



COLLIN COLLEGE

TRAVEL / FUEL CARD PROGRAMS

AUDIT # 23-01

FEBRUARY 21, 2023

Report Distribution:

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OFFICE OF INTERNAL AUDIT



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EXECUTIVE SUMMARY

AUDIT OBJECTIVE

The objectives of the audit were to evaluate compliance with the District's expenditure-related practices, to provide assurance that internal controls over the expenditure card programs are working effectively, and assess if card expenditures were an economical and ethical use of the District's financial resources.

AUDIT RECOMMENDATIONS

Recommendation	Risk Level	Implementation Date	Page Number
1. Improve Compliance with T-Card Requirements and Develop a Business Meal Procedure.	High	August 2023	7
2. Develop Policies and Procedures to Govern the Fuel Card Program.	Medium	August 2023	10
3. Improve Controls over Business Expense Reimbursements.	Medium	August 2023	12
4. Enhance Cardholder Management.	Low	August 2023	14
5. Independently Verify Cardholders after Setup.	Low	August 2023	16

Less significant opportunities for improvement were shared with management separately.

DESIGNATED MANAGEMENT

Responsible Parties



Melissa Irby,
Chief Financial Officer



Abe Johnson,
Senior Vice President Campus Operations

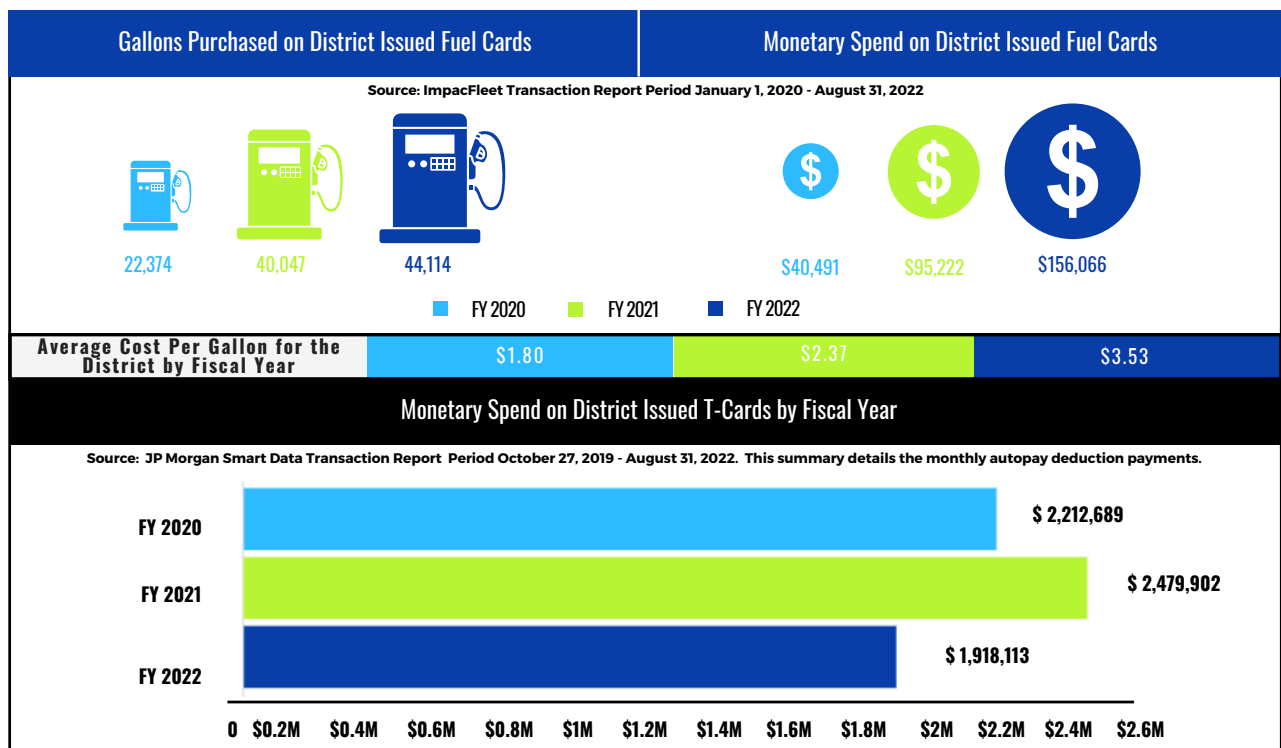
CONCLUSION

Overall, based on the audit work performed, we conclude that controls over the expenditure card programs can be enhanced. Implementation of the recommendations within the report will facilitate improved compliance with the District's requirements.

BACKGROUND

To enhance the efficiency of the purchasing process, the District administers separate fuel and travel card programs. The use of the District issued expenditure cards helps reduce the time Purchasing employees spend processing the high volume of low-dollar purchases by delegating the authority and capability to purchase items to the cardholder. District-wide there are over 680 travel cardholders and more than 80 individuals that are authorized to utilize fuel cards.

Travel Cards (T-Cards) are issued in the cardholder's name, and they are responsible for purchases on the card and for complying with District policies and procedures related to the use of the card. Cardholders are required to maintain original receipts for their purchases and complete monthly reconciliations detailing the business purpose. Cost Center Managers and Supervisors must review and approve the reconciliations and receipts each month in Workday. The T-Card Coordinator then reviews the reconciliation reports for further review. Whereas fuel cards are assigned to vehicles owned by the District and are not issued in the Cardholder's name. When an employee purchases fuel, they must enter their driver ID and record the vehicle's odometer reading for each purchase. The following graphics summarize the spending on the fuel and travel cards issued by the District:



The District also offers personnel the ability to seek reimbursement for business expenses incurred for job-related expenditures while traveling. The expense reimbursement program functions similarly to the T-Card program; however, employees are required to pay some business expenses upfront and be reimbursed after the expenses are incurred. In addition to business expenses, the expense reimbursement program is utilized to reimburse employees for benefits such as tuition reimbursement. For the period September 1, 2021, through August 31, 2022, the total amount of expense reimbursements authorized for disbursement through Workday exceeds \$520,000.

Guidance on processing expenditures is provided by various District policies and procedures, including:

- Collin College T-Card Procedures Manual
- Collin College Travel Procedures

METHODOLOGY

The audit scope included activity for the period:

- October 27, 2019, through August 31, 2022, for T-Card transactions.
- January 1, 2020, through August 31, 2022, for Fuel Card transactions on the Impact Fleet card.
- September 1, 2021, through August 31, 2022, for business expense reimbursements.

The fieldwork concluded on December 12, 2022. To satisfy the audit objectives, the following procedures were performed:

- Evaluated internal controls and assessed compliance with policies and procedures related to T-Cards by testing a judgmental sample of transactions that totaled \$ 96,521.
- Reviewed the accounting of bulk fuel purchases.
- Reviewed the fuel type purchased on Fuel Cards and evaluated if itemized receipts were maintained by cardholders.
- Tested the process to disable Fuel Cards and T-Cards when an employee is terminated.
- Tested the accuracy of the per-diem calculation in Workday for business expense reimbursements.

- Performed an analysis of the lodging costs expensed by travelers and compared costs to the General Service Administration (GSA) maximum approved rate for the destination.
- Confirmed that the District was reimbursed for expenditures marked as personal expenses within Workday.

The International Standards for the Professional Practice of Internal Auditing were utilized as guidance for conducting the audit. The Standards are statements of core requirements for the professional practice of internal auditing. Those standards require that sufficient and appropriate evidence is obtained in performing and planning the audit to provide a reasonable basis for the findings and conclusions based on the audit objectives. The evidence obtained provides a reasonable basis for the findings and conclusion based on the audit objectives.

CONTROLS & STRENGTHS NOTED

The following controls and strengths were noted as the audit was completed:

- T-cardholders are trained on the District's card usage requirements before issuance of a T-Card.
- A formalized card application process requiring the approval of the applicant's supervisor before the issuance of a T-Card is in place. To streamline the application process, a new electronic process was implemented, allowing users to complete an application electronically.
- A monthly reconciliation detailing all transactions carried out by the T-Cardholder(s) is required and reviewed by the cardholder's supervisor and an Accounts Payable staff member. Cardholders can complete the reconciliation within Workday.
- Fuel cardholders are required to enter a unique PIN to complete a transaction.
- Business expense reimbursements were consistently processed after approval of the traveler's supervisor or an Accounts Payable staff member.

AUDIT RESULTS & ACTION PLAN

1. Improve Compliance with T-Card Requirements and Develop a Business Meal Procedure.

Risk Level: High

Category: Operational / Governance

In the review of a sample of T-Card transactions, the following opportunities to improve compliance with District requirements were noted:

- 57.1 % (56 out of 98) of transactions (that totaled \$20,374) did not appear to be the best use of taxpayer dollars. The expenditures were primarily comprised of food-related expenses.
- 6.8% (7 of 102) of transactions (that totaled \$10,470) were for expense categories not allowed on T-Cards. Such expense categories should be processed with a purchase requisition.
- Sales tax was noted on 17.2% (17 of 99) of transactions tested. The District is exempt from paying sales tax within the State of Texas.

Separately, one employee exhibited a pattern of incurring travel-related expenditures that were not the best use of taxpayer dollars.

Non-compliance with the District's requirements will lead to abuse of the T-Card program. Also, the District would risk negative publicity if a leadership team member initiated the non-compliant transactions. Given the multiple scenarios where food-related costs are incurred and the varying stakeholders (board members, students, faculty, prospective employees, staff), the current requirements do not offer detailed guidance to adequately govern food-related expenditures.

The District's T-Card Procedures offers the following guidance on prohibited T-Card usage:

While this is a comprehensive list, it is not possible or practical to anticipate all purchases that may be considered inappropriate.

- Is this transaction for an appropriate business purpose?
- Is this the best use of taxpayer dollars?
- Public funds may not be used for a private purpose.

According to the District's T-Card Procedures, Non-Travel Expenses are Limited to the Following Categories on the T-Card:

Credentials/Licensing, Fingerprinting, Minor Supplies (not on a punchout), Subscriptions/publications/books, Postage, Registration Fees – Non-travel (virtual), Meeting expenses, Memberships, Rental of minor/small dollar equipment for events, Media buys for non-contracted vendors, Up to \$100 for approved retirement celebrations (no gifts for retirees)

According to the District's T-Card Procedures, T-Cardholder's are Required to:

Utilize the tax exempt form for all purchases since the College is exempt from sales tax. (If paid, sales tax will be the personal responsibility of the cardholder.)

AUDIT RESULTS & ACTION PLAN

Recommendation:

Management should ensure improved compliance with the District's T-Card requirements. Additionally, a detailed business meal procedure that offers guidance for food-related costs for Board members, Cabinet and Executive Leadership Team Members, faculty, and students should be developed. The requirements should mandate a routine periodic audit of all food-related costs.

Management Response:

Management agrees to take the steps that are detailed in the action plan and offers the following clarifications.

Action Plan:

- Management agrees to develop business meal procedures with input from leadership so that the expenses are within reason and clarify the allowability of spending District funds for food in connection with business/staff meetings and events. 29% of the business meal expenses questioned were for lunches during the Finance/HCM Workday implementation when consultants were on-site and were considered reasonable by management. Management agrees that the remaining business meal expenses reviewed will be addressed with the development of the new business meal procedures that will be communicated to all T-Card holders once created.
- Management agrees that any purchases over \$1,500 will need to be purchased utilizing a purchase order. The Accounts Payable Manager will regularly review the T-Card transactions in order to ensure procurement processes are being followed. Information will be communicated to all T-Card holders that this is the requirement and will be outlined in the credit card procedures manual.

AUDIT RESULTS & ACTION PLAN

- While the District is exempt from paying sales tax, management has not required employees to utilize a sales tax exemption certificate for business meal purposes. Management agrees to review the current written procedures and make adjustments, if needed to the current T-Card manual. The sales tax paid in the sample review totaled \$108.17.

Person Responsible for Implementation:

Melissa Irby, Chief Financial Officer.

Management Response:

Specific to the one employee noted during the audit, Management agrees with the recommendation to improve compliance with the District's T-Card requirements.

Action Plan:

Management has reviewed the T-Card transactions for the one employee that was identified during the audit and plans to address the behavior through the District's coaching and discipline process.

Person Responsible for Implementation:

Abe Johnson, Senior Vice President Campus Operations.

AUDIT RESULTS & ACTION PLAN

2. Develop Policies and Procedures to Govern the Fuel Card Program.

Risk Level: Medium

Category: Operational / Governance

Policies and procedures to govern the District's fuel card program are not in place. As a result, the following opportunities to enhance internal controls were observed:

- Fuel cardholders do not sign and acknowledge a fuel card agreement.
- On the Frisco Campus, inadequate segregation of duties for bulk fuel purchases allowed the same individual to purchase the fuel, dispense the fuel into the backup generators, manually measure the amount of fuel in the generator, and complete fuel logs to track the quantity dispensed. For the period October 1, 2020, through August 5, 2022, 91 gallons of fuel were missing from the generator fuel logs when compared to the fuel purchasing records. The discrepancy between the fuel purchase records and the generator logs could indicate fuel theft or an error in completing the generator logs.
- Itemized receipts for fuel purchases are not consistently retained by the fuel cardholders. The supervisors for cardholders from multiple campuses indicated they were unaware of the requirement to maintain itemized fuel receipts. Additionally, cardholders are currently not required to submit the itemized receipts in Workday. Under the current practice, the receipts are retained physically within the department that made the purchase, which increases the potential for the receipts to be lost or misplaced.
- There is no requirement to limit fuel purchases to unleaded or diesel fuel types. As a result, over 6,000 gallons of fuel for unleaded plus or unleaded super fuel types that are purchased at a higher cost were noted.
- Cardholders are not consistently entering accurate odometer readings for the vehicle before dispensing fuel. Additionally, cardholders utilized the fuel card to fuel up vehicles that were not assigned to the fuel card. This gave the impression that the cardholder

AUDIT RESULTS & ACTION PLAN

misused the fuel card by dispensing fuel in excess of the manufacturer's maximum fuel capacity for the vehicle. Dispensing fuel greater than the maximum vehicle fuel capacity for the vehicle could be indicative of fuel theft.

Without formal policies and procedures that govern the District's fuel card program, the District would be at an increased risk of abuse of the fuel card program.

Recommendation:

Management should develop policies and procedures:

- For fuel cardholders to sign and acknowledge a card agreement before card issuance.
- To allow for improved accounting of bulk fuel utilization.
- For fuel card transactions to be reconciled in Workday and for the cardholders to maintain itemized fuel card transaction receipts within Workday.
- To restrict fuel purchases to the most economical fuel grade unless there is a valid business need for purchasing a higher fuel grade.
- That mandate the cardholder's responsibility for entering accurate odometer readings and implement a process to disable fuel cards for drivers that routinely provide inaccurate odometer readings.

Management Response:

Management agrees to develop policies and procedures in line with available staff resources but does not agree to transition the current reconciliation process into Workday.

Action Plan:

Management intends to develop and communicate procedures to provide for better oversight of the fuel card program.

Person Responsible for Implementation:

Julie Bradley, AVP- Controller.

AUDIT RESULTS & ACTION PLAN

3. Improve Controls over Business Expense Reimbursements.

Risk Level: Medium

Category: Governance / Compliance / Cost Savings

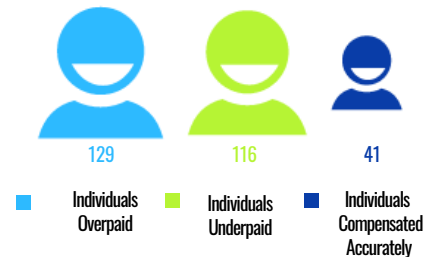
In the review of business expense reimbursements, it was noted that:

- From a population of expense reimbursements where a total of \$75,738.25 in per-diem was processed within Workday:
 - The per-diem was not calculated accurately for employees. A Workday misconfiguration caused an overpayment of \$4,089 in per-diem (impacting 129 employees) and an underpayment of \$1,366 (impacting 116 employees).
 - The per-diem was calculated accurately for 41 employees within Workday.
- From a population of 593 expense reimbursements, 23 reimbursements were identified where the expense reimbursements exceeded the authorized spend authorization by \$500 for an overall total of \$28,146.
- The District does not limit travelers to the maximum approved GSA lodging rate for the destination. From a population of 406 expense reimbursements that included lodging-related costs, 219 reimbursements exceeded the nightly GSA lodging rate for the destination by over 10 percent. Restricting travelers to the maximum approved GSA lodging rate would have potentially saved the District \$43,647 in lodging-related costs.

According to the District's procedures:

- Out-of-Town Travel: Per diem is automatically calculated in Workday based on the dates of travel and destination city. Eligible meals on days of travel are based on the US GSA rates. 75% of the daily rate is eligible on the first and last day of travel.
- Per diem-based on US GSA rate of destination.

Workday was not calculating per diem accurately resulting in:



According to the District's procedures, cardholders are required to:

- Obtain appropriate approval for purchases from a supervisor prior to making a purchase.

AUDIT RESULTS & ACTION PLAN

Recommendation:

Management should improve the accuracy of the per diem calculation in Workday and ensure employees do not exceed the approved spend authorization. Additionally, a requirement to limit lodging costs up to the maximum GSA-approved rate should be implemented.

Management Response:

Management agrees to take the steps that are detailed in the action plan.

Action Plan:

- Management agrees to optimize and continue working with the Workday consultant to improve the accuracy of the per diem calculations going forward and have put in steps to ensure the per diem rates are correct.
- A spend authorization is processed in Workday by the employee in order to obtain written approval prior to traveling. The spend authorization also includes an estimate of expenses for the travel but is only an estimate. There are instances when the employee will incur additional costs for the travel to include parking fees, taxis, or airfare that has been cancelled and rescheduled due to inclement weather. All reimbursements to employees once travel has been completed are reviewed and audited by the Accounting Staff prior to the reimbursement being processed.
- While it would be beneficial to use the GSA lodging rate as a guide and a recommendation to the employee, this would be difficult to monitor by each city and the changes that occur frequently to the GSA rates by the Accounting staff.

Management agrees to discuss the potential to clearly outline expectations on lodging rates that could include the employee researching the current GSA lodging rate where they are traveling. If the hotel that is being reserved is higher than the published GSA lodging rate, it could require justification and approval by a Cost Center Manager and be included in the documentation of the approval in Workday.

Person Responsible for Implementation: Julie Bradley, AVP-Controller.



AUDIT RESULTS & ACTION PLAN

4. Enhance Cardholder Management.

Risk Level: Low

Category: Operational

In a review of active fuel and travel cards, it was noted that:

Number of Cardholders	Concern
<p style="font-size: 2em; font-weight: bold; text-align: center;">10</p>  <p style="text-align: center; color: blue; font-weight: bold;">TERMINATED EMPLOYEES</p>	<p>maintained active fuel card pin numbers after termination in the payroll system. No cardholders had transactions after their termination date.</p>
<p style="font-size: 2em; font-weight: bold; text-align: center;">1</p>  <p style="text-align: center; color: green; font-weight: bold;">TERMINATED EMPLOYEE</p>	<p>maintained an active travel card after termination in the payroll system. The cardholder did not have any transactions after her termination date.</p>

The assignment of fuel cards to an employee is not tracked within Workday, necessitating review and reliance on reports outside the system to identify cardholders that must be terminated when an employee's employment ends with the District. Unauthorized financial activity may not be prevented if card access is not terminated in a timely manner. To process an unauthorized fuel transaction, the terminated employee would have to first access the fuel card from a District vehicle.

Recommendation:

Management should enhance card management by consistently disabling card access after termination. Additionally, fuel cards should be assigned to employees within Workday.

Internal Audit

AUDIT RESULTS & ACTION PLAN

Management Response:

Management agrees to enhance card maintenance by consistently disabling card access. For clarity, specific to the Tcard program, the terminated employee identified within the audit was terminated during the transition from Banner to Workday. It cannot be determined that the credit card coordinator received notification of the employee's termination status during the system transition.

Action Plan:

Management intends to be more diligent about canceling employees from the fuel card program upon termination. Procedures to ensure that all terminated employees are terminated within JPMorgan in a timely manner will be developed and implemented immediately.

Person Responsible for Implementation:

Coleen Schwyzer, Accounts Payable Manager.

AUDIT RESULTS & ACTION PLAN

5. Independently Verify Cardholders after Setup.

Risk Level: Low

Category: Governance

The T-Card Coordinator (TCC) is responsible for issuing cards to approved cardholders. The TCC has the ability to set up a cardholder's address and request that the card be shipped to the address that has been input into the system. Currently, no monitoring is in place to ensure that cards have only been issued to approved cardholders.

During the audit, no individual with a District issued T-card who lacked the required application with their supervisor's approval was identified. However, without an independent review of cards being issued, an individual with the capability to order T-cards could misuse their authority to order cards for individuals that may not have an affiliation with the District.

Recommendation:

Management should consider performing periodic monitoring to verify that cards are only issued to approved cardholders.

Management Response:

Management agrees to perform periodic monitoring to verify that cards are only issued to approved cardholders.

Action Plan:

Management intends to ensure that the AP Manager will review the JPMorgan account for new cards issued to ensure proper documentation and authorization exists for all new cards issued. This will be implemented immediately.

Person Responsible for Implementation:

Coleen Schwyzer, Accounts Payable Manager.

Internal Audit

PRIORITY FINDINGS AND RISK MATRIX

Definitions of Risks

Risk Level	Definition
Priority	High probability of occurrence that would significantly impact Collin College. If not addressed in a timely way, could directly impact the achievement of a strategic or important operational objective of Collin College as a whole.
High	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to the college's operations. Without appropriate controls, the risk will happen on a consistent basis.
Medium	The risks are considered to be undesirable and could moderately expose the college. Without appropriate controls, the risk will occur some of the time.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to the college will be minimal.

AUDIT OBSERVATION CATEGORIES

- Compliance
- Cost Savings
- Financial Reporting
- Governance
- Information Technology / Security
- Operations
- Reputation

THANK YOU

I appreciate the courtesies and considerations extended to me during the engagement.

Please let me know if you have questions or comments regarding this audit.



Ali Subhani, CIA, CISA, GSNA, CDPSE

Director Internal Audit