

CREDIT CARDS

SYSTEMWIDE

**Audit Report 13-23
November 20, 2013**

Members, Committee on Audit

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Steven M. Glazer, Vice Chair
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Hugo N. Morales

Staff

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Internal Auditor: Cindy Merida

**BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY**

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ABBREVIATIONS

AMEX	American Express
CC	Credit Card
CO	Office of the Chancellor
CSU	California State University
DGS	Department of General Services
EO	Executive Order
FISMA	Financial Integrity and State Manager's Accountability Act
FY	Fiscal Year
GC	Government Code
ICSUAM	Integrated California State University Administrative Manual
OUA	Office of the University Auditor
P-Card	Procurement Card

EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor (OUA) during the last quarter of 2012, the Board of Trustees, at its January 2013 meeting, directed that *Credit Cards* (CC) be reviewed. The OUA previously reviewed CC in the biennial Financial Integrity and State Manager's Accountability Act (FISMA) audits, the last of which were performed in 2009.

We visited six campuses from January 28, 2013, through May 31, 2013, and audited the procedures in effect at that time. Campus-specific findings and recommendations have been discussed and reported individually.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls for CC activities as of May 31, 2013, taken as a whole, were sufficient to meet the objectives stated in the "Purpose" section of this report. Areas of concern include: policies and procedures relating to the procurement card, and personal liability card programs.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

PROCUREMENT CARD PROGRAM [7]

Systemwide policies and procedures related to the procurement card program needed improvement. For example, systemwide policy needed to be updated to clarify how the requirements in the policy applied to the various procurement card offerings and did not address the participation of auxiliary employees in campus procurement card programs. In addition, systemwide policies did not address conflict-of-interest reporting requirements for procurement cardholders.

PERSONAL LIABILITY CARD PROGRAMS [9]

Chancellor's Office management had not performed a formal risk assessment, including management approval, of the personal liability credit card program to assess financial and other risks associated with the program and to determine whether the California State University should continue to provide personal liability credit cards to its employees. Also, systemwide responsibility for the American Express (AMEX) personal liability card program offered through the California Department of General Services had not been defined. Further, systemwide policies and procedures related to the personal liability card program needed improvement. Specifically, systemwide policy needed to be clarified to ensure that campuses are aware that requirements in the policy apply to both US Bank and AMEX personal liability

card programs and did not address controls, such as use of merchant category code restrictions and monitoring or review of transactions, to ensure that only business-related expenses were incurred on these cards.

INTRODUCTION

BACKGROUND

The California State University (CSU) allows authorized employees to pay for certain types of expenses using campus credit cards. The use of campus credit cards provides an alternative to traditional procurement methods and offers a number of benefits, including reducing the administrative expense associated with procuring and paying for low-dollar goods and services, allowing for greater flexibility in selecting vendors, and expediting the receipt of purchases. CSU credit card programs are not intended to replace existing purchasing methods, but rather to supplement them.

CSU credit card programs began with the implementation of the CSU Procurement Card (P-Card) program for the purchase of low-dollar goods and services. Since then, credit card offerings have expanded, and a variety of programs are now available. CSU credit card programs can generally be divided into two types of offerings: university liability credit cards and personal liability credit cards.

University liability cards are those in which the campus pays the bill centrally. Common types of university liability cards employed by the campuses include P-Cards, used for the purchase of low-dollar goods and services; travel cards, used for business travel expenses; fleet cards, used for fleet-related expenses such as fuel, vehicle maintenance, and repairs; and one-cards or hybrid cards, which allow employees to use a single card to pay for more than one category of expenses. Some campuses also use P-Cards in the accounts payable department to make payments on traditional invoices. This reduces operations costs by eliminating checks and increases credit card rebates earned by the campuses.

Personal liability cards are obtained by an employee through a CSU contract; however, the employee pays the bill, and is personally liable, for the credit card. Such cards minimize the burden on an employee's personal finances when business expenses must be incurred by the employee and subsequently reimbursed. Personal liability cards are commonly issued for business travel expenditures.

The CSU currently contracts with US Bank as its primary credit card vendor and receives rebates from US Bank based on total credit card spending and promptness of payment. Total CSU credit card spending with US Bank in fiscal year (FY) 2011/12 was approximately \$90.6 million; there were approximately 5,910 CSU credit card users during this time period. The total CSU rebate earned for FY 2011/12 was \$1.4 million.

The systemwide Contract Services and Procurement department at the Office of the Chancellor (CO) is responsible for managing the US Bank credit card contract, communicating credit card industry trends to campuses, verifying and distributing campus rebates, and administering components of the credit card program. Systemwide Financial Services at the CO is responsible for maintaining CSU accounting policies, including those policies related to credit card usage.

Executive Order (EO) 760, *Procurement Cards*, dated October 16, 2000, establishes the CSU policy regarding the use of procurement cards. It provides minimum standards for the use of procurement cards and gives the chief financial officer of each campus the responsibility for developing and maintaining policies and procedures governing the use of procurement cards to ensure strong internal controls and observance of good business practices.

Integrated California State University Administrative Manual (ICSUAM) §3103.03, *Procurement Cards*, effective January 1, 2012, provides additional details on university liability credit card program required elements, which include a designated procurement card administrator responsible for oversight of the campus procurement card program and a procurement card operations manual specific to the campus.

ICSUAM §3103.04, *Corporate Cards*, effective January 1, 2012, provides additional details on the personal liability credit card program required elements, which include approval requirements for use of the cards and the stipulation that the cards be used only for bona fide business expenses that directly serve the university.

Historically, administration of campus credit card programs was reviewed by the CSU Office of the University Auditor (OUA) as part of cyclical audits based on the Financial Integrity and State Manager's Accountability Act (FISMA) of 1983, passed by the California Legislature and detailed in Government Code §13400 through §13407.

Beginning in calendar year 2010, cyclical FISMA audits were reevaluated and discontinued due to a change in the OUA audit risk assessment methodology. Using the new procedure, the OUA worked with CSU campus executive management to identify high-risk areas on each campus. In addition to these high-risk areas, the OUA audit plan considered high-profile areas and core financial areas to assure comprehensive audit coverage. Credit cards were selected as the core financial area to review in 2013.

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to CSU credit card programs and to determine the adequacy of controls over related processes to ensure compliance with Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- ▶ Administration of campus credit card programs is well defined and includes clear lines of organizational authority and responsibility and documented delegations of authority.
- ▶ Policies and procedures pursuant to campus credit card programs are current and comprehensive, and distribution procedures are effective.
- ▶ Campuses have informed credit card holders of how to report disputes and fraudulent transactions in a timely manner.
- ▶ Access to automated systems used for credit card administration is controlled and limited to authorized users.
- ▶ Procurement card purchases are accurately reconciled, in a timely manner, to bank statements and financial systems.
- ▶ Credit card payments are made accurately and in a timely manner to the card-issuing bank.
- ▶ Credit card rebates are properly accounted for.
- ▶ Security and retention of departmental records is adequate.
- ▶ Initial set-up of credit cards and changes made to existing credit cards are properly approved; credit cards are issued in accordance with campus and CSU policy; and credit card purchasing thresholds are effectively set and adhered to.
- ▶ Training for credit card users and approvers is appropriate.
- ▶ Campus processes ensure that credit cards are deactivated when employees are terminated or transferred.
- ▶ Processes are in place for the monitoring and reviewing of credit card purchases to ensure compliance with CSU and campus policies.
- ▶ Campuses have adequately controlled their financial exposure from credit card transactions.
- ▶ Credit card purchases are made in accordance with campus and CSU policies, and there is proper enforcement of sanctions for policy violations.

SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment A, Audit Agenda Item 2 of the January 22 and 23, 2013, meeting of the Committee on Audit stated that *Credit Cards* includes the administration of campus credit card programs. Proposed audit scope would include, but was not limited to, review of credit card administration, compliance with campus policies and procedures, approval to use credit cards, monitoring and review of credit card purchases, enforcement of sanctions for misuse, and processes to deactivate credit cards upon employee termination or transfer.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included the audit tests we considered necessary in determining whether fiscal, operational, and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with Board of Trustee policies and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from July 1, 2011, through May 31, 2013.

We focused primarily on the internal administrative, compliance, and operational controls over CC activities. Specifically, we reviewed and tested:

- ▶ Administration of the campus procurement card program, including documented delegations of authority and current policies and procedures.
- ▶ Access to systems used in credit card administration.
- ▶ Processes to review and reconcile credit card bank files to campus bank statements and the general ledger.
- ▶ Credit card set-up, maintenance, and deactivation policies.
- ▶ Monthly credit card reconciliations, monitoring and review of credit card purchases, and enforcement of sanctions for violations of credit card policies.
- ▶ Credit card purchase transactions to ensure compliance with campus and CSU policies.

During the course of the audit, we visited six campuses: Bakersfield, East Bay, Fresno, Northridge, San Francisco, and Stanislaus. We interviewed campus personnel and audited procedures in effect at the time of the audit.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

PROCUREMENT CARD PROGRAM

POLICIES AND PROCEDURES

Systemwide policies and procedures related to the procurement card program needed improvement.

We noted that systemwide policies:

- ▶ Needed to be updated to clarify how the requirements in the policy applied to the various procurement card product offerings.
- ▶ Were unclear as to whether the designated procurement card administrator could delegate or assign duties to other individuals or departments.
- ▶ Did not address the participation of auxiliary employees in campus procurement card programs, including any specific documentation requirements such as memorializing the campus' and the participating auxiliary organization's duties and responsibilities and liability for charges made.
- ▶ Required that cardholders be trained in procurement card policies and procedures, but did not address how approving officials would be notified of or trained for their responsibilities in the procurement card process.
- ▶ Did not address cardholder limits, including documentation of approved limits, monitoring of limits, and review of cardholder outstanding credit limits against need/experience on an ongoing basis to reduce campus financial exposure.
- ▶ Did not address retention of procurement card documents, such as application and agreement forms.

Integrated California State University Administrative Manual (ICSUAM) §3103.03, *Procurement Cards*, effective January 1, 2012, is the most current systemwide policy addressing the use of university-paid credit cards.

Executive Order (EO) 760, *Procurement Cards*, dated October 16, 2000, is the original systemwide policy addressing the use of the procurement card program.

Government Code (GC) §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The director of contracts and procurement stated that the procurement card policy in ICSUAM §3103.0 was issued in 2011 to provide general guidance associated with EO 760, which required that each campus be responsible for developing and maintaining policies and procedures that contain strong internal controls for their specific procurement card programs. He further stated that ICSUAM §3103.0 was not intended to be prescriptive, nor was it intended to establish specific operational procedures for campuses to follow.

Written policies and procedures that are not comprehensive increase the risk of inadequate administration of the procurement card program, inconsistent treatment and handling of issues, and potential liability to the university through unallowable or inappropriate purchases.

Recommendation 1

We recommend that the chancellor's office (CO) review, update, and/or clarify existing procurement card policies to address the issues identified above.

Management Response

We concur. The ICSUAM policies and procedural documents related to procurement card products will be reviewed and updated to address the observed deficiencies and recommendations in this audit section "Systemwide policies and procedures related to the procurement card program needed improvement." This will be completed by June 2014.

CONFLICTS OF INTEREST

Systemwide policies did not address conflict-of-interest reporting requirements for procurement card holders.

We reviewed campus-designated position listings, and we noted that the treatment of conflict-of-interest reporting requirements for procurement card holders and approving officials was inconsistent among the 23 campuses and the chancellor's office.

Coded memorandum Human Resources 2013-02, *Conflict of Interest Reporting Requirements*, dated February 28, 2013, sets forth annual conflict-of-interest filing requirements for employees in designated positions.

ICSUAM §3103.04, *Corporate Cards*, effective January 1, 2012, is the most current systemwide policy addressing the use of personal liability (corporate) credit cards.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The director of contracts and procurement stated that the procurement card policy in ICSUAM §3103.04 was created absent of any statement or requirement related to conflict-of-interest reporting requirements, as these are established annually by systemwide Human Resources and were presumed to govern all possibilities of reporting.

Failure to review and consider whether procurement card holders and their approving officials should file conflict-of-interest disclosure forms increases the risk of inappropriate decision-making and noncompliance with state and California State University (CSU) requirements.

Recommendation 2

We recommend that the CO Contracts and Procurement department consult with Human Resources to determine whether any procurement card holders or approving officials should be considered designated employees for conflict-of-interest reporting, and, if so, address the issue in relevant systemwide policies.

Management Response

We concur. The CO Contracts and Procurement department will consult with Human Resources to determine whether any procurement cardholders or approving officials should be considered designated employees for conflict-of-interest reporting. This will be completed by April 2014.

PERSONAL LIABILITY CARD PROGRAM

PROGRAM APPROVAL

CO management had not performed a formal risk assessment, including management approval, of the personal liability credit card program to assess financial and other risks associated with the program and to determine whether the CSU should continue to provide personal liability credit cards to its employees.

In our review of six campuses, we noted numerous instances where personal liability credit cards were being used for non-business purchases, such as items at department stores, tickets for movies and entertainment, fees for gyms and fitness clubs, and veterinary services. Campuses generally did not have monitoring mechanisms in place to identify and sanction these violations of policy or escalate the issue to HR if balances were written-off.

GC §13402 and §13403 state that management is responsible for the establishment and maintenance of a system or systems of internal accounting, administrative control, and effective, independent, and objective ongoing monitoring of internal accounting and administrative controls.

The director of contracts and procurement stated that the performance of a structured risk assessment was not considered when the California Department of General Services (DGS) corporate card program was adopted in the 1990s, and no known risk assessment was conducted at that time. He

also stated that a structured risk assessment had not been considered when the current corporate card program was established in 2010.

The lack of a formal risk assessment increases the risk that the personal liability card program will be continued without consideration or recognition of the possible financial and public relations risks involved.

Recommendation 3

We recommend that the CO perform a formal risk assessment of the personal liability card program and obtain executive management approval for continuation of the program.

Management Response

We concur. The CO will perform a formal risk assessment of the personal liability card program and obtain executive management approval for continuation of the program. This will be completed by April 2014.

ROLES AND RESPONSIBILITIES

Systemwide responsibility for the American Express (AMEX) personal liability card program offered through the DGS had not been defined.

We found that because campuses contracted individually with AMEX for participation in the DGS personal liability program, there was no systemwide owner with responsibility for maintaining applicable policies and procedures and providing coordination and guidance for program issues.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. It further states that administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The director of contracts and procurement stated that ICSUAM §3103.04 provides general guidance and allows campuses to create contracts for personal liability credit cards, and this policy does not differentiate between the AMEX DGS program and the US Bank Corporate Card Program. He further stated that establishing a systemwide department as owner and administrator of the personal liability card program(s) was not considered during policy development.

The lack of defined systemwide responsibility for the AMEX personal liability card program increases the risk of misunderstandings related to the performance of duties and functions, inconsistent treatment and handling of issues, and noncompliance with state and CSU requirements.

Recommendation 4

We recommend that the CO define systemwide responsibility for the AMEX personal liability program offered through DGS.

Management Response

We concur. The CO will define systemwide responsibility for the AMEX personal liability program offered through DGS. This will be completed by June 2014 in conjunction with policy revisions in Recommendation 1 above.

POLICIES AND PROCEDURES

Systemwide policies and procedures related to the personal liability card program needed improvement.

We noted that systemwide policy:

- ▶ Needed to be clarified to ensure that campuses are aware that the requirements in the policy apply to both US Bank and AMEX personal liability card programs.
- ▶ Did not address training for personal liability credit card holders.
- ▶ Did not address controls, such as use of merchant category code restrictions and monitoring or review of transactions, to ensure that only business-related expenses were incurred on the cards.
- ▶ Did not address monitoring or review for past due payments or consequences or sanctions for non-payment or misuse of cards.
- ▶ Was unclear as to what approvals were necessary to obtain a card and did not clearly define documentation requirements for the initial eligibility review.
- ▶ Did not address the retention schedule for personal liability card documents, such as application and agreement forms.

ICSUAM §3103.04, *Corporate Cards*, effective January 1, 2012, is the most current systemwide policy addressing the use of personal liability (corporate) credit cards.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The director of contracts and procurement stated that the section of ICSUAM §3103.04 that governs the use of personal liability credit cards was originally established as a permissive policy allowing

campuses to enter into such service agreements and was not developed as a procedural or comprehensive operational policy on the topic.

Written policies and procedures that are not comprehensive increase the risk of inadequate administration of the personal liability card program, inconsistent treatment and handling of issues, and potential liability to the university through unallowable or inappropriate purchases.

Recommendation 5

We recommend that the CO review, update, and/or clarify existing personal liability card policies to address the issues identified above.

Management Response

We concur. The CO will review, update, and/or clarify existing personal liability card policies to address the observed deficiencies and recommendation in this section “Systemwide policies and procedures related to the personal liability card program needed improvement.” This will be completed by June 2014 in conjunction with policy revisions in Recommendations 1 and 4 above.

APPENDIX A: PERSONNEL CONTACTED

Name

Title

Office of the Chancellor

Benjamin F. Quillian	Executive Vice Chancellor and Chief Financial Officer (At time of review)
Sally Roush	Interim Vice Chancellor, Business and Finance
George Ashkar	Assistant Vice Chancellor and Controller, Financial Services
Michael Redmond	Senior Director, CO Fiscal Control and Special Initiatives
Tom Roberts	Director, Contracts and Procurement

California State University, Bakersfield

Horace Mitchell	President
Michael Chavez	Director, Procurement
Brian Chen	System Analyst, Administrative Computing Services
Lizeth Gamez	Accounting Supervisor, General Accounting
Kellie Garcia	Associate Vice President, Human Resources
Eva Hebebrand	Manager, Student Financial Services
Marina Manzano	Contracts Technician/Buyer II, Procurement
Michael Neal	Vice President, Business and Administrative Services
Jerry Polkinghorne	Supervisor, Facilities Management
Kallya Shenoy	Interim Assistant Vice President, Information Technology Services
Doug Wade	Assistant Vice President, Fiscal Services

California State University, East Bay

Leroy M. Morishita	President
Debbie Brothwell	Deputy Vice President of Finance
Maggie Graney	Director, Compliance and Internal Control
Vareece Jordan	Administrative Support Coordinator, Finance
Katherine Landa	Accounting Technician II, Accounts Payable
Lana Lewis	Manager, Accounts Payable
Robert Todaro	Director, Procurement
Brad Wells	Vice President, Administration and Finance and Chief Financial Officer

California State University, Fresno

Joseph I. Castro	President
John D. Welty	President (At time of review)
Brian Cotham	Director of Procurement and Support Services
Anthony Forestiere	University Controller
Clint Moffitt	Associate Vice President, Financial Services
Christine Rodriguez	Administrative Analyst, Accounting Services
Monica Shackleton	Accounts Payable/Receivable Manager
Cynthia Teniente-Matson	Vice President, Administration and Finance and Chief Financial Officer

APPENDIX A: PERSONNEL CONTACTED

California State University, Northridge

Dianne F. Harrison	President
Katherine Cortez	Office Manager and Procurement Card Coordinator, Purchasing and Contract Administration
Annie Dang	Accounts Payable Manager, Financial and Accounting Services
Colin Donahue	Vice President of Administration and Finance and Chief Financial Officer
Deborah Flugum	Manager of Purchasing and Contract Administration
Howard Lutwak	Director of Internal Audit
Tom McCarron	Vice President of Administration and Finance and Chief Financial Officer (At time of review)
Kimberly Siemen	Assistant Athletics Director for Business Affairs
Deborah Wallace	Associate Vice President of Financial Services

San Francisco State University

Leslie E. Wong	President
Edward Baumgarten	Property Clerk, Procurement Department
David Chelliah	Accounts Payable Manager, Accounts Payable
Taver Chong	Associate Internal Auditor, Internal Audit
Ronald S. Cortez	Vice President, Administration and Finance/Chief Financial Officer
Nancy Hayes	Vice President, Administration and Finance/Chief Financial Officer (At time of review)
Arsenio G. Herrera	Senior Programmer, Fiscal Affairs Business Systems
Wanda Humphrey	Payroll Manager, Human Resources, Safety and Risk Management
Jason Huynh	Procurement Card Administrator, Accounts Payable
Michael Lam	Lead Information Technology Consultant, Fiscal Affairs Business Systems
Franz Lozano	Budget Officer, Budget Administration and Operations
Melissa Naranjo	Procurement Card Coordinator, Accounts Payable
Mirna Vasquez	Procurement Card Technician, Accounts Payable
Agnes Wong-Nickerson	Associate Vice President, Fiscal Affairs

California State University, Stanislaus

Joseph F. Sheley	President
Julie Anderson	Buyer II
Julie Benevedes	Interim Associate Vice President, Financial Services
Frank Borrelli	Manager, Support Services
Eleanor Carpenter	Account Technician II
Stephanie Faria	Account Technician I
Russell Giambelluca	Vice President, Business and Finance
Briquel Hutton	Director, Audit Services
Regan Linderman	Controller, Financial Services
Mike Wojciechowski	Property Control Clerk

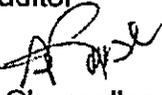


www.calstate.edu

MEMORANDUM

DATE: January 10, 2014

TO: Larry Mandel
University Auditor

FROM: Sally Roush 
Interim Vice Chancellor

RECEIVED
UNIVERSITY AUDITOR

JAN 13 2014

THE CALIFORNIA STATE
UNIVERSITY

SUBJECT: Audit Report # 13-23 Credit Cards

In response to the "Incomplete Draft" report dated November 20, 2013, we are providing the enclosed management response.

Should you have any questions, please feel free to contact us.

SR:mpr

Attachment

cc: George Ashkar, Asst. VC Financial Services
Tom Roberts, Director of Contracts and Procurement Services
Michael Redmond, Acting Assistant Vice Chancellor, Headquarters Budget,
Security, and Strategic Initiatives

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

CREDIT CARDS**SYSTEMWIDE****Audit Report 13-23****PROCUREMENT CARD PROGRAM****POLICIES AND PROCEDURES****Recommendation 1**

We recommend that the chancellor's office (CO) review, update, and/or clarify existing procurement card policies to address the issues identified above.

Management Response

We concur. The ICSUAM policies and procedural documents related to procurement card products will be reviewed and updated to address the observed deficiencies and recommendations in this audit section "Systemwide policies and procedures related to the procurement card program needed improvement." This will be completed by June 2014.

CONFLICTS OF INTEREST**Recommendation 2**

We recommend that the CO Contracts and Procurement department consult with Human Resources to determine whether any procurement cardholders or approving officials should be considered designated employees for conflict-of-interest reporting, and, if so, address the issue in relevant systemwide policies.

Management Response

We concur. The CO Contracts and Procurement department will consult with Human Resources to determine whether any procurement cardholders or approving officials should be considered designated employees for conflict-of-interest reporting. This will be completed by April 2014.

PERSONAL LIABILITY CARD PROGRAM**PROGRAM APPROVAL****Recommendation 3**

We recommend that the CO perform a formal risk assessment of the personal liability card program and obtain executive management approval for continuation of the program.

Management Response

We concur. The CO will perform a formal risk assessment of the personal liability card program and obtain executive management approval for continuation of the program. This will be completed by April 2014.

ROLES AND RESPONSIBILITIES

Recommendation 4

We recommend that the CO define systemwide responsibility for the AMEX personal liability program offered through DGS.

Management Response

We concur. The CO will define systemwide responsibility for the AMEX personal liability program offered through DGS. This will be completed by June 2014 in conjunction with policy revisions in Recommendation 1 above.

POLICIES AND PROCEDURES

Recommendation 5

We recommend that the CO review, update, and/or clarify existing personal liability card policies to address the issues identified above.

Management Response

We concur. The CO will review, update, and/or clarify existing personal liability card policies to address the observed deficiencies and recommendation in this section “Systemwide policies and procedures related to the personal liability card program needed improvement.” This will be completed by June 2014 in conjunction with policy revisions in Recommendations 1 and 4 above.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

CHANNEL ISLANDS

January 23, 2014

CHICO

DOMINGUEZ HILLS

MEMORANDUM

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Timothy P. White
Chancellor

HUMBOLDT

SUBJECT: Draft Final Report 13-23 on *Credit Cards*, Systemwide

LONG BEACH

LOS ANGELES

In response to your memorandum of January 23, 2014, I accept the response as submitted with the draft final report on *Credit Cards*, Systemwide.

MARITIME ACADEMY

MONTEREY BAY

TPW/amd

NORTHRIDGE

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS