



**The University of New Mexico**

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**REPORT PACKAGE**  
INTERNAL AUDIT REPORT NO. 2003-13

**SUBJECT:** Review of the Purchasing Card Process  
**REPORT DATE:** May 28, 2003  
**RESPONSE DATE:** No response due  
**ISSUE DATE:** May 28, 2003  
**ADDRESSEE:** Bruce Cherrin, Director of Purchasing and University Services

This report package consists of the referenced internal audit report. There is no response to the report because the issues were addressed during the course of the review.

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May 28, 2003

Bruce Cherrin, Director  
Purchasing and University Services  
MSC06 3530  
Onate Hall Room 116  
University of New Mexico

Dear Mr. Cherrin:

We have completed our review of the University's Purchasing Card (P-Card) process. The Purchasing Card Administrator requested the review. The purpose of the review was to evaluate the purchasing card policies and procedures to determine that internal controls and oversight complied with University policies and procedures.

Our scope included reviewing all cardholder files for the months of December 2001 and September 2002; reviewing a sample of audits conducted by General Accounting and Health Sciences Center (HSC) Controllers for cardholder purchases during June and July 2002. We also did a sample review of fuel cards used during January 2003.

In our opinion the Purchasing Card staff are properly performing a post audit review and the P-Card purchases appear to be for University business. However, there were inadequate provisions made for technical support of the purchasing card system. Also when gross receipts tax on goods was paid the purchasing card staff was not always recouping the tax. In addition we noted that HSC Controllers was not timely in performing their monthly purchasing card audits of departments. These control issues were addressed during this review; therefore no response to this report is required.

Background:

The P-Card system was set up to allow P-Cardholders and their supervisors' daily computer access to transactions. To obtain a P-Card the employee must attend training conducted by the Purchasing Card Administrator. Some of the requirements are: maintaining a monthly log of all purchases with the original receipts attached and submitting this log to the P-Card Administrator within the required time. The P-Card staff reviews all monthly logs and any violations are communicated back to the departments. In addition, the HSC Controllers Office and General Accounting conduct monthly audits of selected departments throughout the year.

### Technical Support:

When the University is purchasing a new accounting system they need to assure that the departments can use the system as intended. In addition there should be provisions for regular maintenance and technical support for these mission-critical systems.

Part of the P-Card control system was the easy access to automated information so that supervisors could review transactions. The P-Card system worked well with Windows 98. However, only five percent of the P-Card users had the hardware or knowledge to use the system as intended. When some of these users purchased Windows 2000 they could no longer access the P-Card system. We understand that the University will soon use a new web-based P-Card system. Because it is web-based, we were told that this new system would be more accessible. We recommend that when the University purchases or leases software consideration is given to how it will function in the current University environment and that there are provisions to have adequate technical support to maintain the software so the campus community can rely on the system that they are required to use.

### Gross Receipts Tax:

State law does not allow the University to pay gross receipts tax on purchases of goods. Some P-Card holders make purchases where gross receipts tax is charged and the vendor does not credit the tax back. When the P-Card staff asks the cardholder for reimbursement, the University employees state that they are not required to repay the University. We do not agree because paying gross receipts tax is a violation of State law. The P-Card staff is collecting the gross receipts tax however the cardholders continue to believe that they should not be required to repay this tax. During our review, we recommended that P-Card holders be told during the training that they will need to repay gross receipts tax and that this information be posted on the P-Card web site. The P-Card administrator made the necessary changes.

### Health Sciences Center Controllers:

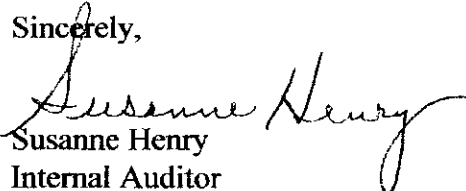
In an automated environment post audit reviews of transactions become part of the control system. Therefore it is critical that these reviews are done on a timely basis. Per P-Card procedures, HSC Controllers and General Accounting are required to visit departments in order to review purchase documentation, transaction logs, and assist with problems the P-Cardholder may have. Contract and Grant Accounting also reviews P-Card transactions. Since their procedures were being developed during this review, we have not included Contract and Grant Accounting review processes in our review. When we reviewed the audits we found that General Accounting performed their audits on a regular basis. The HSC Controllers Office was not current in their reviews. Since that time the HSC Controllers Office has addressed this issue by assigning the responsibility to one individual whose goal is to have the audits current by June 30.

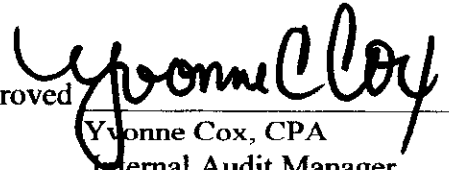
Communication:

At the beginning of the review we noted that some issues had developed because General Accounting, HSC Controllers and the P-Card staff were not communicating their concerns and findings with one another. During the review they opened lines of communication, which has improved the functioning of the P-Card control system, and they are also working together to revise the review procedures for continuity.

We would like to thank the Purchasing Card staff for the courtesy and cooperation we received while conducting this review.

Sincerely,

  
Susanne Henry  
Internal Auditor

Approved   
Yvonne Cox, CPA  
Internal Audit Manager

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