

## Agenda

- I. UKIA Structure & Responsibility
- II. Procurement Card Audits
- III. Operational Responsibilities
- IV. Documenting Best Practices and Low Risk Concerns
- V. Takeaways and Questions



# UKIA Procurement Card Guidance

**University Budget Office**  
November 16, 2023

# I. UKIA Structure and Responsibility

## Reporting Structure

- Functional reporting to the Audit and Compliance Committee of the Board of Trustees.
- Administrative reporting to the Office of the President.

## Information Access and Cooperation

- Per GR XIV, Ethical Principles and Code of Conduct, University employees are required to assist UKIA in fulfilling its roles and responsibilities.
- The Audit and Compliance Committee approves UK Internal Audit's Charter, which gives auditors unrestricted access to all data, records, files, property, and personnel of the University.

## Professionalism and Confidentiality

- Information provided by our clients is treated with security, confidentiality, professionalism and due care.

## Mission Statement

*To support UK in its pursuit of excellence by providing expert analyses and advice to champion the achievement of institutional objectives.*

## Independence

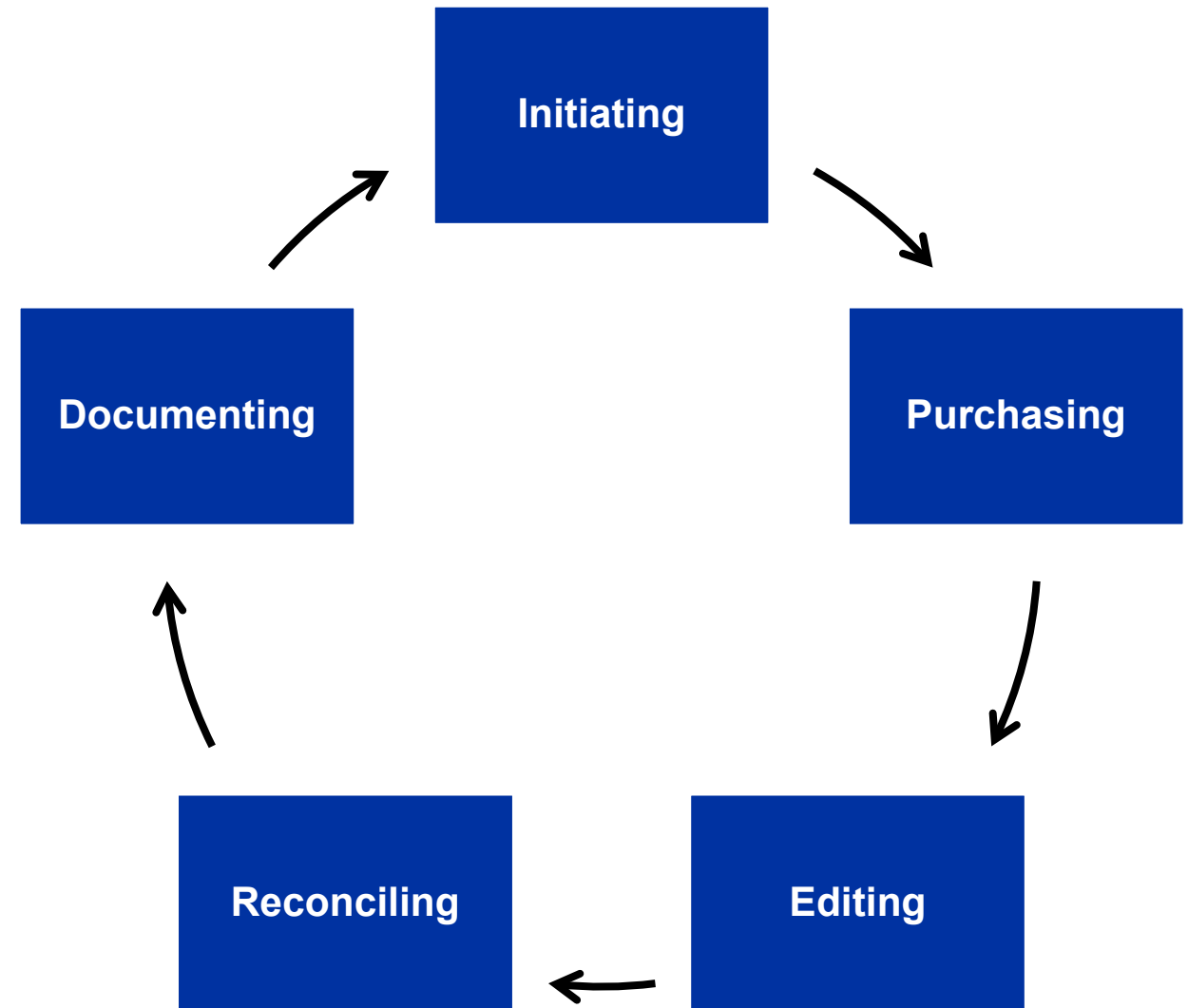
UKIA's independence is ensured through UKIA's reporting relationship to the President and to the Audit and Compliance Committee of the Board of Trustees.

# II. Procurement Card Audits

## Purpose

UKIA engaged in procurement card\* (ProCard) audits to:

- Gain **insight** into the ProCard activity and associated **controls** occurring across the enterprise.
- Provide university administration with **trends** and other information.
- Assist with the **creation** and/or **amendment** of current **policy and procedures** such that they take into account the disparate needs, sizes and missions of the units of this vast institution while ensuring responsible stewardship.
- Reduce the risk of fraud
- Operational Effectiveness and Efficiency
- Ensure Compliance



\*High risk process

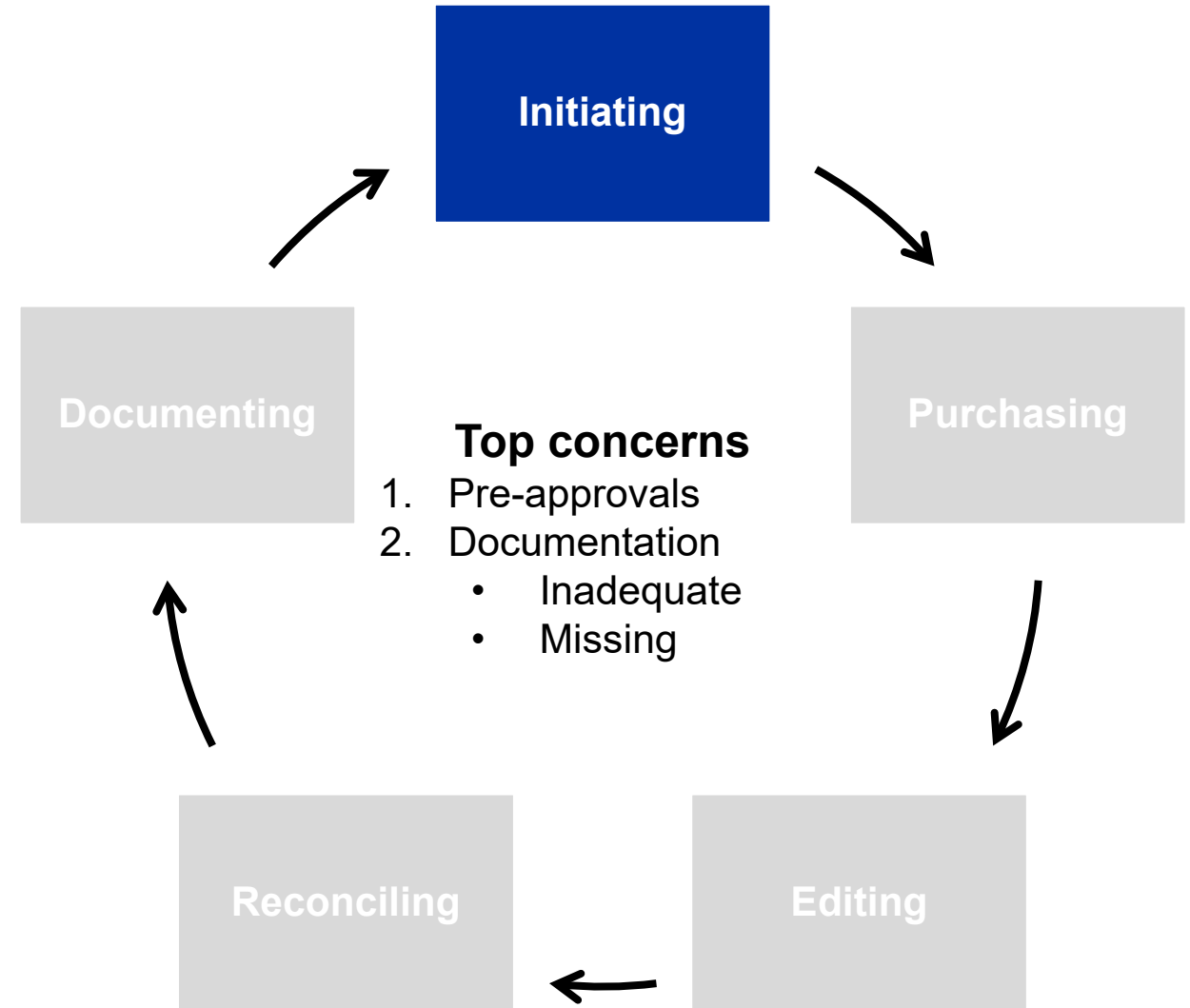
# II. Procurement Card Audits

## Initiating

The process of requesting, justifying and tracking ProCard purchases to assist with reconciliation and oversight.

### UKIA supplemental guidance

- Develop an initiation protocol. Though not required, it can:
  - **Simplify** later ProCard steps
  - Help **prevent errors and/or inappropriate activity**
- The lack of an initiation protocol coupled with weak reconciliations increases the risk of inappropriate activity going undetected.



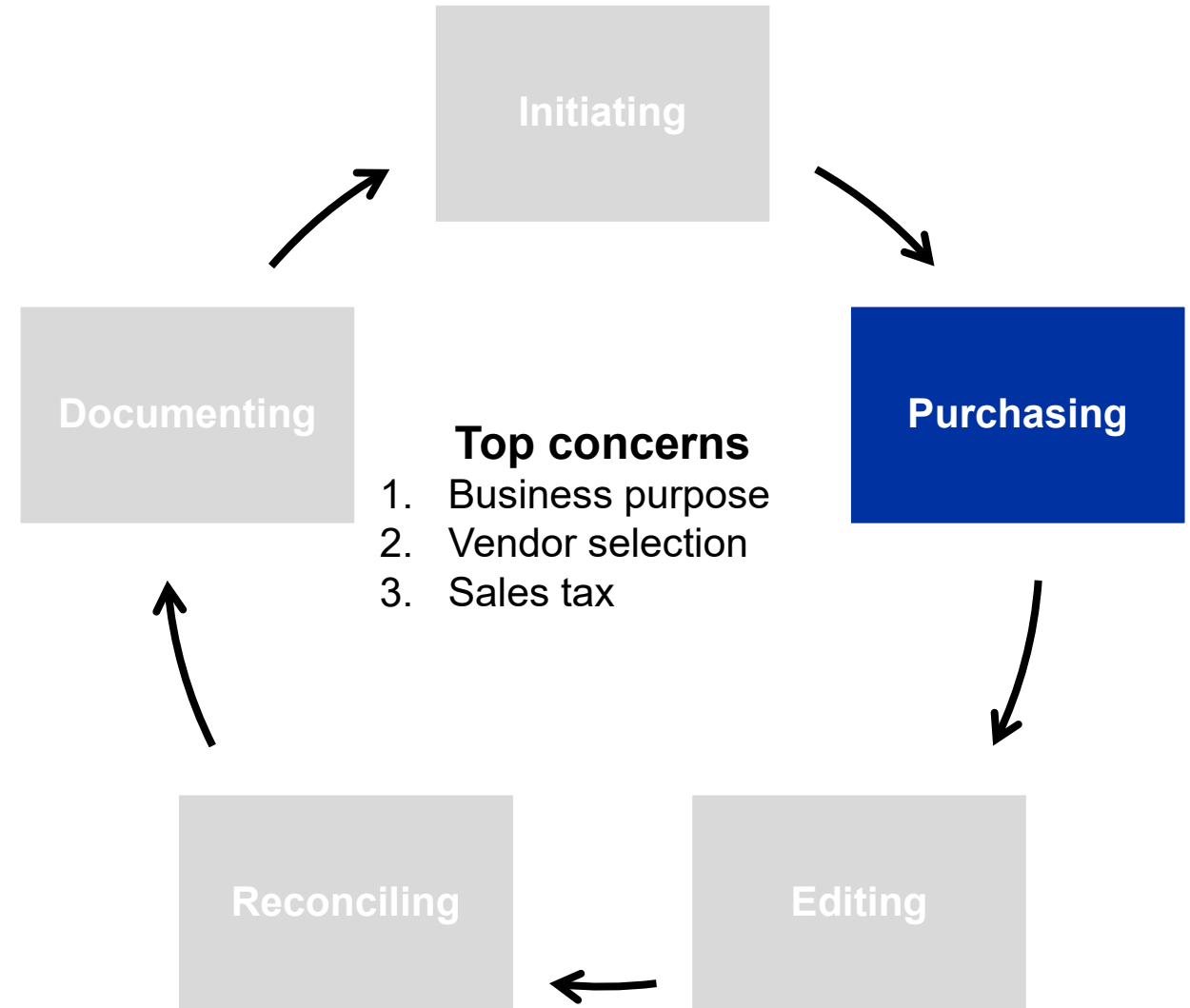
# II. Procurement Card Audits

## Purchasing

The process of utilizing a ProCard for vendor transactions.

## University requirements

- All ProCard purchases **require a business purpose** to justify the expense.<sup>1</sup>
- Use **existing university price contracts** when purchasing goods/services covered by these contracts.<sup>2</sup>
- UK is **exempt from paying sales tax in Kentucky** and states with reciprocity.<sup>1</sup>



<sup>1</sup>Procurement Card Manual. <sup>2</sup>BPM B-3-1.

# II. Procurement Card Audits

## Editing

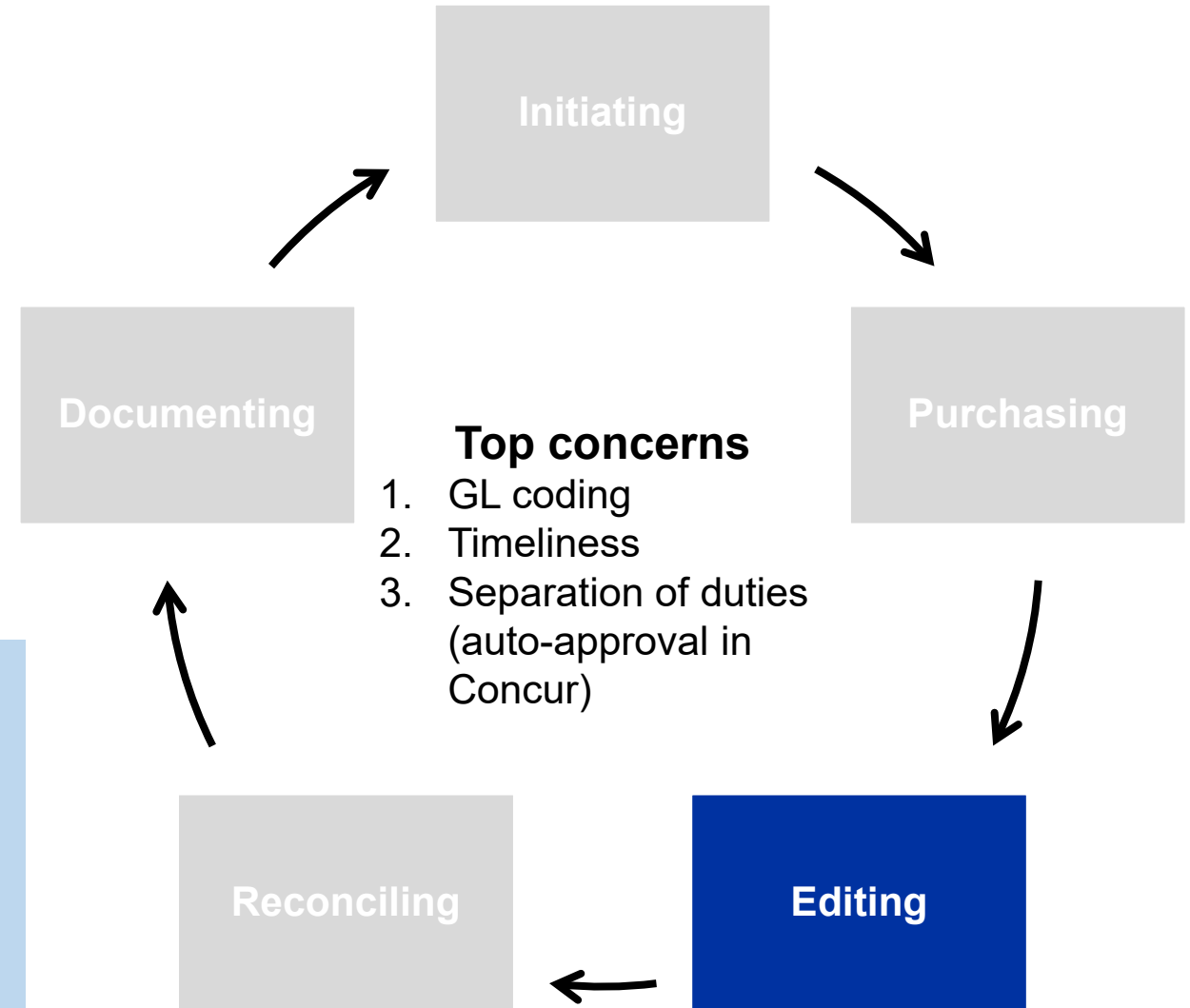
Assigning an appropriate general ledger (GL) account and cost object to ProCard transactions.

## University requirements

- Properly assigning GL accounts **improves reporting accuracy**.<sup>3</sup>
- ProCard expense reports must be submitted to Accounts Payable **by the 15<sup>th</sup> day of the following month**.<sup>4</sup>

## UKIA supplemental guidance

- Separate shipping costs from the primary GL. Benefits include:
  - More **accurate expense tracking**
  - **Good fiscal stewardship**, as purchasing patterns could be adjusted to reduce freight expenses.



<sup>3</sup>BPM E-17-8. <sup>4</sup>Procurement Card Manual.

# II. Procurement Card Audits

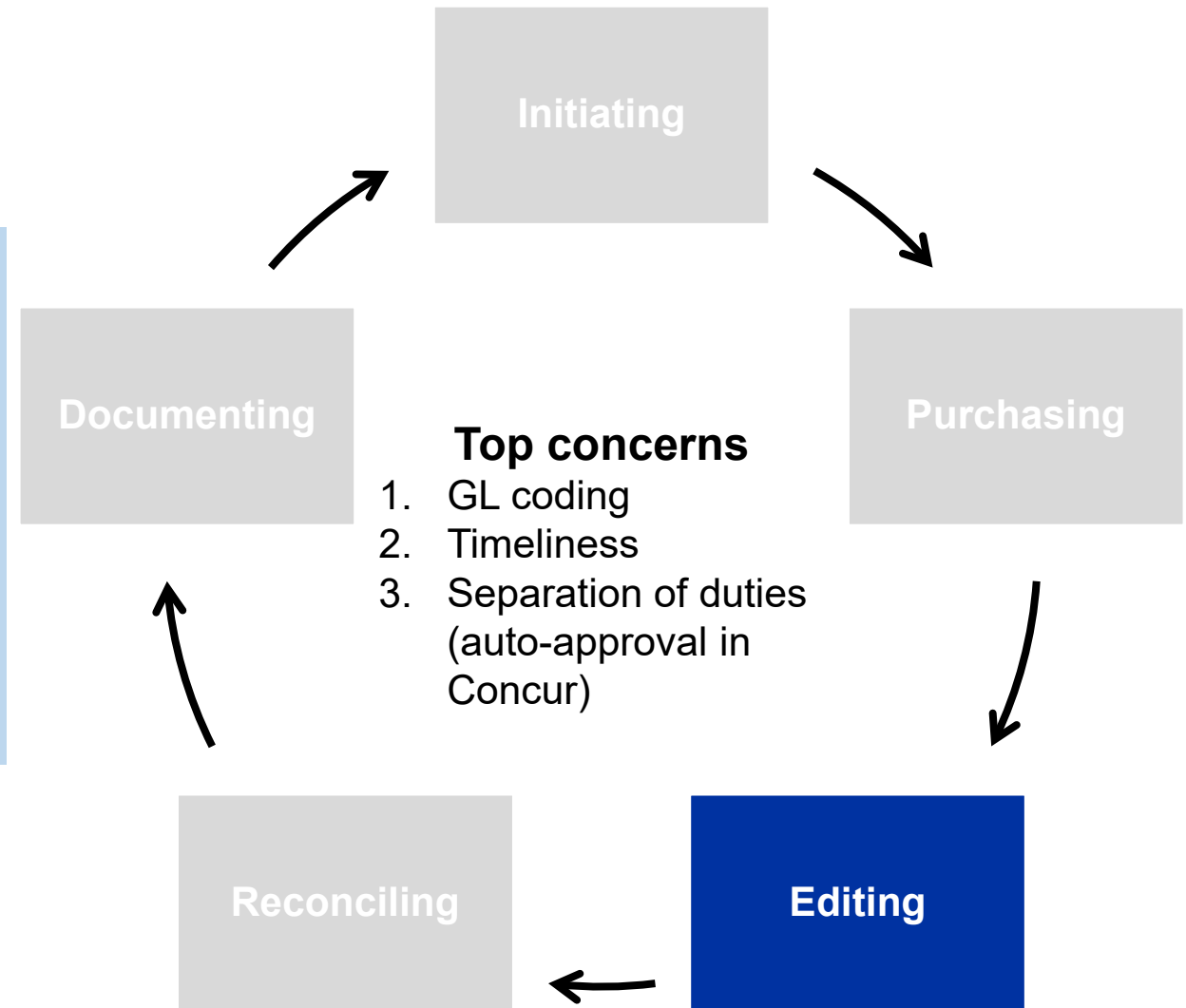
## Editing

Assigning an appropriate general ledger (GL) account and cost object to ProCard transactions.

### UKIA supplemental guidance (continued)

- Concur's default setting is to **auto-approve** transactions when **one individual holds multiple roles**, such as a business officer who is also a cardholder and/or a supervisor. To avoid separation of duties issues, consider the following options:
  - **Delegate approvals** in Concur.
  - Ensure **adequate compensating controls** are in place. Solutions will vary by unit **depending on staffing and structure**.

*Note: The university is aware that this is an issue if compensating controls are not in place. Consequently, UKIA will only note this in the report if this issue is identified **without compensating controls**.*



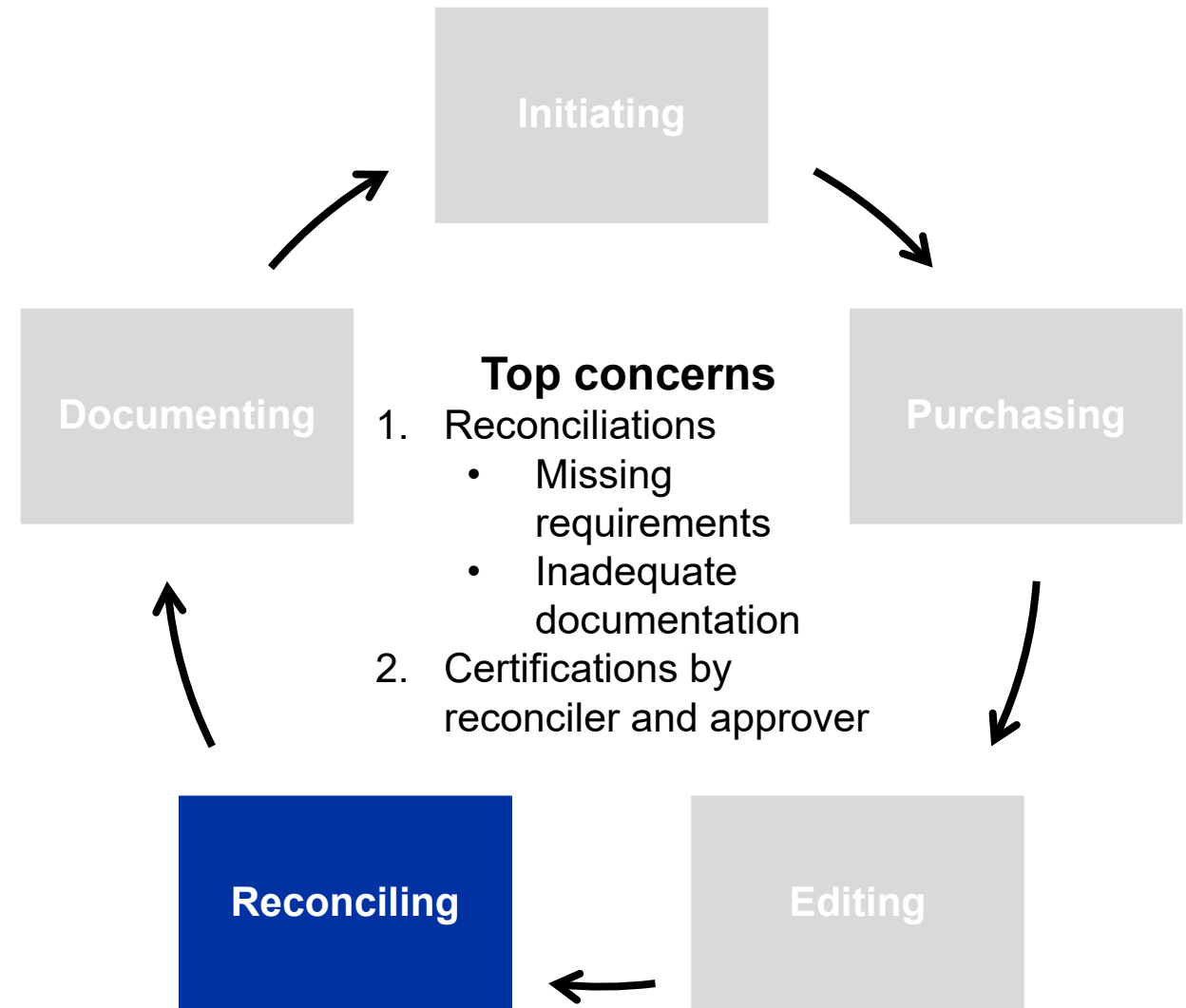
# II. Procurement Card Audits

## Reconciling

The process of ensuring that monthly cost center source documents agree with reported activity.

## University requirements<sup>5</sup>

- Compile **supporting documentation**, such as payroll documents, receipts, purchase orders, departmental authorization vouchers, travel vouchers, cash transmittals and journal vouchers.
- Compare supporting documentation to system generated (e.g., SAP) line-item reports to ensure all transactions are **allowable, reasonable, allocable, accurate** and **approved for the cost object**.
- When appropriate, verify that **labor distribution reports** meet the above criteria.
- **Certify** the reconciliation by having **both the reconciler and approver** sign.





# II. Procurement Card Audits

## Reconciling

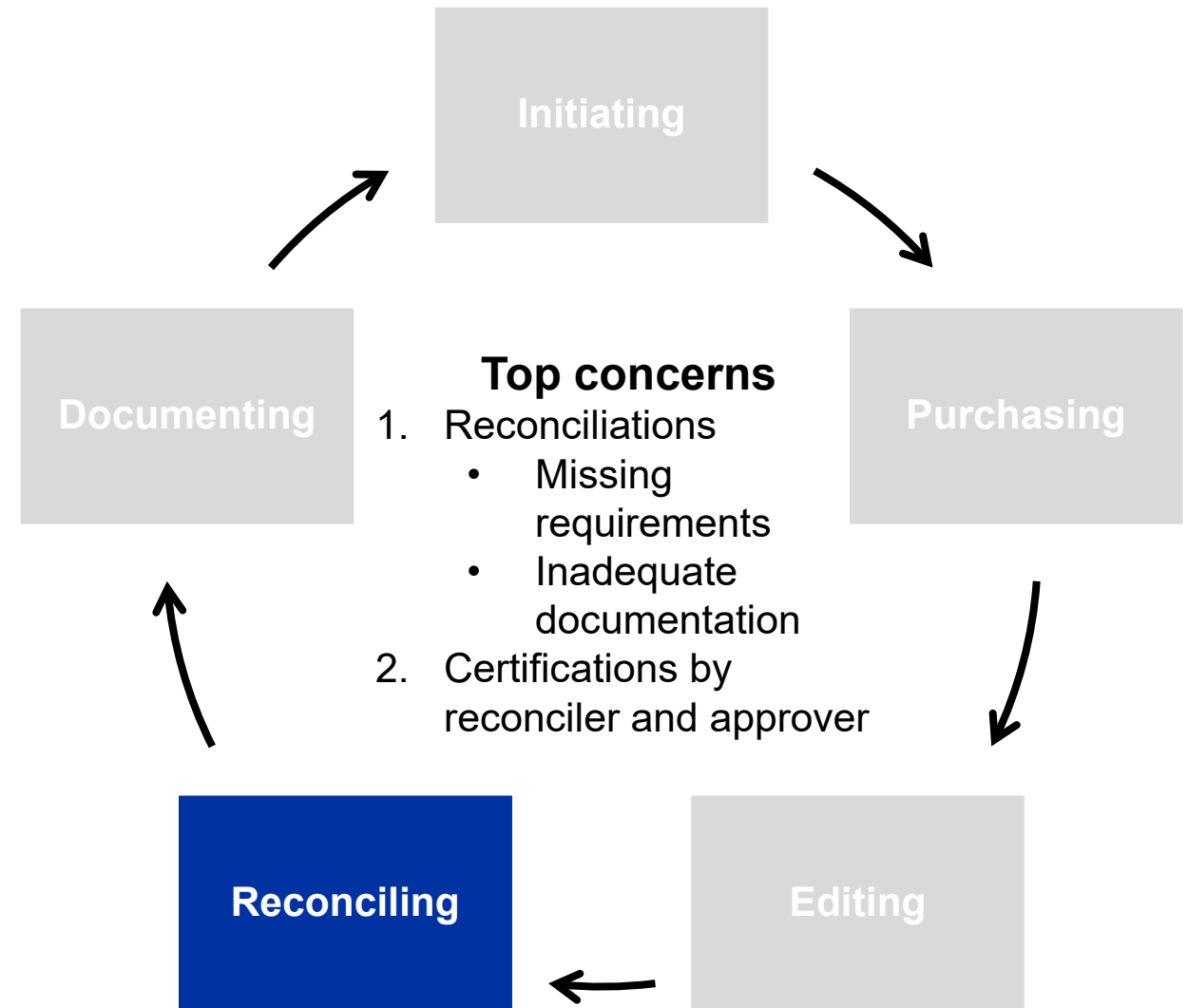
The process of ensuring that monthly cost center source documents agree with reported activity.

### UKIA supplemental guidance (continued)

- Units with large volumes and/or high dollar transactions should **prioritize high-risk purchases** for review (e.g., non-capital assets, purchases on a grant).

#### Note:

- *The university is currently working on an enterprise-wide solution to improve the efficiency of reconciliations.*
- *Due to ongoing challenges related to reconciliations, the FAST program has developed a web-based training to provide additional guidance.*



# II. Procurement Card Audits

## Documenting

Receipts, invoices, packing slips and other documents that support the ProCard transaction, as well as record destruction certificates per the *Kentucky Revised Statutes State University Model Records Retention Schedule*.

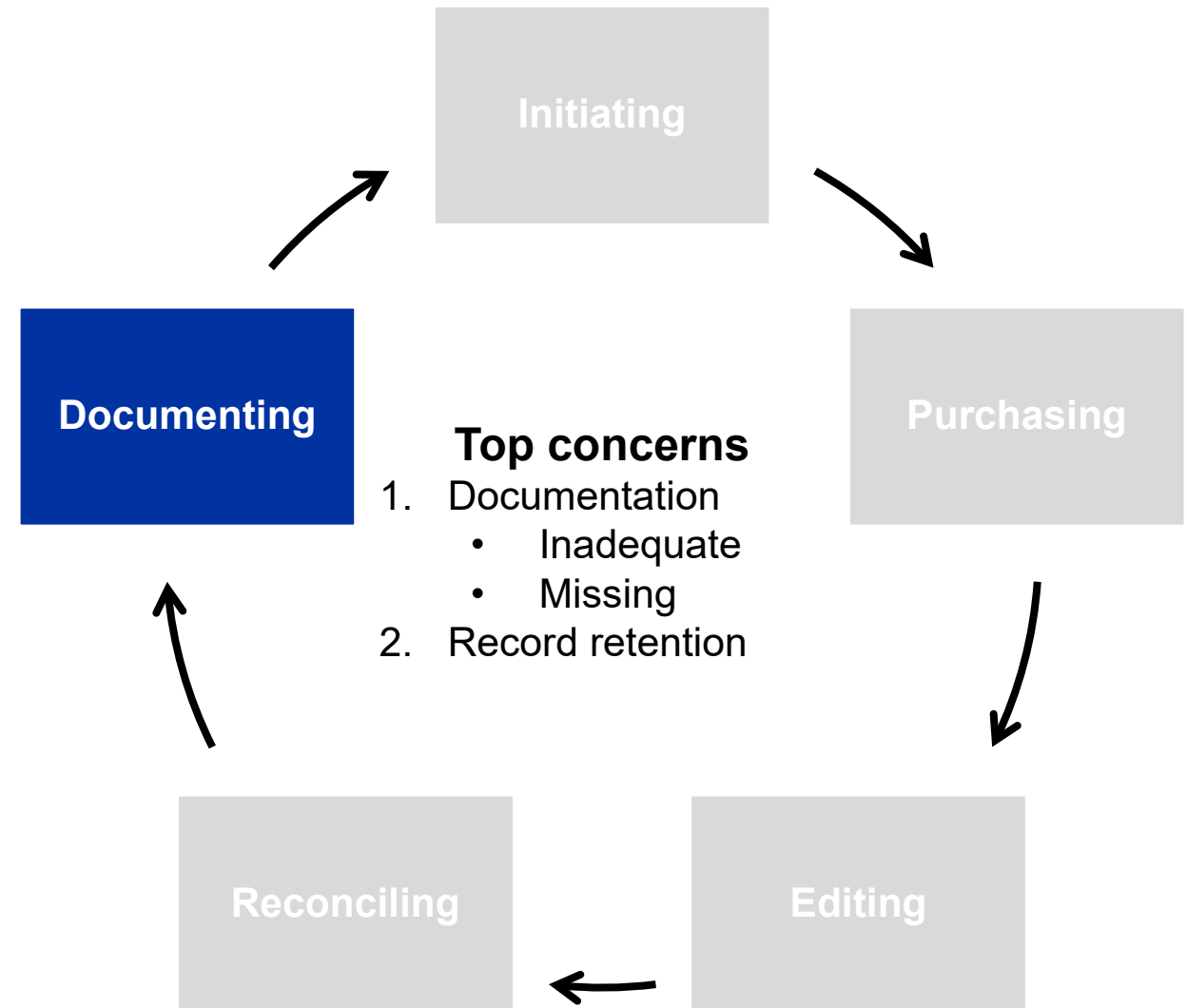
## University requirements

- Documentation should detail the vendor's name, item description (quantity and price), total dollar amount, transaction date, list of attendees (if applicable) and the business purpose.<sup>6</sup>
- Units should document record destruction via **UK's Records Destruction Certification**, which must be signed by the Records Officer.

## Commonwealth requirements

- Fiscal records should generally be retained for **three years**, then destroyed.<sup>7</sup>

*Note: The university is currently developing an enterprise-wide records management (retention and destruction) solution.*



<sup>6</sup>PCM. <sup>7</sup>State University Model Records Retention Schedule.

# III. Operational Responsibilities

## Three Lines of Defense

### Collaboration and Compliance

#### 1<sup>st</sup> - Unit/Department

- Governance/Culture
- Finance
- Operations

#### 2<sup>nd</sup> - Process Owner

- Functional guidance
- Oversight
- Agency reporting

#### 3<sup>rd</sup> - UKIA

- Provide reasonable assurance
- Leverage resources for you
- Inquiries and investigations

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- Provide reasonable assurance
- Leverage resources for you
- Inquiries and investigations

*Accounts Payable is the process owner for ProCards.*

# IV. Documenting Best Practices and Low-Risk Concerns

UKIA may supplement the main report with a “**For Discussion Only**” memo distributed **only to the client**.

## Main reports include:

- **Medium–high risk** findings
- **Medium–high frequency** findings

## For Discussion Only memos include:

- **Best practices**, such as:
  - Separating shipping and/or sales tax costs from main GL
- **Low risk and/or low frequency** findings, such as:
  - Inappropriate sales tax payments
  - Out-of-date internal manuals

# V. Takeaways and Questions

## When to contact us

### Request assurance or advisory services

- You are implementing a new process or program and you want to ensure associated procedures have proper internal controls.
- Your current process is not yielding the desired results.

### Report a concern

- You suspect improper activity, e.g., misappropriation of funds or theft (*Note: you should not attempt to confirm it yourself*).

### Ask an auditor

- You have a question about a policy, procedure or practice in your unit.

### Attend training

- You are interested in learning about current “hot topics” and trends from UKIA’s reviews and events across the nation.

# V. Takeaways and Questions

## How to contact us

### Request assurance or advisory services

- **Office:** 1648, McGrathiana Pkwy., Suite 340, Lexington, KY 405011
- **Email:** [internalaudit@uky.edu](mailto:internalaudit@uky.edu)
- **Phone:** 857-257-3126
- **Website:** [internalaudit.uky.edu](http://internalaudit.uky.edu)

### Report a concern

- [Comply Line](#)
- [UKIA's Anonymous Report form](#)

### Ask an auditor

- [UKIA's Ask an Auditor form](#)

### Attend training

- Attend our interactive training sessions, *Lessons Learned* live via Zoom or watch the video later on our [website](#).
- Email [julie.hoover-ernst@uky.edu](mailto:julie.hoover-ernst@uky.edu) to be added to promotion list







## **UKIA Mission Statement**

*To support UK in its pursuit of excellence by providing expert analyses and advice to champion the achievement of institutional objectives.*