OFFICE OF THE
STATE AUDITOR

May 15, 2017

To the Utah State Board of Education
250 East 500 South
P.O. Box 144200
SLC, Utah 84114-4200

and

To Joel Coleman, Superintendent, and
The USDB Advisory Council
Utah Schools for the Deaf and the Blind
742 Harrison Blvd.
Ogden, UT 84404

Dear Board Members, Mr. Coleman, and Advisory Council:

We have performed the procedures described below for the Utah Schools for the Deaf and Blind (USDB) purchase card activity between September 2016 and January 2017 to determine whether USDB implemented recommendations issued in our "Review of Purchase Card Internal Controls – Report No. MAO-16-OA4" dated September 8, 2016. We commend USDB for its notable improvement in establishing purchase card policies and in oversight of purchase card purchases.

1. We interviewed USDB purchasing personnel regarding the recommendations previously made.

2. We observed the monitoring of purchase card activity.

3. We reviewed purchase card limits.

4. We reviewed all reconciliations and transactions for 8 of 30 cardholders between September 2016 and January 2017 and agreed purchases reported on the statements to original receipts.

Based on our procedures, the current status of previously-reported recommendations are:

<u>Finding #1, Inadequate Oversight of Purchase Card Program</u>

- *Monitor P-cards and Travel Cards.*

- *Cancel or Deactivate Unnecessary Cards in a Timely Manner.*

- *Review Cardholder Purchase History and Transaction Limits and Adjust Limits, Where Necessary.*

- *Establish Consistent Procedures to Manage P-card Policy Violations.*

- *Create Method for Anonymously Reporting Improper or Fraudulent P-Card Use to Management and Management's Response.*

Partially Implemented. Although established policy requires regular purchase card monitoring and analysis, no management review of these activities is performed. Based on our review of current procedures, the records used to perform the analysis were incomplete and inconsistent from month to month. We identified one purchase card that was not deactivated in a timely manner, one purchase card that was deactivated and still considered for monitoring, and one active purchase card that was mistakenly considered deactivated and not monitored. We also noted one active purchase card with an unreasonably high credit limit and high transaction limit.

We respectfully ask USDB finish implementing these recommendations.

Finding #2, Inadequate Internal Control Over Use of P-Cards

- *Obtain and Retain Proper Documentation for Food, Travel, and Event Purchases, Including Original Receipts, Agendas, and List of Attendees.*

- *Ensure Expenditures Over $1,000 for State-Sponsored Group Gatherings are Approved by Executive Director and Chief Budget Officer.*

- *Establish Controls to Detect and Prevent the Splitting of Transactions.*

- *Perform Supervisory Reviews of P-card Logs, Original Statements, and Supporting Documents, Including Original Itemized Receipts. Investigate Discrepancies.*

- *Evidence P-card Reviews with Handwritten Signatures and Dates.*

Partially Implemented. Policy and procedures regarding proper expense documentation, reconciliation, reviews, and approvals were established; however, appropriate supporting documentation was still insufficient. We identified inadequate documentation for 21 transactions, mostly related to travel and food/meal purchases.

We respectfully ask USDB finish implementing these recommendations.

Finding #3, Improper Recording of Employee Gifts

- *Implement Controls to Ensure Cash Gifts to Employees are Properly Recorded in Payroll System and Included in Employee's Taxable Earnings.* Implemented. Policies and controls were established to ensure that all cash gifts for employees are appropriately recorded in the payroll system. We did not identify any purchases of cash gifts during our testwork; therefore, we were unable to determine the effectiveness of the implemented corrective action.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of USDB's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of USDB's internal control, other matters might have come to our attention that would have been reported to you. We feel the findings outlined above are key internal control weaknesses at USDB. We recommend corrective action be taken to improve or fully implement our recommendations.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by USDB's personnel during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

Hollie Andrus

Hollie Andrus, CPA, Audit Director
Office of the State Auditor