

# Performance Audit Follow-Up

Purchasing Card Program Used by the North  
Dakota University System

Report No. NP-015-18

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# *Contents*

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<i>Transmittal Letter</i>	<i>1</i>
<i>Status of Recommendations</i>	<i>2</i>
<i>Partially Implemented</i>	<i>2</i>
<i>Fully Implemented</i>	<i>2</i>

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## ***Transmittal Letter***

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May 13, 2019

State Board of Higher Education  
Members of the North Dakota Legislative Assembly  
Dr. Mark Hagerott, Chancellor, North Dakota University System

The Office of the State Auditor conducted a follow-up on the performance audit entitled Purchasing Card Program Used by the North Dakota University System dated August 30, 2016. The objective of this follow-up was to determine the implementation status of the 13 recommendations presented in the performance audit report.

The North Dakota University System has partially implemented one of the recommendations and fully implemented the other twelve recommendations. Included in this report are our conclusions regarding the implementation status of the recommendations. Management determined no additional response was necessary for the partially implemented recommendation.

We want to extend our appreciation to the personnel of North Dakota University System for their assistance and cooperation during the follow-up.

Respectfully submitted,

/S/

Joshua C. Gallion  
State Auditor

# ***Status of Recommendations***

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## **Partially Implemented**

### RECOMMENDATION 1-4

We recommend the Reviewer receive sufficient, formally documented training to ensure that this role is properly carried out.

#### **Partially Implemented**

**NDUS procedure 803.4.11 states “institutions, at their discretion, may offer this training to a p-card approver.” NDUS indicated that further development of reviewer training was cost prohibitive. However, P-card training and NDUS procedure 803.4.7 do include some basic reviewer content.**

## **Fully Implemented**

### RECOMMENDATION 1-1

We recommend the North Dakota University System adopt a uniform University System-wide policy for the administration of P-cards. Such policy should include sufficient elements to enhance compliance by each institution with COSO and other established best practices, to maximize the efficiency and effectiveness of the P-card program, as well as ensure sufficient internal control to minimize the risk of errors, fraud or noncompliance with respect to the P-Card program. Moreover, the system-wide policy should be developed in a way that allows for an element of flexibility (perhaps by forming the system-wide policy in the format of guidelines or a general framework), to allow individual institutions to tailor the policies based on their individual circumstances while remaining within the framework of the system-wide policy.

#### **Fully Implemented**

**The North Dakota State University System adopted a comprehensive University System-wide policy and procedure for the administration of P-cards.**

## RECOMMENDATION 1-2

We recommend NDUS reevaluate the cardholder application and update as necessary to ensure its elements are consistent with the System-wide policy.

### **Fully Implemented**

**North Dakota University System's updated P-card application is in accordance with its policies and procedures on P-cards.**

## RECOMMENDATION 1-3

We recommend NDUS adopt a formalized cardholder training program which covers the significant elements of the P-Card program. The University System institutions should formally track the completion of such training prior to issuance of cards.

### **Fully Implemented**

**NDUS has implemented a formal training program for P-card holders. NDUS requires initial training before the P-card is assigned and annual training thereafter for all card holders. The NDUS compliance office is responsible for tracking the annual training. The institution P-card administrators verify initial training prior to issuing P-cards.**

## RECOMMENDATION 1-5

We recommend P-Cards only be used by the cardholder named on the card, and written policies expressly prohibit sharing of cards.

### **Fully Implemented**

**NDUS procedure 803.4.6 prohibits the use of P-cards by anyone other than the card holder. Institutions indicated that this is prohibited within departments also.**

#### RECOMMENDATION 1-6

We recommend management establish a policy which clearly defines P-Card violations and the nature of any consequences, including more severe penalties if circumstances warrant. Management also should implement a means for documenting violations and responses thereto.

##### **Fully Implemented**

**NDUS procedure 803.4 contains a framework that clearly defines P-card violations and the respective consequences that accompany them. The procedure also provides for penalties if circumstances require it. The institutions have adopted processes for tracking violations and responses.**

#### RECOMMENDATION 1-7

We recommend management assign MCC groups to cardholders based on identified purchasing needs.

##### **Fully Implemented**

**NDUS has implemented procedures for assignment and review of MCC groups for P-card holders based on their purchasing needs.**

#### RECOMMENDATION 1-8

We recommend NDUS establish a formalized process for communicating terminating employees to the P-Card administrator to facilitate timely deactivation of those individuals' cards.

##### **Fully Implemented**

**NDUS has worked with CTS to implement an automated email process for the termination or transferring of employees. When a cardholder is terminated or transferred, their P-card administrator is sent an automated email alert and is responsible to take the necessary actions required thereafter.**

#### RECOMMENDATION 1-9

We recommend the detailed review of P-Card transactions be performed by a supervisor or other responsible official familiar with the departmental budget and expenditures. In addition, rather than being a first reviewer, the P-Card administrator or designated official in the accounting/finance office should perform only audits or spot-checks of statements and transactions on a test basis.

##### **Fully Implemented**

**NDUS procedure 803.4.7 requires that P-card purchases are reviewed by a designated approver that verifies purchases and information submitted by card holders.**

#### RECOMMENDATION 1-10

We recommend that NDUS implement a system for entering cardholder data consistently University System-wide.

##### **Fully Implemented**

**NDUS has worked with CTS to implement a new system for extracting cardholder data that reduces the extract time to one to two minutes. CTS is responsible for continuing the cardholder data imports for NDUS.**

#### RECOMMENDATION 2-1

We recommend the University System incorporate into its P-Card policy a framework for monitoring and providing feedback to purchasing employees regarding utilizing the P-Card in specific circumstances.

##### **Fully Implemented**

**NDUS has included in its procedure 803.4.13 requirements for institutions to establish a monitoring process for P-card purchases and to provide feedback to card holders to ensure that the cards are used in all possible circumstances.**



## RECOMMENDATION 2-2

We recommend the University System eliminate restrictions on paying for otherwise allowable purchases using the P-Card.

### **Fully Implemented**

**NDUS procedure 803.4.3 prohibits institutions from restricting any P-card expenditures that are for legitimate business purposes allowed under North Dakota Century Code and State Board of Higher Education policies.**

## RECOMMENDATION 2-3

We recommend the institution increase purchasing limits for employees authorized to make large-dollar purchases, either on a permanent basis, or on a temporary as-needed basis. We also recommend management study the viability of other payment options which could facilitate more efficient large-dollar purchasing while receiving the same rebate, such as, but not limited to, the “single-use-account” offered by J.P. Morgan.

### **Fully Implemented**

**NDUS has created a formal change request form for temporary or permanent changes in the MCC codes or credit limits on a P-card. NDUS procedure 803.4.3 requires that all institutions use this form for changes in MCC codes and credit limits.**

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