

LOS ANGELES COMMUNITY COLLEGE DISTRICT



Pierce College CAL-Card Review

Review Date: 08-31-2018
Review Report No. P-05-1819

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<u>Table contents</u>	Page
Background	3
Purpose/Objectives	4
Scope	4
Distribution list	4
Issues and Recommendations	5

Background

The Los Angeles Community College District (LACCD) contracted with the State of California, Department of General Services, to participate in the Visa Purchasing Card Program. The purchasing card, referred to as the CAL-Card, is utilized to assist large organization with minimizing costs associated with processing small purchases. Per the LACCD Purchasing Card Program guidelines the card is “designed to be used for small-dollar purchases of materials, supplies and services, with the objectives of:

- + saving processing costs
- + reducing paperwork, including the invoice load in Accounts Payable
- + shortening acquisition time, including allowing in-store purchases without the need to use revolving funds
- + giving site administrators more flexibility to buy what they need
- + improving relations with suppliers
- + introducing new controls through the use of management reports
- + capturing discounts offered by some suppliers for fast pays or for using purchasing cards
- + providing access to electronic commerce.”

The CAL-Card is also used for expenses associated with business related travel and conferences.

Los Angeles Pierce College (LAPC) employees with the responsibility of routinely completing purchasing requisition and/or who frequently travel on college business may be eligible for a CAL-Card. Employees are required to complete an application, seek the necessary approvals, and sign a Purchasing Card Cardholder Agreement as a condition to receiving a CAL-Card. In general, the agreement provide the user with general guidelines and information for use of the card such as:

- 1) Identifying purchasing limits,
- 2) Naming the approving official of the cardholder user,
- 3) Acknowledgment of the use of the card is for official business and prohibited for personal use, and
- 4) The cardholder responsibility for retaining receipts, reconciling monthly statements, and the reporting guidelines for fraudulent use of card.

All CAL-Card holder are expected to comply with LACCD Board rules, Administrative Regulations, Operational Manual procedures and any other guidelines. Cardholders who violate policies may lose card privileges and be subjected to other disciplinary actions.

During the review period of July 1, 2017 through February 28, 2018, LAPC had ten (10) CAL-Cardholders. The total dollar amount of transactions processed during the period totaled \$45,069.00.

Purpose/Objectives

The objectives of this review are to provide management with reasonable, but not absolute, assurance that the Cal-Card purchasing card is used in accordance with established policies and procedures as mandated by the Los Angeles Community College Board rules, Administrative regulations and internal operational procedures by validating that;

- There are adequacy and effectiveness of internal controls pertaining to approval and use of the Cal-Card in procurement of goods and services
- The processing of the payments for goods and services purchased are supported with the required documents and
- The users are in compliance with established policies and procedures.

Scope

The scope of the CAL-Card review will include the examination of processes and procedures that include all CAL-Card activities for the period **July 1, 2017 to February 28, 2018**.

Distribution:

Dr. Francisco C. Rodriguez, Chancellor,
Dr. Larry Buckley, Interim President, LAPC
Mr. Jeffrey Prieto, General Counsel
Dr. Robert Miller, Vice Chancellor of Finance and Resources Development
Ms. Jeanette Gordon, CFO/Treasurer
Mr. Rolf Schleicher, Vice President of Administrative Services, LAPC
Mr. Harry Ziogas, Director of Accounting

LAPC ISSUES AND RECOMMENDATIONS

The key issues on the attached table are presented to assist management in strengthening internal controls, and enforcing compliance with policies and procedures as administrated by federal regulation and LACCD.

#	Summary and Condition	Recommendation	Management Response	Expected Completion Date/Response Party
1	<p><u>Non-compliance with LACCD Purchasing Card Policies and Procedures:</u> Transactions processed through LAPC CAL-Card holders were not pre-approved, as warranted. Reasons for pre-approval include transactions above the small purchase threshold, conference/activity attendance, and travel and Bookstore expenditures outside of instructional materials.</p> <p>The transaction error rate is 77.6% (52 of 67 pre-approval required transactions) with a dollar error of \$24,247.85.</p> <p>Condition: A total of 67 pre-approval required CAL-Card transactions valued at \$28,722.41 were reviewed. Fifty-two (52) of 67 pre-</p>	<ol style="list-style-type: none"> 1. All campus CAL-Card holders and approvers re-examine the LACCD Procurement Policies and Procedures and LACCD Purchasing Card Program. 2. Require a more stringent review and approval process of CAL-Card Approving Officials and campus staff charged with processing/payment responsibility to address compliance with all relevant LACCD Policies and Procedures. 3. Offer training and/or reminders to affected staff with an accompanying receipt of acknowledgement. 	<p>Training on CALCARD policy and procedures.</p> <p>Create Pre-Approval Form and review with all CALCARD users.</p> <p>Create a three strike rule and Withhold CALCARD privileges for users who non-compliance in any 24 month period.</p>	<p>Admin Services Administrative Assistant. December 2018</p> <p>AVP Administrative Services September 2018</p> <p>AVP Administrative Services December 2018</p>

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	<p>approval required transactions (valued at \$24,247.85) could not be validating as approved by an authorized official prior to expended funds. Errors resulting from examination were marked because documented pre-approvals were not obtained for:</p> <ul style="list-style-type: none"> - Twenty (20) transactions were related to purchases above the small purchase threshold. (Two transactions within this area were deemed a split purchases that when combined, exceeded the small purchase threshold which requires an approval). - Seventeen (17) transactions were related to conference/activity attendance and travel. - Fifteen (15) transactions were related to Bookstore purchases outside of instructional materials. 			

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2	<p><u>Non-compliance with LACCD Purchasing Card Policies and Procedures:</u> Transactions processed through LAPC CAL-Card holders were not deemed as allowable purchases as the following was identified: transactions were not preapproved as required, charges exceeded the small purchase threshold, bookstore purchases were outside of instructional material, subscription purchase made, professional services charged and charges used for students.</p> <p>The transaction error rate is 50% (55 of 110 reviewed transactions) with an error rate of \$25,835.35.</p> <p>Condition: A total of 110 transactions valued at \$38,403.79 were reviewed to determine if purchases were allowable on the CAL-Card. Fifty-five (55) of 110 transactions with a combined value of \$25,835.35</p>	<ol style="list-style-type: none"> 1. All campus CAL-Card holders and approvers re-examine the LACCD Procurement Policies and LACCD Purchasing Card Program. 2. Follow-up on all questionable purchased items with the cardholder and document all justifications/results with monthly reconciliations. 3. In instances of misuse, take disciplinary actions according to LACCD Purchasing Card Program. 4. Conduct training and/or send reminders to affected staff with an accompanying receipt of acknowledgement. 	<p>Training on CALCARD policy and procedures.</p> <p>Create a three strike rule and Withhold CALCARD privileges for users who non-compliance in any 24 month period.</p>	<p>Admin Services Administrative Assistant. December 2018</p> <p>AVP Administrative Services December 2018</p>

Los Angeles Pierce College CAL-Card
August 31, 2018

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	<p>resulted in an error due to not being provided sufficient documentation to deem a CAL-Card transaction as allowable. Reasons discovered for disallowed transactions include:</p> <ul style="list-style-type: none"> - Seventeen (17) of 110 transactions were linked to conference/activity attendance and travel without documented pre-approvals. (One of these transactions also had a portion of funds attributed to student-related purchases). - Sixteen (16) of 110 transactions were above the small purchase threshold. - Fifteen (15) of 110 transactions were Bookstore expenditures outside of instructional material. - Four (4) of 110 transactions appeared to form two separate split purchases, which when combined totaled to an amount over the small purchase threshold. 			

Los Angeles Pierce College CAL-Card
August 31, 2018

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	<ul style="list-style-type: none"> - One (1) of 110 transactions expended funds for students only. - One (1) of 110 transactions expended funds for a subscription service. - One (1) of 110 transactions was an expenditure for professional services, which should have gone through the LACCD Contracting process. 			
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3	<p><u>Non-compliance with LACCD Purchasing Card Policies and Procedures:</u> A transaction processed for the purchase of toners through an LAPC CAL-Card holder was not accompanied by an invoice or receipt to detail the items/services purchased.</p>	<ol style="list-style-type: none"> 1. All campus CAL-Card holders and approvers re-examine the LACCD Purchasing Card Program. 2. Ensure CLA-Card holders are submitting corresponding detailed/itemized invoices or receipts for each transaction. 3. Communicate to all 	<p>Training on CALCARD policy and procedures.</p> <p>Create a three strike rule and Withhold CALCARD privileges for users who non-compliance in any 24 month period.</p>	<p>Admin Services Administrative Assistant. December 2018</p> <p>AVP Administrative Services December 2018</p>

Los Angeles Pierce College CAL-Card
August 31, 2018

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	<p>Less than a 1% error rate (1 of 110 transactions) and the dollar error totaled \$439.19.</p> <p>Condition:</p> <p>A total of 110 total transactions valued at \$38,403.79 were reviewed. One (1) of 110 transactions with a combined value of \$439.19 resulted in an error due to an invoice or receipt to detail the items/services purchased not being provided. The CAL-Card package only had a quotation document to review.</p>	<p>cardholders and approves the acceptable documents to be provided as support to transactions.</p> <p>4. Consistent failure to provide proper, original receipts as supporting documentation must result in disciplinary actions according to LACCD Purchasing Card Program.</p> <p>5. Conduct training for all involved staff with an accompanying receipt of acknowledgement.</p>		
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4	<p><u>Non-compliance with LACCD Purchasing Card Policies and Procedures:</u> Conference/activity transactions processed through LAPC CAL-Card holders were not accompanied by details of</p>	<p>1. All campus CAL-Card holders and approvers re-examine the LACCD Purchasing Card Program.</p> <p>2. Ensure CAL-Card holders are always submitting complete</p>	<p>Training on CALCARD policy and procedures.</p> <p>Create a three strike rule and Withhold CALCARD privileges for users who non-</p>	<p>Admin Services Administrative Assistant. December 2018</p> <p>AVP Administrative Services December 2018</p>

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	<p>the event as the agenda and/or program activity documents were not provided for review.</p> <p>The transaction error rate is 25% (4 of 16 conference/activity related transactions) with a dollar error of \$3,860.00.</p> <p>Condition:</p> <p>A total of 16 transactions valued at \$10,977.23 were reviewed. Four (4) of 16 transactions valued at \$3,860.00 were for conference/activity attendance without a documented agenda and/or program activity form attached indicating the details of the event attended.</p>	<p>supporting documentation that details events hosted or attended with monthly purchase logs.</p> <p>3. Communicate to all cardholders and approves the acceptable documents to be provided as support to transactions.</p> <p>4. Conduct training for all involved staff with an accompanying receipt of acknowledgement.</p>	<p>compliance in any 24 month period.</p>	
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5	<p><u>Non-compliance with LACCD Purchasing Card Policies and Procedures:</u></p>	<p>1. All campus CAL-Card holders and approvers re-examine the LACCD</p>	<p>Training on CALCARD policy and procedures for users and approvers</p>	<p>Admin Services Administrative Assistant. December 2018</p>

Los Angeles Pierce College CAL-Card
August 31, 2018

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	<p>Transactions processed through LAPC CAL-Card holders granted gratuity in excess of the limit of 15% before applicable taxes.</p> <p>The transaction error rate is 75% (3 of 4 gratuity related transactions) with a dollar of \$8.55.</p> <p>Condition:</p> <p>A total of four (4) transactions were reviewed to determine if granted gratuity was within the 15% pre-tax limit. Three (3) of 4 transactions resulted in an error due to the gratuity amount being above the 15% pre-tax limit. Excess gratuity amounts totaled \$8.55 with a range from \$1.91 to \$3.47.</p>	<p>Purchasing Card Program and Board Rule 71000.</p> <p>2. Approvers/reviewers should check transactions for compliance with limitations.</p> <p>3. In instances of misuse, take disciplinary actions according to LACCD Purchasing Card Program.</p> <p>4. Conduct training and/or send reminders to affected staff with an accompanying receipt of acknowledgement.</p>	<p>Create a three strike rule and Withhold CALCARD privileges for users who non-compliance in any 24 month period.</p>	<p>AVP Administrative Services December 2018</p>

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6	<p><u>Non-compliance with LACCD Purchasing Card Policies and Procedures:</u> There is no process in place to track the timely review and submission of the LAPC CAL-Card statement. There is a five-day turnaround time from receipt of the US Bank Statement for each the cardholder and approving official.</p> <p>Condition: Through examination, no determination could be made regarding the timely submission of the 31 reviewed CAL-Card US Bank credit card statements from cardholder to approving official; and from approving official to the payment processor.</p> <p>The card user has five days from receipt of the statement to submit to the approving official. The approving official has five days after the</p>	<ol style="list-style-type: none"> 1. All campus CAL-Card Approving Officials review and revise current controls and procedures for efficiency concerning timely log submissions. 2. Communicate procedural changes to all affected staff with accompanying receipt of acknowledgement. 3. Ensure follow-up protocols are in place to ensure collection of all relevant information is completed for CAL-Card purchasing. 	<p>Training on CALCARD policy and procedures.</p> <p>Create a three strike rule and Withhold CALCARD privileges for users who non-compliance in any 24 month period.</p>	<p>Admin Services Administrative Assistant. December 2018</p> <p>AVP Administrative Services December 2018</p>

Los Angeles Pierce College CAL-Card
August 31, 2018

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	documents are received from the user to submit to the billing department for final reconciliation and payment.			