



STATE OF NORTH CAROLINA
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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August 8, 2008

Dr. Patricia A. Sullivan, Chancellor
The University of North Carolina at Greensboro
303 Mossman Building
Greensboro, North Carolina 27402-6170

Dear Dr. Sullivan:

We have completed a strategic review to identify improper use of P-Cards by The University of North Carolina at Greensboro (UNCG) employees. The statewide rules for P-Card use falls under the Department of Administration's Purchase and Contract Division. All state agencies operate under the Bank of America Card Contract with the Division of Purchase and Contract. The results of our review are contained in this management letter. The review was conducted pursuant to North Carolina General Statute §147-64.6(c) (16) rather than as a financial audit.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Management letters and responses receive the same distribution as audit reports.

Please contact me if you have any questions about these audit findings and recommendations. We express our sincere appreciation to you and your staff for the cooperation extended to us during our strategic review.

Sincerely,

LESLIE W. MERRITT, JR., CPA, CFP
STATE AUDITOR

A handwritten signature in cursive script that reads "Charles T. Williford".

Charles T. Williford, CPA, CITP, CISA, CFE, CPM
Director of Information Systems Audits

LMjr/CTW/TG:mfd

BACKGROUND AND REVIEW RESULTS

The Office of the State Auditor has implemented a strategic review initiative. This initiative is an effort to analyze state agency/university data on a proactive basis and help identify unusual trends and potential problems in the Procurement card (P-Card) program.

The P-Card program is designed to enable organizations to make small purchases more quickly and efficiently, thereby reducing the volume of requisitions, purchase orders, invoices and checks processed by those organizations. Similar to familiar VISA, MasterCard, etc., formats, procurement cards can be processed by vendors just like personal charge cards. Rather than making multiple small payments to many vendors, the using organization writes one check to the card provider. Vendors receive payments from the card processor within few days without extra paperwork.

In July 2006 the Division of Purchase and Contract entered into a contract with the Bank of America to administer the VISA P-Card program for the state of North Carolina. This contract is set to expire in December 2012. Under this contract, there is no charge for issuance or maintenance of the cards.

The Division of Purchase and Contracts has general guidelines for the participant organizations to follow but has left control of the P-Card program with the chief fiscal officer of the organizations.

The card program administrator, in consultation with the agency's chief fiscal officer, shall determine appropriate limits by per-transaction amount, total per billing cycle, merchant categories, or similar factors.

BACKGROUND AND REVIEW RESULTS (CONTINUED)

We obtained the P-Card electronic file from the Bank of America that covered the period of December 2006 through December 2007. During that period UNCG had 28,703 individual transactions that totaled \$7,621,367.55.

To conduct our strategic review, we performed the following procedures:

- Obtained and reviewed UNCG P-Card program policy.
- Selected a judgmental sample of 107 P-Card transactions from the Bank of America electronic file to review their supporting documentation. Sample selection focused on transactions that appeared inappropriate based on such factors as merchant name, merchant category description and/or item description.
- Obtained and reviewed the UNCG P-Card policy, the Department of Administration's Division of Purchase and Contract P-Card Policy, the North Carolina State Budget Manual, and the University's purchasing policies.
- Obtained the University's chart of accounts by fund type and object code in order to perform classification testing.
- Interviewed appropriate University P-Card program staff.
- Matched the names of UNCG P-Card holders with the names on the "felony" file we received from the NC Department of Correction. The objective here was to determine whether any of the card holders was convicted of a felony that we deemed it "incompatible" with holding a P-Card (for example, identity theft or credit card fraud).
- Extracted all finance charges from the Bank of America electronic file. The Division of Purchase and Contract's Procurement Card contract with the Bank of America (Term Contract 946A) requires the organization to which the card is issued to pay Bank of America the full balance of the bill at least once a month. Payment of interest goes against the State's Cash Management Plan.

The results of our review are as follows:

- 1) We identified three cases in which sales tax was paid. Per UNCG's P-Card User's Guide Section 4.1 UNCG has sales tax exemption status. It is the card holder's responsibility to inform vendors of the tax exempt status prior to making purchases. If sales tax is charged, the cardholder is responsible for contacting the vendor and having the tax credited back to the P-Card. In the three cases identified, only one contained documentation of efforts to recover the amount charged.

Based on the results of our review it is our opinion that the P-Card internal controls in place at UNCG either helped deter or prevent most improper charges from taking place.

BACKGROUND AND REVIEW RESULTS (CONCLUDED)

Agency Response:



THE UNIVERSITY of NORTH CAROLINA
GREENSBORO

Chancellor's Office

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July 31, 2008

Mr. Leslie W. Merritt, Jr., State Auditor
Office of the State Auditor
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Mr. Merritt:

Thank you for the draft of your strategic review to identify improper use of purchasing cards. We are pleased that your review confirmed that our internal controls for purchasing cards are helping to deter and prevent improper charges.

We concur with your findings of the three purchasing card transactions containing sales tax. It should be noted that all three transactions were documented in our PCard Web Solution Software system (PCWS). The documentation showed that the departments made the vendors aware of the NC tax exemption and followed up with the vendors to request a credit. In one of the instances, the tax was reimbursed to the University and is documented in our financial system.

We appreciate that this review recognizes the efforts of our departments and staff. The card coordinators have done a very good job in the documentation of purchasing card transactions in our reconciliation system. Our staff will continue to monitor and review all purchasing card transactions for compliance with both State and University policies.

If you have any questions, please contact Shannon B. Clegg, Assistant Vice Chancellor for Business Services at (336) 334-5764.

Sincerely,

Patricia A. Sullivan
Chancellor

Cc: Reade Taylor
Shannon Clegg
Charles T. Williford