Audit Guidelines for Schools and Centers

Purchasing Card Program audits are to be performed by Financial Officers and Business Administrators as part of routine oversight of business procedures or when suspected infraction of University policy has occurred within a unit. The steps listed below are intended for use as a management tool and fall within the scope of University Financial Policy #2303 - Use of a Purchasing Card. Note that what constitutes reasonable sample size is left to the discretion of Financial Officers, as long as they document their decision. Sample size may be based on periodic review, a certain percentage of Cardholders or transactions, or 100% review.

<table>
<thead>
<tr>
<th>Steps</th>
<th>Self Assessment Objectives</th>
</tr>
</thead>
</table>
| 1.    | Utilize PaymentNet manager role report "Cardholder Listing by Hierarchy" to obtain the list of Cardholders within the unit under review, including single and monthly purchase limits.  
   - Confirm that each Cardholder is an active employee.  
   - Determine that each card is properly safeguarded and where the card is kept.  
   - Determine whether card-sharing occurs, i.e., if someone other than the Cardholder is using the card. |
| 2.    | For each cardholder to be audited, utilize the PaymentNet manager reporting capability to review the "Unusual Activity Analysis", the "Dispute Report" and the "Declines Report". Analyze activity appearing on these reports for reasonableness. |
| 3.    | For each cardholder to be audited, select a sample of purchases from the PaymentNet Transaction Detail Report. Include in the sample:  
   - All purchases from suppliers that MAY indicate the potential for personal purchases.  
   - Purchases from Penn Marketplace Suppliers or suppliers that have declined to participate in the Penn Marketplace.  
   - Purchases made from the same vendor in the same day (to ensure the transaction was not split to avoid a purchase limit). |
| 4.    | Perform the following:  
   - Review any transaction notes entered by the cardholder in PaymentNet or recorded on the monthly statement and/or receipts for sufficiency.  
   - Make sure that the Cardholder maintains an orderly and easily retrievable file containing all supporting documentation for their transactions. Compare each transaction to the required documentation (e.g. order form, sales receipt, statement, or packing slip) and determine that the supplier, date, amount, description of item(s) purchased, and the account number charged are proper. List exceptions.  
   - Determine why the Cardholder might have made Purchasing Card purchases from Penn Marketplace Suppliers or from suppliers that have declined to participate in the Penn Marketplace and note reasons.  
   - Compare each transaction to the list of restricted commodities and the BEN Financials Commodity Matrix and determine that the transactions are proper. List exceptions.  
   - If sales tax, finance charges, or fees have been incurred, determine whether Cardholder's supporting documentation shows that these were warranted. Keep in mind that the purchase of products and services related to the University's educational and research mission are tax-exempt (see University Financial Policy #2307 - Exemption from State Sales & Use Tax); however, gifts, flowers, awards, occupancy tax, and restaurants are not tax exempt.  
   - Splitting charges is considered a personal misuse and a possible indication that the Cardholder is using the wrong procurement tool. Determine whether this is occurring by looking for multiple transaction amounts for the same supplier, on or around the same date, and at or just below the Cardholder's single purchase limit. Utilize the "Transaction Detail by Merchant" report to determine if split charges exist. |
| 5.    | Determine that the selected Monthly Cardholder Statements:  
   - Contain the Cardholder's signature indicating that the Cardholder reviewed and reconciled the statement. List exceptions.  
   - Contain the qualified non-subordinate Transaction Approver's signature, indicating that the statement and supporting documentation have been reviewed. |
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
</table>
| 6. | Ask Reallocation whether they receive a weekly update from their cardholders for use in weekly reallocation. Additionally, determine if they perform a review of the Purchasing Card default account number on BEN Financials statements. Note exceptions.  
  • Very few charges should be left on Object Code 5249 (Other / Miscellaneous Supplies), so that non-reallocated charges are minimal. |
| 7. | Determine whether Business Administrators execute satisfactory oversight of the BEN financial statements for all accounts in which they have a fiduciary responsibility. Note exceptions. |
| 8. | For grant accounts, confirm that grant managers are determining that Purchasing Card purchases are:  
  • Allowable, allocable, and reasonable.  
  • Not prohibited by the sponsor or federal guidelines.  
  • Authorized by the Principal Investigator (PI). |
| 9. | Ensure that segregation of duties is adequate. Segregation of duties ensures that no one person controls all phases of the Purchasing Card usage (transaction initiation, authorization for payment, and reconciliation) and reduces the likelihood of errors and irregularities going undetected. |
| 10. | Review the roles and responsibilities of Cardholders periodically to ensure that card privileges are still appropriate. |
| 11. | Communicate the results of the review to appropriate levels of management within the School or Center. |
| 12. | Advise staff members that the University will impose various degrees of sanctions for careless or blatant misuse of the card:  
  • Verbal warning.  
  • Loss of Purchasing Card privileges for a specific period of time or permanently.  
  • Written warning added to the employee's personnel file.  
  • Termination of employment and possible civil and/or criminal prosecution for suspected serious infraction of University policy and violation of law. |