\$ 25,000+ or \$100,000+

Section 34.040, RSMo. (amended August 2019) requires all purchases more than \$10,000 utilize a competitive selection process but does not state who must complete this process or what type of process must be followed. Further this amendment increased the transaction amount requiring advertising from \$25,000 to \$100,000. Our policy has not adopted this change and as a result, the length of time required to make a purchase totaling between \$25,000 and \$99,999 is increased; however, risk of missing an opportunity to work with an unknown vendor is decreased.

B. Contracts and other vendor risk mitigation activities

Operating Policy 8.16, Procurement Procedures, should include requirements directing buyers to issue separate contract documents when necessary. In addition, related third-party risks could be further managed through development of additional procedures.

The Office of Procurement utilizes both solicitation documents and written contracts to memorialize agreements; however, in some complex, multi-year situations, solicitation documents were used instead of written contracts and the resulting document became lengthy and difficult for anyone not involved in the solicitation process to understand. To protect the University's interests, the Office of Procurement should establish criteria in its policy to provide guidance regarding when the use of solicitation documents is sufficient and when a separate contractual document is necessary. Contracts should be approved by the Office of General Counsel and Compliance and include (at a minimum):

- Clearly determined term, including any options for renewal.
- Requirement for compliance with applicable laws, regulations, and other standards.
- Authorization for access to records and to monitor/review as necessary or appropriate.
- Insurance coverage required of third party.
- Terms relating to use of premises, equipment, or employees.
- Indemnification/limits on liability.
- Costs/fees to be paid by who and by when.
- Clearly defined performance standards for use in monitoring.
- Types and frequency of reporting.
- Ability to audit or engage an independent auditor to monitor performance.
- Confidentiality and security provisions, as applicable.

In addition, the Office of Procurement could further mitigate third-party risks by utilizing Office of Foreign Assets Control (OFAC) and denied/restricted party screening software already used on campus. The Office of Research Administration utilizes software to comply with federal grant requirements that all vendors be OFAC compliant, which means the vendor and its ownership are not involved with any transaction on a watch list or located in a sanctioned or embargoed country, and to ensure vendors have not been debarred or restricted from Federal programs. The software not only completes a scan when a vendor is first entered (generally 1-2 minutes each), but also re-screens the database on a regular basis to ensure continued compliance. Adding this process to existing procurement procedures could identify unknown third-party risks before a decision is made to select any one vendor. To establish a user access for this software in the Office of Procurement, a second license would be required.

C. Information technology procurement

Procurement policies do not require pre-approval of information technology (computer hardware and software) purchases from the Office of Information Services. With increasing cybersecurity regulations requiring our institution to know how information is processed, stored, and shared, it is critically important for this office to be involved in these transactions. By adding this step to these transactions, the University can better ensure compliance and overall satisfaction with the goods/services purchased. In addition, the Office of Information Services can help requestors determine the functionality of the technology requested, can ensure maximum warranty is provided, and can ensure duplicate purchases for software are reviewed for necessity which could reduce expenditures.

D. Sole and single feasible source

Operating Policy 8.16, Procurement Procedures, provides exemption from solicitation when a single feasible source (including sole source) exists; however, the guidance provided does not capture all justified uses of this solicitation exemption. In addition, the quality of documentation providing justification for single feasible source would be improved if the Office of Procurement required a standardized form to be used.

Sole source exists when only one vendor can provide the needed good or service due to uniqueness of the good, service or the vendor. Sole source should also include instances where estimated lead time or other delays in providing the good or service may cause unnecessary harm to systems or projects, and/or warranty situations. Single feasible source exists when two or more vendors can provide the needed good or service, but one vendor is preferred to any other possible vendor. This may exist based upon available discounts from a single vendor for a limited period of time or when continuing an ongoing service or addition to an existing critical system. Without fully identifying uses of these exemptions in policy, the Office of Procurement must complete competitive solicitation in sole or single feasible source situations.

Further, justification for single feasible source is required by policy, but the amount of detail to support the lack of solicitation varies widely. Lack of sufficient supporting documentation for any claim of single feasible source could cause an auditor or any other regulatory body to determine competitive solicitation was circumvented when solicitation would not have rendered any different result.

E. Clear and complete policies

Some policies are unclear, duplicative, or omit relevant information, and in certain circumstances a user must utilize multiple policies to obtain a complete understanding of program requirements. For example:

- Operating policy 8.15 Procurement Card Policy, provides the purpose of the procurement card program, identifies the Procurement Card Coordinator as administrator, defines standard transaction and monthly limits, and also provides a method of limit exception and a link to additional department level procedure and policy information. Operating policy 8.16, Procurement Procedures, begins with a section regarding procurement cards including the standard transaction and monthly limits, the method for exception, and a responsibility statement.
- Operating policy 8.16, Procurement Procedures, also omits the Request for Information (RFI) form of solicitation. The RFI method of solicitation allows management to first learn and understand the qualifications of interested vendors before negotiating price. This practice is extremely beneficial when procuring services or specialty/unique goods where a company or individuals experiences provide a portion of the value to the University and knowing this information allows the University to ensure they are working with the “lowest and best” vendor.

In addition, the policy library contains eight policies related to travel. Concerns noted include:

- Operating Policy 8.22-1, Travel Advances, contains no information regarding SET Cards, or any link to Operating Policy 8.22-8, Single Event Travel (SET) Card, even though the SET Card program was established to reduce/eliminate the need for travel advances.
- Operating Policy 8.22-1, Travel Advances, does include reference to use of procurement cards, but instead of referencing Operating Policy 8.15, Procurement Card Policy, it references Operating Policy 3.12-16, Employee Expense Reporting and Business Meals, which is contained in the Department Head Handbook as an academic policy.
- Operating Policy 3.12-16, Employee Expense Reporting and Business Meals, takes a portion of the information the Office of Procurement has provided at a procedural level and formalizes the guidance into policy.

- Operating Policy 8.22-3, Expense Allowance, contains guidance regarding reimbursement of travel related expenses, which are then duplicated in Operating Policy 8.22-6, Travel Reimbursement.

Reducing duplicative information which is more difficult to update, may create contradiction, and could also provide the user an incomplete understanding of a program and ensuring expectations are communicated clearly and completely could increase compliance with policy guidance.

Recommendations

We recommend the Office of Financial Services:

- A. Review and revise procurement thresholds to ensure compliance with state regulations and alignment with management's risk appetite while also ensuring buyer resources are utilized for the highest value and risk based procurement activities.
- B. Develop criteria to outline when separate contract documents are required and investigate the advantages provided through utilization of screening software, if budget allows.
- C. Require purchases of new hardware and software be reviewed and approval documented by the Office of Information Services.
- D. Enhance the existing single feasible source guidance to encompass both sole and single feasible attributes and develop and require a single feasible source justification form to ensure complete and well documented support for each use of this exemption is documented and retained.
- E. Review and revise current policies to ensure program requirements are clear, concise, and complete.

Management's Responses

The Chief Financial Officer provided the following written responses:

- A. *In 2018 procurement services reviewed the state and peer university policies. It was determined we were in line with peer policies with the exception of board level approval. Board level approval was increased from \$100,000 to \$250,000 with items between \$100,000 and \$250,000 presented to the board for information only.*

In September 2021 procurement services conducted another review of state and peer university policies and determined the state and our peers had more favorable policies. In December 2021 Internal Audit was requested to review our findings and our suggested changes. Since that date we have jointly worked together and based upon state guidelines and university volumes the following changes will be implemented:

- *Increase posting requirement from \$25,000 to \$100,000*
- *Increase procurement card limits for approved categories from \$3,000 to \$10,000*
- *Increase Formal competitive solicitations from \$25,000 to \$100,000*
- *For purchases between \$25,000 and \$100,000, excluding purchases under cooperative contracts, at least three quotes must be submitted. Departments will be able to submit three quotes for purchases \$25,000 to \$100,000 to procurement services.*
- *Purchases under \$25,000 may be made by departments with administrators exercising good judgement.*
- *Expense Allowance Policy will increase required receipts from \$10.00 to \$30.00.*

- B. Since the University Food Service Contract internal audit in December 2018, Procurement Services has utilized contracts where appropriate versus solicitation documents with General Counsel review. We will also implement the OFAC screening process. We agree with these recommendations and will add guidance to policy as needed.*
- C. While this practice has been in place for purchases through the Procurement Services, it is not for departmental purchases. We will formalize in the procurement policy.*
- D. Sole/Single Source Justification worksheet has been implemented and guidance will be included in the updated policy.*
- E. As stated in report, our offices have been downsized with limited resources. As priorities and time permits, revisions to policies will be undertaken.*

2. Procurement Card Program

The purpose of the Procurement Card program is to establish a more efficient, cost effective method of purchasing and paying for small-dollar transactions. Cards are issued by the Office of Procurement and are generally limited to transactions totaling \$3,000 or less, and \$5,000 or less monthly. It is the responsibility of departments to monitor spending to ensure compliance with University policy and reasonableness of each transaction. This program has also been expanded to allow the Offices Procurement and Accounts Payable to purchase and pay larger transactions when the vendor has opted to receive payment electronically. During the year, these various departments complete approximately 44,000 transactions totaling an estimated \$12.6 million using this program. During our review of program procedures, we noted opportunities for improvement as follows:

A. Procurement Card Manual and other guidance

The Procurement Card Manual could be improved by reviewing documented procedures for clarity and conformity with actual processes in use. In addition, review of allowable and unallowable transactions should be completed periodically to ensure proper risk levels are accepted and use of the transaction log should be reconsidered.

The Procurement Card Manual provides a “one-stop-shop” for all user information and form needs. However, this document has not been updated since 2013. When the COVID-19 pandemic forced employees to adopt a work-from-home strategy, the Office of Procurement developed a separate webpage called “P-Card Program Updates.” This webpage communicates guidance related to changes in the P-card distribution and return processes, allowance for shipping to residential addresses, COVID related expense allocations, and paperwork requirements. Some of these changes have since been determined to create efficiencies and should be formally adopted into the manual; however, other changes, such as the allowance of shipping to residential addresses and allocation of COVID related expenses, should be removed.

In addition, some of the guidelines contained in the Procurement Card Manual may no longer provide the same value as they did in 2013 when the document was last updated. For example, the purchase of furniture appears on the list of unallowable transactions; however, review of related transactions identified exceptions issued for numerous purchases. The purpose of this restriction was to ensure purchases of office furniture were properly procured or sourced through one of the contracts the University already has with suppliers. However, this market has changed and cardholders are often able to source furniture from other suppliers at a lower cost than contract or the contracted supplier does not provide the item being sought. Also, many classes utilize park pavilions for class projects and other outdoor educational activities. The Springfield-Greene County Park Board allows reservations to be booked online, but “rentals” are deemed unallowable. While “rentals” was added to the list of unallowable transactions due to possible contractual obligations, these transactions or other small room reservations should be reconsidered for allowability.

The Procurement Card Manual also requires the cardholder complete a monthly log of all transactions processed with their assigned procurement card. This log documents the transaction date, vendor, description, and value of each transaction. The log is required to be signed by the cardholder, department coordinator, and budgetary authority and submitted with other required documentation to support the transactions. This log requires a fair amount of time to complete and the information is duplicative of the card statement provided by the card services vendor.

B. Approvals not documented in UMB system

Many transactions are not reviewed and approved by their Department Coordinator as required. According to the Procurement Card Manual, if transactions are not reviewed and approved in the system by the 15th of each month, then penalties including a written warning, suspension of cards for one billing cycle, or cancelation of cards may be enforced. Our review determined approximately 3,000 transactions (not including SET Card transactions) each year are not reviewed and approved as required in the system. On average, 55% of these unapproved non-SET card transactions were processed using cards issued to Intercollegiate Athletics. Another 30% of these non-SET card transactions were processed using cards issued to the Office of Procurement. The majority of these transactions are approved department requisitions; however, without documented supervisory review we are unable to ensure all transactions have a valid business purpose. The other 15% of these non-SET card transactions were processed using cards issued to various Departments, Colleges, Divisions, and Offices across campus.

While penalties for failure to review and approve transactions are provided in the manual, they are not enforced. Financial Services relies on this required approval to ensure transactions are of valid University purpose and reasonable use of funds. In addition, failure to review and approve transactions significantly increases the risk of misuse going unnoticed for an extended period.

C. Documentation not uploaded in UMB system

The Office of Procurement does not require supporting documentation for all transactions to be uploaded into the UMB system; however, linking the electronic documentation creates a more complete file, increases the efficiency and effectiveness of the department coordinators review, and continues the University’s sustainability efforts (paperless). According to reports from the UMB system, electronic documentation has improved, but a deficit remains as seen below:

Period	Percentage of Transactions Not Linked
Year ended June 30, 2019	37%
Year ended June 30, 2020	31%
Year ended June 30, 2021	27%
Six months ended December 31, 2021	25%

In addition, UMB has deployed a mobile application that can easily assist cardholders in the uploading, linking and allocating of transactions in real time. While the transactions do have a 2-5 business day delay between the actual transaction and acknowledgement by UMB, the application allows users to capture photos of documentation with their mobile device camera and save those images to the web-based system. Then, when the cardholder is ready to reconcile the cycle’s transactions, the images are already loaded and ready to be linked and allocated. Re-educating cardholders on this application and its functionality may create additional efficiencies for them, which may in turn reduce the amount of unsupported transactions in the system.

D. Monthly Reviews

Time spent performing monthly reviews could be shortened by determining risk based criteria for flagging questionable transactions for review. In addition, the Office of Procurement does not utilize stronger penalties provided by the Procurement Card Manual, even when an employee has multiple violations in a given period of time.

Monthly reviews provide increased assurance of the allowability of procurement card transactions and serve as a learning tool for procurement cardholders. Each month, the Office of Procurement completes a review of high risk procurement card transactions before the Office of Accounts Payable remits payment to the vendor. If a transaction is deemed unallowable, a memo is sent to the Cardholder and various members of management to communicate the issue and request necessary follow-up action. To complete this process, a spreadsheet containing data for all transactions processed during the billing cycle is created from the procurement card services vendor's web-based system. The data is then filtered by type and other criteria so that transactions with greater risk are flagged for review; however, those criteria are not then evaluated for significance. As a result, the resulting review and subsequent communications with cardholders can often be for small dollar values.

For example, 3,824 transactions were completed using University procurement cards in August 2021. Of these 3,824 transactions, 311 transactions were flagged for review. Of these 311 flagged transactions, 77 (25 percent) had a value of \$30 or less. These transactions resulted in one memo regarding an accessory purchase totaling \$20 from Apple.Com. While we restrict Apple Inc. purchases to ensure we utilize the Bookstore's special pricing availability, this pricing does not apply to peripherals or accessories and the cardholder would not have received any benefit by changing the supplier.

In addition, a review of 54 warning memos issued during the year ended June 30, 2021, we determined at least three employees were issued multiple memos for different non-compliance issues, but the elevated penalties allowed by the Procurement Card Manual were not considered. If re-education has already been attempted and is not providing the anticipated result, a stronger penalty should be considered.

Recommendations

We recommend the Office of Financial Services:

- A.** Review and revise the Procurement Card Manual and related documents to ensure they align with current procedures, provide intended value, and clearly communicate required procedures and expectations.
- B.** Re-educate department coordinators on their responsibilities with regard to procurement card review and approval.
- C.** Require all supporting documentation for procurement card transactions be uploaded and linked in the UMB system and consider advantages of using the mobile application.
- D.** Consider adding additional risk based criteria to transactions selected for monthly reviews and enforce penalties outlined in the Procurement Card Manual for repeat violators.

Management's Responses

The Chief Financial Officer provided the following written responses:

- A. Procurement Services will revise guidance and eliminate the transaction log.*
- B. Procurement Services will provide refresher training for card holders, coordinators, and approvers. A monthly procurement card approval audit has been implemented.*
- C. A procurement card policy change will be implemented to require all procurement card receipts to be uploaded into the UMB system. We will evaluate the UMB mobile application and its uses.*
- D. Procurement Services will reevaluate procurement card penalties and evaluate risk based criteria for monthly reviews.*

3. Single Event Travel (SET) Card Program

Established in 2017, the purpose of the Single Event Travel (SET) Card program is to reduce the amount of travel advances issued thereby minimizing overall risk to the university. The SET Card program is included in the Procurement Card program through UMB Bank. The Card works as a declining balance credit card, similar to a gift card, where the available limit reduces as purchases are made. When the available limit reaches \$0 or when the travel return date has elapsed, the card is closed and no additional transactions can be processed on the account. Overall, the campus community has expressed appreciation for this program, as expressed in the survey results provided in Appendix A. Prior to the COVID-19 pandemic and related travel restrictions, more than 3,000 travel related transactions were processed using SET Cards totaling \$1,097,820.

A. Independent oversight

Due to limited staff, one employee of the Office of Procurement approves the SET card applications, establishes the line of credit including the cash withdraw limit with the procurement card services vendor, receives the PIN number required for cash withdraw, writes the letter required for local financial institution cash withdraw, records all applicable card information in the electronic log, and deactivates the card after the travel return date. A different employee of the Office of Procurement receives the actual card from the vendor, issues the card to the cardholder, and activates the card. However, both employees have access and authorization to perform all tasks listed and no one monitors these processes to ensure all cards issued are used as intended, closed when required, and that all transactions are properly reconciled. Due to limited number of staff, separating duties may not be feasible. To reduce the risk of unauthorized card issuance and use, and to ensure all cards issued are properly processed, additional documented independent oversight should be added to the current process.

B. SET Card application

Improvement to the SET card application and approval process are necessary to ensure sufficient assessment is completed and documented and all requirements are clearly communicated to the requestor. We completed a review of 25 SET cards to determine the following necessary improvements:

- The approvals necessary for domestic travel are not clear. The website and application provide guidance for approval requirements for foreign travel, but do not address domestic travel.
- The Office of Accounts Payable will not approve a SET card application if the requestor has more than \$1,000 in their account balance with the University; however, this requirement is not stated in any written guidance or on the application itself.
- One application should be submitted for each card requested; however, written guidance does not clearly communicate that expectation. In seven instances, multiple SET card applications were submitted to request one card. The amount of credit/cash requested on each applications had to be summed to determine the appropriate limits and in one instance where four applications were received for one card, excessive credit and cash limits were authorized due to miscalculation of the different applications received.

Further, when credit or cash limits are increased or decreased, either another SET card application is completed and filed, or a request and approvals are documented through email. These additional applications and emails do not always have sufficient documented approvals and often further complicate the documentation supporting the issuance of a SET card. Increases and decreases of approved cards would be better documented using a separate form specifically for this purpose and in emergency situations, could be supported through email so long as all required approvals exist and the email is preserved outside of the employee's mailbox.

- Completed foreign travel authorization forms are required for all non-domestic trips but verifying that the form has been completed with all necessary approvals is not part of the SET card application approval process. To ensure all necessary approvals have been received before issuing the financial documents, it is important to incorporate this review in the decision-making process.
- The application contains a section for “Procurement Services Use Only,” which provides an area for account number, card limit, issue date, and assigned SET Card Coordinator. It does not include an area to document cash withdraw limit, which is equally important. Having a dedicated area requiring this information would ensure more consistent documentation.
- During the COVID pandemic, the Office of Financial Services began utilizing software to automate certain forms required for processing. With this automation, the form itself can be completed online and routed through the appropriate parties for electronic approval. Electronic approval is authenticated by the user’s sign on, which requires multi-factor authentication. This makes the process more efficient without introducing new risk.

Since SET Cards allow the cardholder to pay all travel related costs using University funds and then provide justification after the fact, Financial Services must use this approval process to ensure risks are determined to be acceptable by management. Adding additional review, documented approvals, and clear communication of expectations will enhance this critical process. In addition, automation of the process should create increased efficiencies, even with the added review.

C. SET Card issuance and return

Current written procedures for SET Card issuance and return are not followed. Written procedures require a SET Card Acceptance form be completed to document each card’s issuance and return from the Office of Procurement; however, upon the onset of the COVID pandemic and altered working arrangements, this practice was changed. Instead of using the prescribed form, the cardholder was instructed to send an email to the Office of Procurement after the card had been picked up. Upon receipt of the email, the Office of Procurement would activate the card. After the trip completion, the cardholder was instructed to shred the card and send an email to document this task had been completed. In our review of 10 SET cards issued since the initial onset of the pandemic, the Office of Procurement was unable to locate emails documenting who accepted the physical card for six accounts and destruction of the physical card for five accounts. To ensure compliance and proper documentation of card receipt and destruction, written guidance should either be followed or changed to reflect the actual and best process.

D. Supporting documentation and timeframes for review

SET card transaction and approval documentation is sometimes incomplete, and timeframes set by written procedures are often not met. This causes increased workload in the Office of Accounts Payable.

Cardholders are responsible for obtaining and retaining all necessary supporting documentation for transactions processed using the assigned SET card while traveling. This documentation is then used to reconcile the card transactions by the SET card coordinator and Office of Accounts Payable. To ensure the reconciliation is timely, timeframes for documentation submission have been established, allowing 15 days after the end of travel for the cardholder to submit this information to the SET card coordinator and another 15 days for the SET card coordinator to submit the reviewed reconciliation to the Office of Accounts Payable.

In our review of 25 SET card transactions and approvals, we determined supporting documentation was not submitted to the card coordinator or the Office of Accounts Payable within the required timeframe for nine cards, with the longest delay totaling 155 days. We also noted supporting

documentation for one card issued March 31, 2021 was not submitted to the Office of Accounts Payable until April 2022. According to the UMB system, nearly \$28,000 has been charged to this card.

Lack of sufficient supporting documentation adds to the labor-intensive process to complete the reconciliation and causes delays in this process. The same review of 25 SET card packets submitted to the Office of Accounts Payable for reconciliation identified several instances where copy of the card statement and/or copy of the cash authorization letter was not included in the packet as required, Non-SET Card Logs were not submitted where cash had been withdrawn, and receipts were missing. The Office of Accounts Payable must first reconcile the account to determine the amount of documentation missing, then reach out to the cardholder and/or card coordinator to obtain the documentation before reconciling the account again. Duplications in this process cause unnecessary delays.

E. Penalties for SET card non-compliance

The Office of Procurement has not established realistic penalties for non-compliance related to SET card procedures. Currently, documented procedures state, "Failure to return the SET Card to the Office of Procurement Services after travel is complete or failure to provide the required documentation may result in the loss of SET card privileges." When travel advances were used, the amount of cash withdrawn was immediately charged to the employee's account receivable balance. Once travel was concluded, documentation and remaining cash was submitted, and the reconciliation complete and approved, the charge was removed. However, this model does not directly apply because as a rule, a portion of the credit limit is not even accessible as cash withdraw. The Office of Procurement has also established penalties for non-compliance related to procurement cards, though these also do not directly apply because most requestors use a SET card infrequently (Education Abroad) or require access to SET card functionality in order to effectively complete their tasks (Athletics). As with procurement cards, non-compliance should first be addressed through re-education, but with continued non-compliance or abuse, other methods should be considered.

F. Canceled trip guidelines

Documented procedures do not address responsibilities of cardholders and SET card coordinators in the event a trip is cancelled. Often, many expenses related to travel are pre-paid with the SET card. If these charges exist, simply closing the line of credit is not sufficient. Efforts to obtain reimbursements must be made and supporting documentation must be reconciled to charges. Formally documented responsibilities, requirements, and procedures would assist cardholders and SET card coordinators ensure all necessary actions were taken to finalize the line of credit in a reasonable period of time following the cancelation of any trip.

G. Use of software to enhance processing

The future of transaction processing is the automation of processes and use of software to identify abnormalities, duplications, and misinformation. During our review, staff from Office of Procurement and the Office of Accounts Payable reviewed travel automation software used by peer institutions to learn more about the efficiencies provided and other benefits. While these benefits are acknowledged by these staff and the Chief Financial Officer, the annual subscription for this type of software is substantial (approximately \$100,000 per year or more) and cannot be considered at this time.

However, UMB's web-based system and mobile application could be utilized in the same manner as it is for procurement cards. If these tools were embraced, cardholders to upload images directly to the web-based system using their mobile device. Upon return, uploaded images would be linked to transactions and allocations could be made. The SET card coordinator could then more easily review documentation linked to each transaction and their approval could be captured in the system as it is for other procurement card transactions. As for the Office of Accounts Payable, access to the web-based system would provide a means to view all documentation, statements, and approvals. While this does not fully automate the process and additional discussion would need to take place in order to fully

assess the positive and negative impacts of implementation at each level, we believe it has the potential to improve the overall efficiency of the program

H. Program Expansion

The success of this program should be commended, and following the above recommended adjustments, expansion of this program should be considered. For the purpose of gaining sufficient understanding of the program, the procurement card service vendor's web-based system and mobile application, our office utilized a SET card for travel to and from a conference in North Carolina. Overall, the SET card performed well and was a great advantage compared to personally covering all expenses and then requesting subsequent reimbursement. While expansion should only be completed at a controlled pace and only at a time when management has had ample opportunity to identify and assess related risks, we believe this program could serve a greater campus population and continue to create efficient and effective operations for the campus community.

Recommendations

We recommend the Office of Financial Services:

- A.** Establish documented independent oversight of SET Card processes completed within the Office of Procurement.
- B.** Improve the SET card application and related processes by clearly communicating necessary approvals and requirements for SET card issuance, developing separate methodology to request and approve credit/cash limit increases and decreases, ensuring all approval information is reviewed documented, and consider efficiencies offered through development of dynamic forms.
- C.** Comply with current written procedures or revise the guidance to align with actual and best procedures related to the issuance and return of SET cards.
- D.** Ensure complete and sufficient supporting documentation is retained for all transactions and reviews of all transactions are completed within reasonable timeframes.
- E.** Establish realistic penalties for non-compliance with documented SET Card procedures and related policies.
- F.** Develop guidance for cancelled trips to ensure all transactions are properly reconciled, even if refunded, in a timely manner.
- G.** Consider use of available software to enhance SET Card documentation retention, facilitate allocation, and document approval, in a similar fashion used to account for procurement card transactions.
- H.** Consider expanding the SET Card program as opportunity arises following additional risk assessment.

Management's Responses

The Chief Financial Officer provided the following written responses:

- A.** *We will develop oversight procedures between Procurement Services and Accounts Payable as it relates to the SET card log.*
- B.** *Implementation is underway to utilize Dynamic Forms for the SET Card Application. The guidance is currently being reviewed and will be updated as necessary and we are working establishing a*

process and procedure; including the use of Dynamic Forms to capture any necessary approvals for increases and decreases.

- C. This is the first time the process has been reviewed since being implemented in 2017. The policy is currently being reviewed and updated to include recommendations in this audit and to adjust for the changes that have occurred in the procedures since implementation. This policy review will address many of the recommendations in this report.*
- D. We agree with the recommendation and will evaluate the current time to submit documentation to determine reasonable time frames.*
- E. We will evaluate penalties after determining reasonable time frames and evaluating resulting non-compliance.*
- F. We agree with the recommendation.*
- G. Currently evaluating recommendation with current employee staffing and where to assign duties.*
- H. Currently evaluating recommendation with current employee staffing and where to assign duties.*

4. Conflicting job duties

Conflicting job duties related to human resources, purchasing, and accounts payable have been assigned to one employee on the West Plains campus. While supervisory oversight may exist, transaction volume is too large for this oversight to significantly reduce risk and segregation of duties is required.

The Procurement and Human Resource Specialist is responsible for initiating background checks for new employees; completing personnel action forms; assisting employees with completion of employment documentation including Form I-9 and W2; and coordination of benefits. This employee is also responsible for initiating and approving some purchase orders and requisitions and training, issuing, allocating, and auditing procurement cards and related transactions. Further, this same employee approves some invoices for payment, approves bank wires, and signs checks.

Proper segregation of duties helps to ensure transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties is not possible, timely supervisory or independent reviews of work performed and investigation into unusual items and variances is necessary.

Recommendation

We recommend the Office of Business & Support Services segregate conflicting duties to the extent possible and implement appropriate documented reviews and monitoring procedures where conflicting duties must remain assigned to the same employee.

Management's Response

The Director of Business & Support Services provided the following written response:

The issue of lack of segregation is a long-standing situation that was identified upon my arrival in July 2021. Segregation issues coupled with various job function processes between the HR and C&P duties, increases the degree of difficulty for one employee to sustain; this coupling is unique to the West Plains Campus.

We will work with Human Resources to reclassify certain duties within this position.

**Appendix A
Summary of SET Card Program Survey Responses**

In conjunction with our review of the SET Card Program, we sent a short survey to 97 cardholders to establish areas of risk and overall program satisfaction. We received 40 responses summarized as follows:

Question 1:

Overall, how satisfied are you with the SET card processes (application, use, and reconciliation)?



Average Rating 4.10

Question 2:

Did you have any difficulty applying for or receiving your SET card?

95% had no difficulty getting their SET card

Question 3:

Did you receive adequate training before receiving your SET card?

35 / 40 felt they received adequate training

Question 4:

Did you experience any difficulty using your SET card for purchases?

Survey responses indicated some difficulty, specifically when traveling internationally

Question 5:

Did you experience any difficulty withdrawing cash with your SET card?



Question 6:

Were you able to submit all SET card documentation (i.e., receipts and applicable logs) to your Department Coordinator within 15 days of the last travel date?

80% WERE ABLE TO MEET DEADLINES

Other comments received regarding SET cards from survey:

The SET card is easier! SET cards have been great!

The Procurement Card Coordinator was amazing to work with in using and managing the SET card.

For some of the extended trips that are weeks long, getting all of the documentation together in two weeks is nearly impossible.

Awesome program. I don't have to worry about cash advances anymore.