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AUDITOR



**DEVELOPING A PREVENTATIVE
AND SUSTAINABLE
P-CARD PROGRAM**

INSIDE:

**What Internal Auditors Need to Know About
Sales Tax**

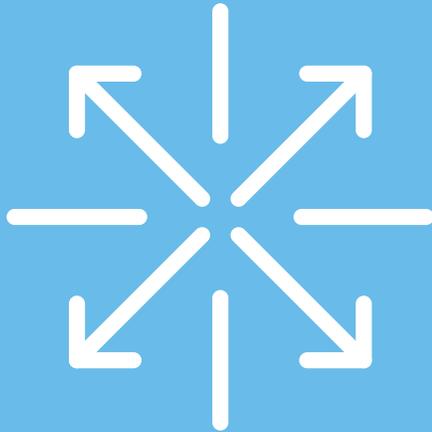
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ACUA members are invited to submit letters and original articles to the editor. Go to www.ACUA.org and click on the Resources – *College & University Auditor* journal for further guidelines. The editor reserves the right to reject, abridge or modify any advertising, editorial or other material.

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LETTER FROM



THE EDITOR

By Sam Khan
Editor

It was great to see everyone at the 2015 Annual Conference in Indianapolis, Indiana. Meeting new members and learning and sharing ideas with those who attended the conference is a wonderful experience.

First, I would like to congratulate Betty McPhilimy from Northwestern University who received the Outstanding Professional Contribution Award and Julia Hann from Georgia College, who received the Member Excellence in Service Award. Read more about their achievements on [Pages 18-19](#).

In this issue of *College & University Auditor*, Steve Hoffman, shares a simple question that can go a long way to help identify sales tax exposure in his column “What Internal Auditors Need to Know About Sales Tax.”

Daniel Adams discusses the various risks and rewards associated with advisory services. He explores an example from Montana State University as well as identifies steps to enhance advisory services at your audit shop in “Advisory Services: Balancing Value and Independence.”

Andrew Simpson gives examples of P-Card data analytics tests in the article, “Developing a Preventative and Sustainable P-Card Program.” Simpson points out that P-Card spending is on the rise, particularly among colleges and universities.

Volunteering for the journal
is a great way to give
back to the profession.

As always, I encourage your feedback. I am interested in hearing about topics you would like to see in future issues of the journal. Also, if you have any thoughts about improving the journal, I want to hear from you. Please feel free to contact me at 541-737-7336 or sam.khan@oregonstate.edu.

Thank you to all the people who helped make this issue possible. Volunteering for the journal is a great way to give back to the profession. ■

LETTER FROM



THE PRESIDENT

By Vijay Patel
President

Dear ACUA – Friends and Colleagues:

What a fantastic Annual Conference we had in Indianapolis, Indiana! Congratulations to our Annual Conference Director, Monica Moyer from Saint Leo University, our Professional Education Committee Chair, Jana Briley from Georgia Southern University and the countless volunteers for putting on a great conference at the JW Marriott Indianapolis.

ACUA volunteers serve in many capacities in our organization, from being on various committees to leadership roles. All volunteers serve a vital role to ACUA in reaching its goals and making it a successful organization.

There are many benefits in becoming involved as a volunteer; a few of them are:

- Understanding how the organization works;
- Learning what it takes to plan and budget a conference event;
- Developing new skills;
- Networking; and
- Making new long lasting “FRIENDS.”

Anyone that wants to get involved can, and here are some of the ways to find out about our current volunteer opportunities:

- The ACUA website – Call for Volunteers;
- ACUA – Community; and
- The ACUA Monthly Updates.

The ACUA website also lists all the committees and their activities, including the committee chairs’ contact information. Feel free to contact the chair of a committee that you have an interest in becoming a volunteer.

One of our strategic goals is “ACUA will represent the majority of Institutions and have a worldwide presence while increasing membership by 5 percent annually.”

One of our strategic goals is “ACUA will represent the majority of Institutions and have a worldwide presence while increasing membership by 5 percent annually.”

Over the past decade, we have had a declining trend in our membership from around 580 institutions to 514 institutions as of September 2015. While we have had new institutions join ACUA, we have also had institutions not renew their membership. Our members are our most valuable asset, just like students are your most valuable asset in your respective institution.

I believe we can serve a larger membership base. With this in mind, the Board has approved and will be sending out a request for proposals (RFP) within the coming months to engage a marketing firm to assist us in creating short- and long-term strategic plans and tools to retain and increase our membership.

Our membership is comprised of institutions from all over the globe; some 16 representatives from various countries attended our 2015 Annual Conference. The ACUA Board discussed some of the ways we could reach out and assist those audit shops. An International Membership Taskforce is in the process of being formed and a chair appointed to lead this taskforce to identify the needs of our international members.

We have a very busy year ahead of us, our Midyear Conference Director Laura Buchhorn, from the University of Texas at San Antonio, and her team of dedicated volunteers are hard at work preparing a great program for Portland.

I am honored and thrilled to be working alongside a group of dedicated professionals, ACUA's Board members, committee chairs and ACUA's Executive Director and her team at AMP.

Most of all, we hope to provide you, our membership, the best services to advance internal auditing and related activities in higher education.

Hope to see you in Portland, Oregon for the 2016 Midyear Conference and the 2016 Annual Conference in Miami. ■



Vijay Patel, ACUA President

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What Internal Auditors Need to Know About Sales Tax

By Steve Hoffman

How can internal auditors help their institution comply with sales tax laws? The first step is to become aware of the tax law. Unless you live in one of the five states that do not have a statewide sales tax, a simple question that should be a part of every departmental audit is, “Do you sell anything?” If the answer is yes, take that information to your business and finance department, specifically to the controller or the vice president of business and finance. It is important to verify that the department is correctly reporting the sales tax collected to the business and finance department. That department has the responsibility for preparing and filing the state sales tax return. You will be able to help them identify a source of potential sales tax liability.

You may have to overcome some widely held myths about sales tax.

You may have to overcome some widely held myths about sales tax. One is “We’re a tax-exempt organization, and we don’t have to charge sales tax.” Another myth is “We only sell to students, so we don’t have to collect sales tax.” Students are not exempt from paying sales tax.

If the university sold an item, they have the responsibility to collect and remit the sales tax to the state. Another myth is “All the money we make, we give to a scholarship fund.” The state does not care about the university’s use of the funds; the state cares about the sales tax being charged and paid over to the state.

Sales tax laws vary widely from state to state. For instance, food in some states is not subject to sales tax. In others, carbonated beverages are subject to sales tax: however, if a soft drink is purchased with a meal, the drink is considered an insignificant part of the meal and is not taxed. Purchased separately, the drink would be subject to sales tax. In one state, a fruit drink is subject to sales tax if it is less than 50 percent real fruit juice. In another state, licorice sold is not subject to sales tax as most candy is because it is a flour-based product and not classified as a candy. In one state, shipping and handling charges are subject to sales tax.

It is important to ensure that sales tax collected is not recorded as revenue. There should be a separate sales tax liability account into which the collected sales tax funds are deposited. Sales tax collected is not the university’s money. It is collected in trust by the university for deposit with the state to fulfill the reporting requirements of sales tax law.

If a department has sales that are exempt from the sales tax, ask to see the sales tax exemption certificate. This certificate should be retained for four years. Note, a federal ID number is not a sales tax exemption certificate. Most states issue a document explaining that the purchasing organization is not to be charged sales tax. In some states, this may be another state institution, and in other states, this exemption from sales tax may only apply to a 501(c)(3) organization.

If a department has sales that are exempt from the sales tax, ask to see the sales tax exemption certificate.

Sales tax law changes frequently. The changes are not always effective on January 1 of each year as states and local municipalities may hold “special” elections to change the rate of sales tax. There are also sales tax holidays during certain periods of the year. It’s important for the person responsible for the sales tax return to be aware of changes and holidays.



ABOUT THE AUTHOR

Steve Hoffman, The Tax Translator, previously worked for the IRS and was a tax manager at three universities. He is a nationally known expert in taxation for higher education, author of two books and trusted adviser to colleges and universities. Email: Steve@TheTaxTranslator.com.

Training for persons with sales tax filing responsibilities should be emphasized. It is important that they receive their sales tax information from a reliable source.

Forming a “Tax Team” with your tax manager at your institution can be beneficial. A quarterly meeting with the business and finance department can reveal new activities on campus that may have tax consequences.

The simple question of “Do you sell anything, including on the Internet?” goes a long way to identifying sales tax exposure. States are looking to increase their revenue and believe noncompliance with state sales tax law is high.

Sales tax obligations sometimes just “happen” on campus with departments often taking actions without being fully informed of the liability for sales tax. Did your sports team go to a bowl game where the band sold CDs? Did your education department go to a conference and sell books? Both of these result in sales tax becoming due to the state in which the items were sold. A vendor’s license may also be required to sell in the other state as well as in your home state. ■

Advisory Services: Balancing Value and Independence

By Daniel Adams

Internal audit offices are best positioned to enhance and protect their organizations when they provide both assurance and advisory services. Devoting more time to advisory services has both its risks and rewards. One of the greatest rewards includes enhancing relationships and building trust with management. However, if the advisory services do not meet clients' expectations, there is a chance of harming the internal audit office's reputation. This article will explore an example of advisory services from Montana State University as well as identify steps to enhance advisory services at your audit shop.

DEFINING ADVISORY SERVICES

According to the Institute of Internal Auditors (IIA), "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations." At Montana State University (MSU), management has been more receptive to the term, advisory services, than to the term, consulting, because advisory services has more of a connotation of internal instead of external expert advice. These two terms will be used synonymously throughout this article.

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations."

Internal auditors provide two basic types of services: assurance and consulting services. The IIA defines assurance services as, "An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization." The IIA defines consulting services as, "Advisory and related client service activities, the nature and scope of which are agreed with the client, that are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility."

According to these definitions, one major difference between these two types of services is the level of independence the auditor must maintain. Assurance services require the auditor to conduct an "independent assessment." The consulting services definition level of independence is "without the internal auditor assuming management responsibility."

These differences in the level of independence can be further highlighted by another key difference between assurance and advisory services. In *Research Opportunities in Internal Auditing*, Urton Anderson discusses the number of parties involved in assurance and advisory services. For assurance services, there are three parties involved: the auditor, activity management and the third party to which assurance is being provided. This third party could be the audit committee of the board, senior management or some other party, depending on the internal audit function's specific circumstances.

Although many internal auditors may refer to activity management as the client for their assurance projects, this third party could also be considered a client because they are receiving the benefits of assurance. It would follow that clear independence is necessary to ensure that the assurance provided to the third party client is objective and unbiased. Auditor judgment on an assurance project's objectives, scope, procedures, results or any other matters must not be subordinated to influence from activity management.

Advisory services only have two parties: the auditor and activity management, so activity management is clearly the client for these projects. The influence of activity management is built into advisory services because "the nature and scope of [the services] are agreed [upon]



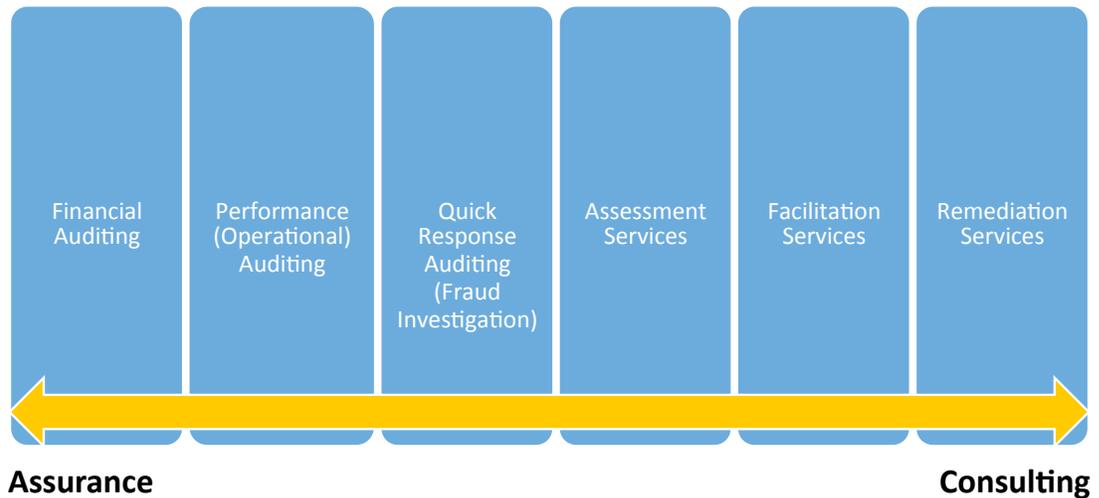
ABOUT THE AUTHOR

Daniel Adams has been the director of the Office of Audit Services at Montana State University (MSU) for seven years. Prior to MSU, he worked in public accounting. He is a CPA (inactive) and holds a Master of Professional Accounting degree from the University of Washington and a Bachelor of Science degree in business administration from Auburn University Montgomery.

with the client.” Therefore, the level of independence for advisory services is for the auditor not to assume management responsibility.

Anderson also presented the idea of the assurance/consulting continuum (see Exhibit 1) in *Research Opportunities in Internal Auditing*. The three types of services on the left side of the continuum are the traditional assurance services that many internal audit offices likely provide. Remediation services, on the far right side of the continuum, are a type of consulting service where an internal auditor “assumes a direct role designed to prevent or remediate known or suspected problems on behalf of the client.” Assessment and facilitation services are the two types of services where internal auditors in higher education have great opportunities for helping to enhance their organization’s operations.

Assurance/Consulting Continuum (Exhibit 1)



Anderson, Urton, *Research Opportunities in Internal Auditing: Assurance and Consulting Services*, Chapter 4: Assurance and Consulting Services, Altamonte Springs, FL: The Institute of Internal Auditors, Research Foundation, 2003.

According to Anderson, assessment services are “engagements in which the auditor examines or evaluates a past, present or future aspect of operations and renders information to assist management in making decisions.” Examples of assessment services include:

- The study and evaluation of the proposed restructure of the organization to reflect the most practical, economical and logical alignment;
- Estimating the savings from outsourcing a process; and
- Assessing the adequacy of internal control in a proposed accounts payable system.

Facilitation services are “engagements in which the auditor assists management in examining organizational performance for the purpose of promoting change. The auditor does not judge organizational performance in this role. Rather, the auditor guides management in identifying organizational strengths and opportunities for improvement.” Examples of facilitation services include:

- Control self-assessment;
- Benchmarking;
- Business process reengineering support;
- Assistance in developing performance measurement; and
- Strategic planning support.

EXAMPLES OF ADVISORY SERVICES AT MSU

MSU's Office of Audit Services (OAS) had the opportunity to provide both facilitation and assessment services as part of an administrative operations efficiency and effectiveness initiative called OpenMSU. The director of OAS reports directly to the MSU president with no other functional reporting lines. This reporting line places OAS closer to senior management than to the board or the system-level administrative body.

When MSU's current president, Waded Cruzado, arrived in 2010, MSU was anticipating concerns about state appropriations as a result of the recession, so it began to consider new ways to become more efficient. President Cruzado initially developed a small working group to consider ways to more efficiently provide back-office administrative operations, such as finance, human resources and sponsored programs administration.

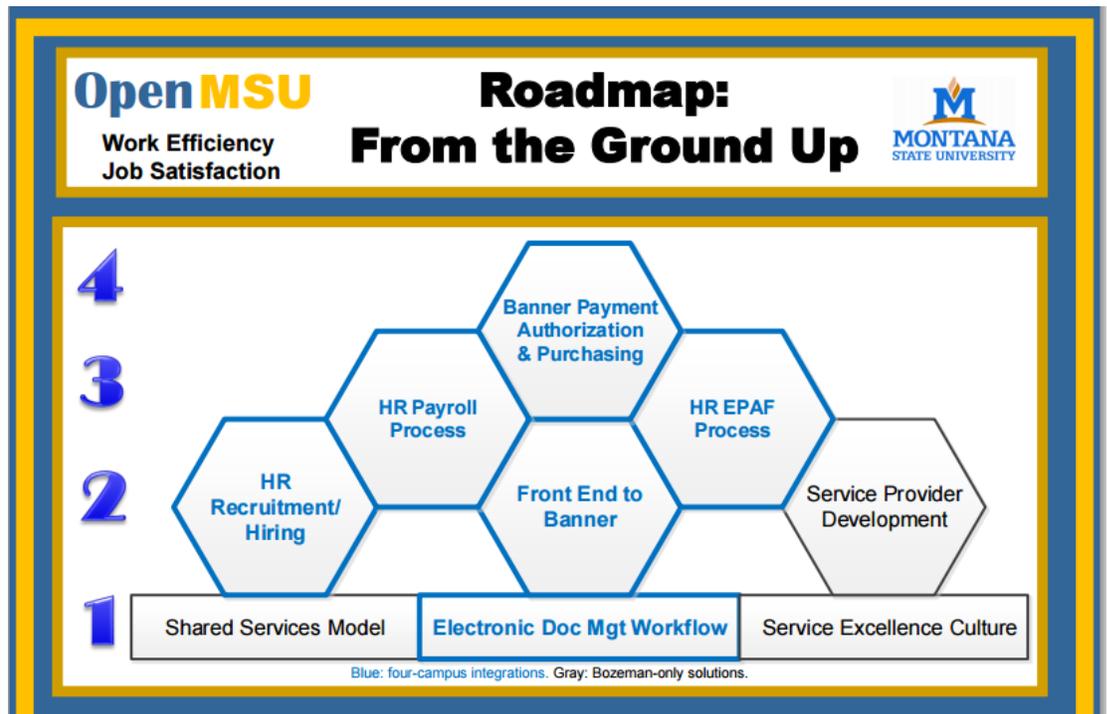
President Cruzado's leadership style involves having regular and broad inclusion of the campus community in its improvement initiatives, so she grew the small working group of five people into a group of 17 that included deans, directors, department heads, faculty and staff. I provided facilitation services to my client, the president, as we proceeded to coordinate this group and to develop the initiative's mission, goals and program management structure.

The goals of increased efficiency and improved effectiveness were balanced by goals of enriching the people who provide administrative services and satisfying the people who receive the services.

Working with the 17 members of the OpenMSU steering committee was challenging, but rewarding, and led to the initiative's unique character – the goals of increased efficiency and improved effectiveness were balanced by goals of enriching the people who provide administrative services and satisfying the people who receive the services. The plan for achieving these goals was to develop a series of recommendations for improvement based on thorough data collection and campus input.

This led to OAS providing assessment services with the clients being the OpenMSU executive sponsors: the president, provost and vice president for administration and finance. OAS was selected because it had the skill set to gather information about administrative services and because it was independent of the functions being assessed. These assessment services included administering two surveys, measuring administrative processes and conducting other activities. The first survey was provided to the population of people that provided administrative services and was intended to identify which processes they felt were the most critical to improve. The second survey was provided to a random sample of university employees and was based on the SERVQUAL methodology for measuring service quality.

The administrative process measurement activity was developed by first working with the different functions to inventory their processes. The APQC process classification framework was used as guidance for inventorying processes. Then Banner and other data was used to quantify process volumes (e.g., number of purchasing card transactions) and standard process times were obtained by working with a sample of departments' staffs. This data proved to be very helpful as MSU worked to rightsize its first shared services operation. Shared services and the other projects that were undertaken as a result of recommendations from the OpenMSU initiative are included in the OpenMSU roadmap (see Exhibit 2). OpenMSU is now in its fifth year, and all of the projects on the roadmap are underway or completed.



OAS's extensive work on OpenMSU was likely just a result of a unique set of circumstances. However, OAS still aims to include advisory services projects as a significant percentage of its annual work. During a typical year, OAS spends 10 percent to 15 percent of its direct time on advisory services, and this time is usually spent assisting management on emerging issues. For example, OAS intends to work with the Enterprise (information) Security Group (ESG) and the Payment Card Industry Data Security Standards (PCI DSS) working group in the current year. OAS will work with ESG by helping to implement a process to inventory servers maintained by distributed units and gather additional information on these servers, such as the type of data, the purpose of the server and the party responsible for security. For PCI DSS, OAS will augment the working group to assist departmental accountants and other merchants that receive credit card payments by helping them to understand the questionnaires that must be completed for all of MSU's many credit card merchants.

OAS also provides advisory services to stay abreast of and to help with activities throughout the university by serving on committees and councils. OAS staff serve as non-voting members on the following committees and councils:

- Environmental, Health and Safety Committee;
- Information Security Council;
- President's Executive Council;
- Research Compliance Committee; and
- University Council (where all university policies are discussed and approved).

KEYS TO SUCCESSFUL ADVISORY SERVICES

An initial step in providing advisory services is having the office's charter include a statement allowing advisory services. The biggest key, however, for successful advisory service is to build trust and relationships with management. Patience is essential as this takes time, but auditors should always treat management and all employees with respect, interact with others with a positive demeanor and not be perceived as playing "gotcha."

Management also needs to know how having an auditor provide advisory services can help them ...

Management also needs to know how having an auditor provide advisory services can help them, so auditors should use opportunities to communicate to management about their strengths. Through auditors' core competency of evaluating processes, they develop strengths such as rigorously researching regulations and policies to determine what is and isn't allowed; analyzing data and processes to develop insights into opportunities and problems; and gathering information that can be used to understand complex situations. Management will be more likely to engage auditors for advisory services once they trust auditors and understand what they can bring to the table. Also, auditors shouldn't be afraid to offer their services to management if they think their skills can add value to a project.

After management engages auditors for advisory services, it is important to clarify the expectations for the objectives, deliverables and level of audit resources that will be dedicated to the project. This could be done formally or informally. In addition, auditors should educate their clients about The IIA standards and auditors' responsibility to maintain independence and objectivity, so that it is clear where the lines are drawn regarding the auditor's involvement with the project.

RISK AND REWARDS OF ADVISORY SERVICES

The greatest risk of providing advisory services is the actual or perceived loss of independence.

The greatest risk of providing advisory services is the actual or perceived loss of independence. According to "Internal Auditing: Assurance and Consulting Services," there are two thresholds that auditors should not surpass when providing advisory services. Auditors must ensure that management responsibilities are not assumed, and auditors must not audit their own work. Auditing one's own work is self-explanatory, however, assuming management responsibilities is more open to interpretation. "Internal Auditing: Assurance and Consulting Services" describes assumption of management responsibilities as follows, "Internal auditors should not make ultimate decisions or execute transactions as if they were part of management."

Those in public universities could also be subject to the U.S. Government Accountability Office's (GAO's) *Government Auditing Standards*, also known as the *Yellow Book*. In Chapter 3 General Standards, Requirements for Performing Nonaudit Services, the *Yellow Book* lists 10 examples of management responsibilities. The following is a selection of these examples:

- Setting policies and strategic direction for the audited entity;
- Accepting responsibility for the management of an audited entity's project;
- Accepting responsibility for designing, implementing or maintaining internal control; and
- Providing services that are intended to be used as management's primary basis for making decisions that are significant to the subject matter of the audit.

Other risks associated with providing advisory services include: using limited audit office resources on less significant risks; not having the knowledge, skills or other competencies to perform a project; and suffering from a damaged reputation if services do not meet client expectations.

Building trust and better relationships with management is one of the greatest rewards of providing advisory services. These were also mentioned in the section on keys to successful advisory services because they are part of a virtuous cycle. Stronger relationships lead to greater involvement; this leads to a better reputation, which ultimately leads to being asked to be involved with more important projects. Building trust with management can also allow auditors to have greater access to organizational knowledge, which is critical to effectively assessing risk at the audit universe level.

Working on different types of projects also provides auditors with opportunities to develop new skills and knowledge. Advisory services projects particularly help auditors improve their understanding of the business, which is often cited as a key attribute of successful auditors. Finally, working with staff from other units helps auditors to become better at collaboration, which is essential to implementing positive change in higher education.

The IIA's new Mission of Internal Audit is "To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight." "To enhance and protect" really sums up

what internal audit can provide to its organizations. To enhance the organization by providing objective expert advice on operations, and to protect by looking for emerging issues and reviewing internal practices to assure leadership that all is well. Internal audit offices that can effectively provide both assurance and advisory services will be best equipped to deliver on fulfilling this mission to both enhance and protect their organizations. ■

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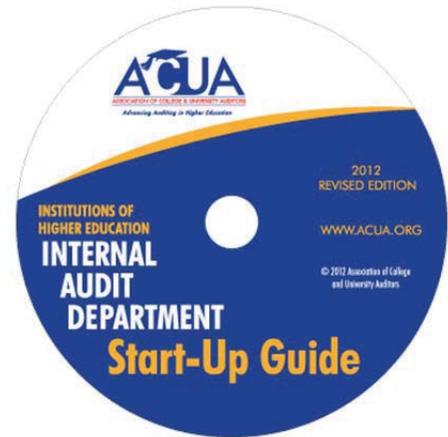


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START-UP GUIDE

The primary purpose of this guide is to serve as a reference tool, one of many you will likely use as you establish an audit function that best fits the needs and resources of your organization. The information and examples have been collected from very successful audit shops and truly represent many of the best practices in higher education internal audit. They may or may not fit your needs, but they will all provide valuable guidance and ideas as you work to establish your new audit department.



Contents of this guide include:

- Establishing the Authority of the Department with sample charters and policies
- Getting the Department Operational, with concrete advice on risk assessments, annual planning, quality assurance, fraud investigations, and marketing the new department
- Reporting to all constituencies, including examples of reports used by ACUA members
- List of resources and key terms
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Developing a Preventative and Sustainable P-Card Program

By Andrew Simpson

Purchasing card (P-Card) spending is on the rise, particularly among colleges and universities. The use of P-Cards is expected to increase 62 percent by 2018 reaching \$377 billion, according to the 2014 RPMG Purchasing Card Benchmark Survey. The expansion of P-Card programs and use is expected to continue given the myriad of benefits P-Cards offer including streamlining the procurement-to-pay process, lowering operational costs and taking advantage of supplier discounts. Originally, P-Cards were used for small dollar transactions to help reduce or eliminate the need for petty cash. However, while P-Card use has grown, it has become increasingly challenging to maintain compliance as organizations struggle to gain insights into their program. Analyzing high transaction volumes using spreadsheets and manually reviewing receipts becomes labor-intensive and inefficient.

TWO PERSPECTIVES, ONE COMMON GOAL

From the standpoint of internal audit, the objective of a P-Card system is to rid the organization of fraud, waste and abuse. While there are a variety of ways to search for fraud, most are not foolproof. Sampling is unreliable for detecting and preventing misuse, and card issuer applications provide limited data. Spreadsheets have capacity limitations and are prone to errors.

Many auditors have found success in using purpose-built data analytics tools to extract and analyze data from different sources and file types to detect instances of fraud, waste and abuse. These tools provide the ability to examine 100 percent of the P-Card program data. More than ever, auditors are embracing technology to stay ahead of risks and exposures that may lead to revenue losses.

From a business standpoint, the objectives are slightly different. While detection of misuse is important, stakeholders within the organization not only need to know that something went awry; they want to dive deeper into specific risk areas to identify underlying causes. Data analytics can help auditors look through high volumes of transactional data to identify anomalies, but it is often a reactionary approach. Infractions are seldom caught in time to recover funds. In fact, it takes an average of 24 months to detect procurement fraud at which time 89 percent of all proceeds are unrecoverable. The business goal is to stay well *ahead* of the problem.

PREVENT A CULTURE OF MISUSE

The tolerance threshold varies for every organization. If a \$300 million P-Card program incurs \$20,000 in annual misuse, the convenience and administrative cost savings may offset the loss. However, inappropriate spend involving large sums of money could quickly become newsworthy and damaging to the organization's reputation. Stakeholders need assurance that preventative measures are in place and working properly.

Transactional data can be analyzed, but misuse goes unnoticed without information from other sources such as accounts payables and human resources. For example, if John uses his P-Card to purchase gasoline while on vacation, the misuse is typically not found using traditional auditing techniques

“Continuous monitoring is about creating a sustainable internal control environment, not creating more work. It goes beyond identifying a single set of problems to providing actionable insights to the business. Organizations can create a collaborative environment where everyone works to strengthen controls, while expanding the P-Card program.”



ABOUT THE AUTHOR

Andrew Simpson, chief operating officer of CaseWare Analytics, has over two decades of experience in the information systems audit and security business, specifically data analytics, continuous controls monitoring, interrogation and forensics.

because fuel is a normal expense for John since his position requires business travel. John shares his clever cost-saving tactic with a close coworker, who begins to take advantage of similar weaknesses in the system for personal gain. The culture of misuse perpetuates and continues to go undetected.

When looking at exceptions, can you determine whether it was an isolated incident where clarification of policies and procedures need further explanation or a habitual problem? How many times has each employee violated the policies? Was one person in violation while the majority followed policy? Is there a department that tends to have multiple violations on a regular basis? Is misuse related to specific spending areas? These questions can only be addressed if the analysis includes data from different sources, such as employee data, category of spend, etc.

Running data analytics to test P-Card data provides some valuable details about exceptions, especially when you incorporate multiple data sources including:

- P-Card Transaction Data – Provided by the card issuer and contains records of all transaction details including merchant category code, item description, purchase date, amount and vendor name.
- Cardholder Master – Provided by the card issuer and contains data for all cardholders in the P-Card program. Details include last four digits of each card, monthly card limit, card status, date issued, etc.
- Employee Master File – File of employees with details such as employee name, identification number, department, vacation schedule and employment status.
- Expense Signoff – Expenses submitted by employees with details such as purchase date, cardholder comments and manager signoff details.
- Accounts Payable (AP) – Lists payments made by AP and details such as invoice date and number, vendor name, item description and transaction amount. This data can be used to detect duplicate transactions across P-Card and AP processes.

Additionally, if the organization uses an expense management system such as Concur, data can be automatically extracted and analyzed on a regular basis to ensure compliance. Expense management systems allow employees to submit expenses for approval and/or reimbursements.

Broadening the scope of data being examined helps bridge gaps and allows you to see fraud schemes that would be impossible to detect otherwise.

ASSESS RISK AND CONTROLS

To gain an understanding of the unique ways P-Cards are being used within the organization, and whether policies and procedures are being followed, perform a risk and controls assessment. By testing historical data, you can establish a benchmark to gauge the severity of issues and identify problem areas. Begin by comparing current data with the year prior to detect patterns for normal or abnormal spending trends. Calculate average spends by department to look for outliers and unusual spend patterns. Historical data is useful for assessing the entire data population year to year.

Examples of Analytics Tests/Queries:

- Monitor for duplicate payments between P-Card merchants and Accounts Payable vendors
- Check for charges at inappropriate or unusual merchants (i.e. department stores, cash, personal care) by MCC code or vendor name keyword search
- Pinpoint split charges to circumvent purchasing card limits
- Identify cards used by terminated employees and/or employees on leave of absence
- Search for expenses that may be approved without verification of receipt
- Look for cardholders who made purchases on weekends or holidays
- Check for unused or duplicate cards, which may be causing unnecessary liability
- Search for sales tax charges. As a non-profit organization, most universities are exempted from sales tax.
- Identify the top 20 spenders to pinpoint which cardholders have the highest total purchases

Next, break the queries down into sub-processes to pinpoint problem areas such as:

- Card issuance: Involves the assignment of cards to appropriate departments and employees
- P-Card usage: Involves examining card spend across departments and employees to detect outliers or unusual spending patterns
- Policy management: Determine whether existing policies and procedures are being followed by all employees

Reliable Remediation

When an exception is detected, how is it dealt with, or is it dealt with at all? Traditional remediation, usually involving emails, is time consuming, unreliable and error prone. Multiple follow-ups are necessary between several parties to ensure resolution, and managers are not always updated about whether or not the issue has been resolved. Continuous monitoring also automates remediation follow-ups until resolution is achieved; including escalation if the issue is not addressed within a set timeframe. This process can be customized to align with business processes and structure.

Get the Big Picture of the P-Card Program

Continuous monitoring tools offer dashboards that present information graphically on key program metrics such as the amount of spend across a period of time and the level of exceptions. Dashboards can be configured based on what the end users want to see or what information is beneficial to department leaders.

Reviewing trend and patterns can help gauge the performance of controls and policies, and identify any potential gaps that need addressing. Visualization helps the end user consume data and insights by looking at patterns, not just rows and columns of numbers. Trends become more apparent, and the data becomes more useful to everyone participating in the review process.

Sustained Growth

P-Card programs often lose the support of top management if there are repeated cases of misuse, especially if they are discovered too late to take corrective action and recover losses. The administrative cost savings, convenience and efficiency gains associated with using P-Cards benefits the organization, but only if exposure and risk are managed properly. Management needs assurance that policies and procedures are being followed, and audit is staying ahead of misuse.

The University of Miami, which includes academics, hospitals and research facilities, is growing at a rapid pace. Their growth will undoubtedly lead to an increase in P-Card use. The university's internal audit department has already taken steps to move from periodically reviewing random samples of P-Card transactions to continuously monitoring 100 percent through the use of data analytics technology. Exceptions are shared with department managers to provide a comfort level about how P-Cards are being used within the organization, and whether policies and procedures are being followed.

“As our corporate cards program grows, we provide assurance at both the department and management levels that we have sufficient policies and procedures in place to review transactions,” said Hiram Sem, Executive Director of Treasury Operations and Cash Management, University of Miami. “Card holders must understand they are responsible and accountable, but we must also carefully monitor expenditures to identify unauthorized charges early. Technology has helped us refine our review process and handle larger data volumes that come with expansion.”

The value of continuous monitoring reaches well beyond exception detection. There are three advantages driving the trend towards continuous monitoring:

- access to more data sources to get a complete picture of what is transpiring within the organization;
- the ability to assess whether policies are being followed; and
- the empowerment to improve business processes by gaining deeper insights.

When an organization is working towards a problem-free environment, it provides a sustainable process to proactively look for and address issues. When employees know every transaction is being monitored, it creates a catalyst for behavioral changes within the organization. ■



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ACUA Awards Presented at the 2015 Annual Conference

The Awards Committee announced the winners of the Outstanding Professional Contributions and the Member Excellence in Service awards at the 2015 Annual Conference in Indianapolis, Indiana.

OUTSTANDING PROFESSIONAL CONTRIBUTION AWARD

The **Outstanding Professional Contribution Award** was presented to **Betty McPhilimy** from Northwestern University. This award recognizes a member who has made outstanding and noteworthy contributions to the profession by creating wider recognition of internal auditing in higher education, by promoting cooperative relationships with other governance-related organizations, by promoting high professional standards and sustained service to higher education and internal auditing professional organizations.



Betty McPhilimy (center) receives the Outstanding Professional Contribution Award with the Awards Committee Chair Gail Klatt (left) and ACUA President Vijay Patel (right) at the Annual Conference in Indianapolis, Indiana.

McPhilimy's many notable contributions to the profession have served to fulfill the fullest definition of internal auditing, increased advocacy efforts on behalf of the profession and promoted internal audit's role in advancing governance and ethics. She has literally taken the message of internal auditing, and its value, around the world. She has represented each of us, and advocated for our profession, in countries near and far, in her service as the global chairman of the board for the Institute of Internal Auditors. She has enhanced internal audit's role in governance at Northwestern University by facilitating its Enterprise Risk Management initiative and chairing its Compliance and Risk Steering Committees. She has demonstrated her commitment to professional competency by earning the CIA, CPA, CFE and CRMA credentials. Her commitment to the development of our future leaders and the continuous improvement of internal audit practices include serving as a mentor for the ACUA *Leads!* program, since its inception, and serving as a volunteer on numerous quality assurance reviews. McPhilimy recently co-authored an article with two other chief audit executives from AAU universities on the value of quality assurance reviews for the *Trusteeship* journal of the

Association of Governing Boards. McPhilimy's contributions to the profession have been widely recognized by others as well. She was awarded the Victor Brink Award for Distinguished Service to the Profession in 2010 and was inducted into The IIA's prestigious American Hall of Distinguished Audit Practitioners in 2014.

MEMBER EXCELLENCE IN SERVICE AWARD

The **Member Excellence in Service Award** was presented to **Julia Hann** from Georgia College and State University.

This award recognizes a member who has made outstanding contributions to the mission of ACUA through exceptional service. Hann's long resume of volunteer service to ACUA certainly met the high standard deserving of this award. Nominators described her as enthusiastic, dedicated, courageous, visionary, radical, lively and spirited – all exceptional attributes for volunteer leadership. Her ability to generate enthusiasm and its gravitational pull on others to volunteer has earned her the reputation as a “Pied Piper” of ACUA volunteerism. Hann has been a major driver of the quality of ACUA's Annual Conference having served as the conference director for over three years. During her tenure, conference attendees saw the return of the host committee, enhanced recognition of session proctors, the addition of bonus sessions and table topic lunches – all because of her efforts to keep the conference fresh and engaging. Hann was also the driving force behind the Internal Audit Awareness Committee. As its inaugural chair, Hann recruited 20 volunteers; oversaw the creation of a website and library of resources, the production of a webinar; and collaborated with The IIA to promote Internal Audit Awareness month.



Julia Hann (center) receives the Member Excellence in Service Award with the Awards Committee Chair Gail Klatt (left) and ACUA President Vijay Patel (right) at the Annual Conference in Indianapolis, Indiana.

The Awards Committee members had the privilege to review many outstanding nominations this year, and the difficult job of selecting those to be honored by these awards. The committee would like to thank all of the ACUA members who took the time to recognize the contributions and service of their colleagues. ■

The 2015 Awards Committee consists of Gail Klatt, University of Minnesota, (Chair); Robert Gerber, Cuyaboga Community College; Vallery Morton, University of Central Florida; Victoria Escalera, University System of New Hampshire; and Gail Nishida from Chapman University.

ACUA Board Establishes the New *Rising Star* Award

Appreciating that the strength of the ACUA organization lies with its volunteer members, the ACUA Board approved the establishment of a new *Rising Star* award to recognize the contributions of members who may not have the long track record of contributions that are recognized by the existing Outstanding Professional Contributions and Membership in Service awards, but who are demonstrating the initiative and involvement that is critical to ACUA's ongoing success.

The purpose of the award is to recognize, annually, an “up and coming” member who has made significant individual contribution(s) in the areas of internal audit, compliance or risk management that furthers the mission of ACUA. The award is intended to spotlight, cultivate and recognize those developing the personal initiative and commitment to positively impact higher education auditing. Contributions could include:

- Developing a new program or member service
- Redesigning or enhancing an existing member service
- Doing specific professional outreach on behalf of ACUA

All present or former employees working in internal audit, compliance or risk-related areas of regular member institutions are eligible except for those who have been or are currently elected officers or Board members.

Nominations for all ACUA awards are due by July 31 each year. Nominations should be submitted through the online forms located on the ACUA website. ■



What is the ACUA Risk Dictionary?

The ACUA Risk Dictionary is a comprehensive database of risks and their associated controls for areas specific to higher education. Higher Education audit departments can use the risk dictionary for identification of an audit universe specific to higher education which can be used for performing their annual risk assessments and preparing their annual audit plan.

The ACUA Risk Dictionary can also be used to prepare project level risk assessments for areas such as:

- NCAA Compliance
- Student Financial Aid
- Export Controls
- Research Compliance and many more!

After having identified the risks for your audit project, the ACUA Risk Dictionary contains the associated controls which can then be used to prepare an audit program to test whether the proper controls exist.

Is the ACUA Risk Dictionary for YOU?

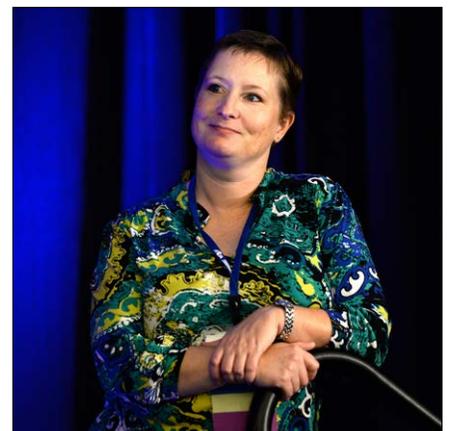
Business officers, risk officers, compliance officers and other higher education leadership can use the ACUA Risk Dictionary to provide a comprehensive list of areas that could likely need their attention. For someone new to their position or new to higher education, the ACUA Risk Dictionary will be especially beneficial in identifying not only broad areas where inherent risks are common, but also specific risks within those areas and their associated controls.

In the absence of a formal risk management structure, the ACUA Risk Dictionary provides a concrete and comprehensive starting point for identifying, evaluating, and managing risks across the organization.

You now have the ability to submit new risks and controls for the dictionary. The Risk Dictionary is a living document, so check it out with an eye toward what you can contribute.

The ACUA Risk Dictionary is available for *FREE* as a benefit of ACUA membership or by subscription to non-members.

Highlights From the 2015 Annual Conference in Indianapolis, Indiana



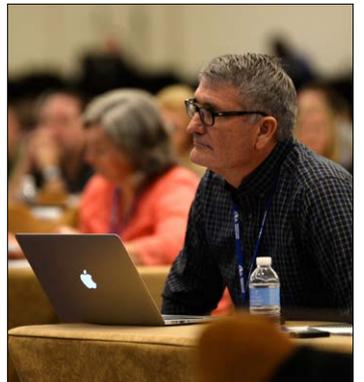
Members



Members



Members



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Members



BEST PRACTICES COMMITTEE OFFERS SURVEY ASSISTANCE

Do you have a few questions that you'd like to benchmark with your ACUA peers? We are available to assist ACUA members in the development of simple (up to 10 questions), ad-hoc, online surveys designed to get to the heart of issues and provide high-quality feedback.

Please contact Best Practices Committee member Jon Clark Teglas at jcteglas@vt.edu to discuss your particular needs.

Quality Assessment Review (QAR) Report Comment Repository

Facilitated by the ACUA Best Practices Committee

In Development Now

QAR report comment repository (including recommendations and best practices):

- Identification of relevant issues.
- Proactive preparation for your next external QAR.
- Compilation and analysis of aggregate data to provide useful statistics on common problem areas.

Help Us Help You

Consider sharing your QAR report. The more reports in the repository, the more useful the tool will be! Only generic information will be included (institutions will not be identified).

Submit Your Report

1. Login to www.ACUA.org.
2. Navigate to the Resources tab > Audit Tools > Quality Assurance Review.
3. Follow the Web page instructions for submitting your QAR report.

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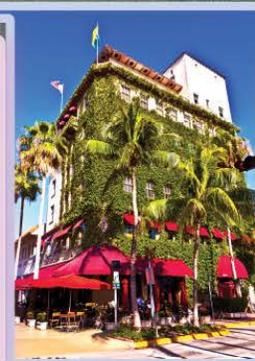
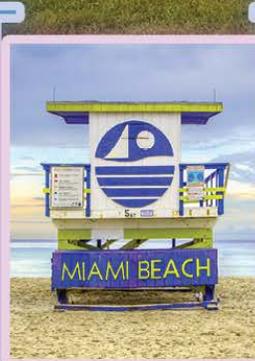
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Members

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TeamMate AM is an end-to-end audit management system designed to help auditors and department leadership manage all aspects of the audit process. TeamMate streamlines the processes of risk assessment, scheduling, time tracking, work paper documentation, issue identification and tracking, and reporting, giving you more time to focus on true value-added elements of your audit work.



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CONTROLS

Managing the numerous and complex regulations and control standards now in place around the world can be a daunting task. Organizations still struggle to find the right solution to manage their controls and address compliance with mandates such as COSO 2013, Sarbanes-Oxley, COBIT, and others. TeamMate CM's streamlined and user-friendly design eliminates the pain of dealing with overly-complex systems or a jumble of spreadsheets.



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