

CREDIT CARDS

**CALIFORNIA STATE UNIVERSITY,
EAST BAY**

**Audit Report 13-28
June 28, 2013**

Members, Committee on Audit

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**BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY**

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ABBREVIATIONS

CC	Credit Card
CSU	California State University
EO	Executive Order
FISMA	Financial Integrity and State Manager's Accountability Act
FY	Fiscal Year
ICSUAM	Integrated California State University Administrative Manual
OUA	Office of the University Auditor
P-Card	Procurement Card
SAM	State Administrative Manual

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 was performed on campus in 2008.

We visited the California State University, East Bay campus from March 25, 2013, through April 19, 2013, and audited the procedures in effect at that time.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls for CC activities as of April 19, 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, credit card systems and records, and credit card monitoring.

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.

GENERAL ENVIRONMENT [7]

The campus did not have written policies and procedures for the departmental travel card program or the personal liability credit card program.

CREDIT CARD SYSTEMS AND RECORDS [8]

Reconciliations of the procurement card clearing account needed improvement. For example, the campus did not have written policies and procedures for the reconciliation of the procurement card clearing account, including the timely resolution of overpayments, and reconciliations were not reviewed by someone other than the preparer. In addition, duties and responsibilities related to procurement card administration were not properly segregated.

CREDIT CARD SETUP AND MAINTENANCE [10]

Administration of personal liability cards needed improvement. Specifically, the approval process for these cards did not require documented approval from a business unit manager or supervisor, and the campus did not monitor the use of the cards to ensure that only business-related expenses were incurred. In addition, credit card setup and maintenance needed improvement. For example, campus procurement card policies and procedures did not include a process for final reconciliation of credit card purchases and

the return of a card upon an employee's separation, and procurement cards for separated employees were not always canceled in a timely manner.

CREDIT CARD PURCHASES AND APPROVALS [12]

The campus did not adequately monitor and document violations to procurement card policies, and procurement cardholder agreements were not always current.

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 April 19, 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.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL ENVIRONMENT

The campus did not have written policies and procedures for the departmental travel card program or the personal liability credit card program.

Integrated California State University Administrative Manual (ICSUAM) §3103.03, *Procurement Cards*, effective January 1, 2012, states that it is the policy of the California State University (CSU) that procurement cards be used to improve the efficiency, flexibility, and convenience related to purchasing and paying for goods and certain approved services. Campuses must prepare written procedures that implement this policy. The procurement card program may also include the use of procuring travel related goods and services by allowing such services on the procurement card or by issuing a separate card under the systemwide procurement card contract specific to such use. All travel use will be governed by this policy.

ICSUAM §3103.04, *Corporate Cards*, effective January 1, 2012, states that it is the policy of the CSU to facilitate acquisition of personal liability business credit cards, commonly known as corporate cards, for employees who must travel or incur other business expenses on behalf of the university, in order to expedite payment and reduce the need for cash advances. Campuses must prepare written procedures that implement this policy.

The vice president of administration and finance stated that the accounts payable group had experienced several changes in staffing over the past year, which resulted in inadequate training of new staff and lack of formalized written procedures.

The absence of written policies and procedures increases the risk of noncompliance with campus and CSU requirements and potential liability to the university through unallowable or inappropriate purchases.

Recommendation 1

We recommend that the campus develop and implement written policies and procedures for the departmental travel card program and the personal liability credit card program.

Campus Response

The campus will provide adequate training and formalize written policies and procedures for the departmental travel card program and the personal liability credit card program by November 30, 2013.

CREDIT CARD SYSTEMS AND RECORDS

RECONCILIATIONS

Reconciliations of the procurement card clearing account needed improvement.

We found that:

- ▶ The campus did not have written policies and procedures for the reconciliation of the procurement card clearing account, including the timely resolution of overpayments.
- ▶ Reconciliations were not reviewed by someone other than the preparer.
- ▶ As of January 2013, the clearing account did not reconcile to zero and contained overpayments of \$115,170.

State Administrative Manual (SAM) §7901 states that the accuracy of an agency's accounting records may be proved partially by making certain reconciliations and verifications and requires monthly preparation of all reconciliations within 30 days of the preceding month.

SAM §7908 states that all reconciliations will show the preparer's name, reviewer's name, date prepared, and date reviewed.

SAM §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

The vice president of administration and finance stated that reconciliations needed improvement because the new procurement card coordinator had not been adequately trained in her new responsibilities.

A lack of supervisory review of reconciliations and untimely resolution of reconciling differences increases the risk that errors and irregularities will not be detected.

Recommendation 2

We recommend that the campus:

- a. Develop and implement written policies and procedures for the reconciliation of the procurement card clearing account, including the timely resolution of overpayments.
- b. Ensure that reconciliations are reviewed by someone other than the preparer.
- c. Ensure that overpayments are resolved in a timely manner.

Campus Response

- a. The campus will develop and implement written policies and procedures for the reconciliation of the procurement card clearing account, including timely resolution of overpayments, by September 15, 2013.
- b. The campus will ensure that reconciliations are reviewed by someone other than the preparer by September 15, 2013.
- c. The campus will ensure that overpayments are resolved in a timely manner by September 15, 2013.

SEGREGATION OF DUTIES

Duties and responsibilities related to procurement card administration were not properly segregated.

We found that the accounts payable manager reconciled the procurement card clearing account, reviewed credit card payments, and had access to post payment transactions in the US Bank and PeopleSoft systems.

SAM §8080, §8080.1, and §8080.2 state that no one person will perform more than one of the following types of duties: maintaining books of original entry, receiving and depositing remittances, inputting receipts information, and reconciling input to output.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

The vice president of administration and finance stated that staffing reductions created challenges in the proper segregation of duties.

Inadequate segregation of duties increases the risk of irregularities and increases campus exposure to loss from inappropriate acts.

Recommendation 3

We recommend that the campus implement appropriate segregation of duties or compensating mitigating controls relating to the reconciliation of the procurement card clearing account, the review of credit card payments, and the posting of payment transactions.

Campus Response

The campus will implement appropriate segregation of duties or compensating mitigating controls relating to the reconciliation of the procurement card clearing account, the review of credit card payments, and the posting of payment transactions by September 15, 2013.

CREDIT CARD SETUP AND MAINTENANCE

PERSONAL LIABILITY CARDS

Administration of personal liability business travel credit cards needed improvement.

We found that:

- ▶ The approval process for personal liability business credit cards did not require documented approval from a business unit manager or supervisor.
- ▶ The campus did not document initial review of cardholder eligibility for personal liability credit cards.
- ▶ The campus did not monitor the use of the cards to ensure that only business-related expenses were incurred.
- ▶ There was no secondary review of the personal liability card administrator's corporate travel account, which had been used for unauthorized personal transactions.

ICSUAM §3103.04, *Corporate Cards*, effective January 1, 2012, states that a staff member may apply for a corporate card if the card has been authorized by their supervisor and the unit's business manager or chair. It further provides specific requirements for CSU faculty and staff members to be eligible to apply for a corporate card. In addition, campuses must prepare written procedures that implement this policy. It further states that corporate cards may only be used for bona fide business expenses that directly serve the university and that CSU faculty or staff may not use corporate cards for personal expenses.

The vice president of administration and finance stated his belief that the campus had misunderstood the established systemwide policy for administration of the personal liability card program.

The absence of proper approvals and documented review of cardholder eligibility increases the risk that unqualified individuals will obtain personal liability credit cards, and inadequate review and monitoring of personal liability credit card purchases increases the risk of inappropriate personal use and noncompliance with campus and CSU policies and procedures.

Recommendation 4

We recommend that the campus:

- a. Require documented approval from a business unit manager or supervisor in the approval process for personal liability business credit cards.
- b. Document initial review of cardholder eligibility for personal liability credit cards.

- c. Monitor the use of personal liability credit cards to ensure that only business-related expenses are incurred.
- d. Consider the business necessity for the personal liability card administrator to have a personal liability card, and if it is determined necessary, implement a secondary review for the administrator's purchases.

Campus Response

- a. The campus will require documented approval from a business unit manager or supervisor in the approval process for personal liability business credit cards by November 30, 2013.
- b. The campus will document initial review of cardholder eligibility for personal liability credit cards by November 30, 2013.
- c. The campus will monitor the use of personal liability credit cards to ensure that only business-related expenses are incurred by September 15, 2013.
- d. The campus has considered the business necessity for the personal liability card administrator to have a personal liability card; it was determined unnecessary. Therefore, the personal liability card administrator's personal liability credit card was canceled in May 2013.

PROCUREMENT CARD CANCELLATION

Credit card setup and maintenance needed improvement.

We found that:

- ▶ The campus procurement card policies and procedures did not include a process for final reconciliation of credit card purchases and the return of a card upon an employee's separation.
- ▶ The procurement cards for six separated employees were not canceled in a timely manner because a clearance form was not processed or submitted to the procurement card administrator.

Executive Order (EO) 760, *Procurement Cards*, dated October 16, 2000, states in part that campus procurement card policies and procedures must contain personnel clearing procedures that specifically address a final card reconciliation and return-of-card process.

The vice president of administration and finance stated that the campus had experienced several changes in staffing over the past year, which resulted in inadequate training of new staff and lack of formalized written procedures.

Incomplete policies and procedures and untimely cancellation of procurement cards increases the risk of unauthorized transactions and exposes the campus to potential liabilities.

Recommendation 5

We recommend that the campus:

- a. Update procurement card policies and procedures to include a process for final reconciliation of credit card purchases and the return of a card upon an employee's separation.
- b. Ensure that procurement cards for separated employees are canceled in a timely manner.

Campus Response

- a. The campus will update procurement card policies and procedures to include a process for final reconciliation of credit card purchases and the return of a card upon an employee's separation by September 15, 2013.
- b. The campus will ensure that procurement cards for separated employees are canceled in a timely manner by October 31, 2013.

CREDIT CARD PURCHASES AND APPROVALS

The campus did not adequately monitor and document violations to procurement card policies, and procurement cardholder agreements were not always current.

We reviewed 45 credit card purchases and found that:

- ▶ Three cardholders had engaged in transaction splitting to circumvent single transaction credit limits.
- ▶ Four transactions for services were not pre-approved by purchasing, as required by campus policy.
- ▶ One card had been used for an entertainment expense, which was prohibited by campus policy.
- ▶ Four cardholders had single transaction limit overages that were not pre-approved by the designated approver.
- ▶ Procurement card agreements for 20 cardholders were not signed until February or March 2013, although procurement cards were in use prior to this time.

EO 760, *Procurement Cards*, dated October 16, 2000, states in part that cardholders should be required to submit complete supporting documentation in a timely manner and that campus procurement card procedures should include practices such as periodic post-audits to ensure compliance with CSU procurement card policies.

California State University, East Bay *Procurement Credit Card Handbook*, revised January 2013, states that any service purchase requires pre-approval by purchasing and that the procurement card (P-Card) may not be used for entertainment or splitting of purchases to circumvent dollar limitations. The handbook also states that the P-Card program agreement is signed before pick-up and activation of the P-Card and that exceptions to P-Card policies and procedures such as increases in single transaction limits must be made in writing by the authorizing official and approved by the P-Card administrator. It further states that cardholder privileges may be revoked or face other disciplinary measures when major infractions by the cardholder are found.

The vice president of administration and finance stated that the accounts payable group experienced several changes in staffing over the past year, which resulted in inadequate training of new staff. He also stated that when the procurement card vendor was changed from American Express to US Bank in 2010, new agreements with US Bank were not obtained for all cardholders due to oversight.

The lack of complete supporting documentation for credit card purchases and the lack of adequate monitoring for procurement card violations can increase the risk of fraud or misuse of credit cards.

Recommendation 6

We recommend that the campus:

- a. Ensure that violations of procurement card policies are adequately monitored and documented, and that sanctions are appropriately enforced per campus policy.
- b. Review procurement cardholder agreements to ensure that they are current.

Campus Response

- a. The campus will ensure that violations of procurement card policies are adequately monitored and documented and that sanctions are appropriately enforced per campus policy by September 15, 2013.
- b. The campus will review procurement cardholder agreements to ensure that they are current by November 30, 2013.

**APPENDIX A:
PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
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



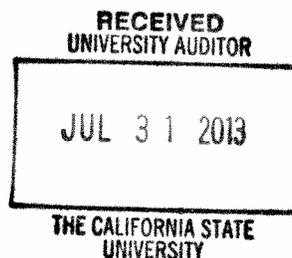
CALIFORNIA STATE
UNIVERSITY
E A S T B A Y

Office of the Vice President, Administration
and Finance & Chief Financial Officer

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25800 Carlos Bee Boulevard, Hayward, CA 94542-3002
510.885-3803 · 510.885.4745 (fax) · www.csueastbay.edu

July 31, 2013

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802



**RE: Campus Response to Incomplete Draft Audit Report
Credit Cards (13-28), California State University, East Bay**

Dear Mr. Mandel,

The campus has provided our corrective action plan, with responses and deadlines to the above audit findings via e-mail to your office today.

I have reviewed and approved them.

Please let us know if you have any questions or need additional information.

Sincerely,

A handwritten signature in cursive script that reads "Bradley Wells".

Bradley Wells
Vice President, Administration & Finance, CFO

cc: Leroy M. Morishita, President
Maggie Graney, Director of Compliance and Internal Control

THE CALIFORNIA STATE UNIVERSITY

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 Jose • San Luis Obispo • San Marcos • Sonoma •
Stanislaus

CREDIT CARDS**CALIFORNIA STATE UNIVERSITY,
EAST BAY****Audit Report 13-28****GENERAL ENVIRONMENT****Recommendation 1**

We recommend that the campus develop and implement written policies and procedures for the departmental travel card program and the personal liability credit card program.

Campus Response

The campus will provide adequate training and formalize written policies and procedures for the departmental travel card program and the personal liability credit card program by November 30, 2013.

CREDIT CARD SYSTEMS AND RECORDS**RECONCILIATIONS****Recommendation 2**

We recommend that the campus:

- a. Develop and implement written policies and procedures for the reconciliation of the procurement card clearing account, including the timely resolution of overpayments.
- b. Ensure that reconciliations are reviewed by someone other than the preparer.
- c. Ensure that overpayments are resolved in a timely manner.

Campus Response

- a. The campus will develop and implement written policies and procedures for the reconciliation of the procurement card clearing account, including timely resolution of overpayments, by September 15, 2013.
- b. The campus will ensure that reconciliations are reviewed by someone other than the preparer by September 15, 2013.
- c. The campus will ensure that overpayments are resolved in a timely manner by September 15, 2013.

SEGREGATION OF DUTIES

Recommendation 3

We recommend that the campus implement appropriate segregation of duties or compensating mitigating controls relating to the reconciliation of the procurement card clearing account, the review of credit card payments, and the posting of payment transactions.

Campus Response

The campus will implement appropriate segregation of duties or compensating mitigating controls relating to the reconciliation of the procurement card clearing account, the review of credit card payments, and the posting of payment transactions by September 15, 2013.

CREDIT CARD SETUP AND MAINTENANCE

PERSONAL LIABILITY CARDS

Recommendation 4

We recommend that the campus:

- a. Require documented approval from a business unit manager or supervisor in the approval process for personal liability business credit cards.
- b. Document initial review of cardholder eligibility for personal liability credit cards.
- c. Monitor the use of personal liability credit cards to ensure that only business-related expenses are incurred.
- d. Consider the business necessity for the personal liability card administrator to have a personal liability card, and if it is determined necessary, implement a secondary review for the administrator's purchases.

Campus Response

- a. The campus will require documented approval from a business unit manager or supervisor in the approval process for personal liability business credit cards by November 30, 2013.
- b. The campus will document initial review of cardholder eligibility for personal liability credit cards by November 30, 2013.
- c. The campus will monitor the use of personal liability credit cards to ensure that only business-related expenses are incurred by September 15, 2013.
- d. The campus has considered the business necessity for the personal liability card administrator to have a personal liability card; it was determined unnecessary. Therefore, the personal liability card administrator's personal liability credit card was canceled in May 2013.

PROCUREMENT CARD CANCELLATION

Recommendation 5

We recommend that the campus:

- a. Update procurement card policies and procedures to include a process for final reconciliation of credit card purchases and the return of a card upon an employee's separation.
- b. Ensure that procurement cards for separated employees are canceled in a timely manner.

Campus Response

- a. The campus will update procurement card policies and procedures to include a process for final reconciliation of credit card purchases and the return of a card upon an employee's separation by September 15, 2013.
- b. The campus will ensure that procurement cards for separated employees are canceled in a timely manner by October 31, 2013.

CREDIT CARD PURCHASES AND APPROVALS

Recommendation 6

We recommend that the campus:

- a. Ensure that violations of procurement card policies are adequately monitored and documented, and that sanctions are appropriately enforced per campus policy.
- b. Review procurement cardholder agreements to ensure that they are current.

Campus Response

- a. The campus will ensure that violations of procurement card policies are adequately monitored and documented, and that sanctions are appropriately enforced per campus policy by September 15, 2013.
- b. The campus will review procurement cardholder agreements to ensure that they are current by November 30, 2013.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

August 7, 2013

CHICO

DOMINGUEZ HILLS

MEMORANDUM

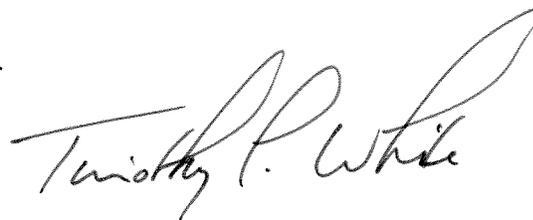
EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Timothy P. White
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 13-28 on *Credit Cards*,
California State University, East Bay

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of August 7, 2013, I accept the response as submitted with the draft final report on *Credit Cards*, California State University, East Bay.

MONTEREY BAY

NORTHRIDGE

TPW/amd

POMONA

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS