



Department of Natural Resources

Payment Card Audit

Audit Period: December 2011 through May 2012

Results Summary:

Objective	Conclusion
Issuance and Cancellation Process	Well-Controlled with Improvement Needed
Usage and Compliance with Policies & Procedures	Improvement Needed
Payment Card Efficiencies	Well-Controlled with Improvement Needed

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Executive Summary

Background

The State of Ohio's Payment Card Program is designed to make purchases for goods and services below a specified amount without undue delay. Use of the card is meant to simplify and streamline the acquisition process and lower overall transaction costs. In addition to the payment card, the program has an electronic invoicing and payment process, which lowers the amount of time spent processing invoices for payment. From December 2011 through May 2012, the Ohio Department of Natural Resources (DNR) had 24,752 payment card transactions, totaling approximately \$5,723,310.

During the audit, OIA identified opportunities for DNR to strengthen internal controls and improve business operations. A summary, along with detailed observations, has been provided. OIA would like to thank DNR staff and management for their cooperation and time in support of this audit. This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform assurance work related to the payment card process. This work was completed between September and November 2012. The scope of this audit was limited to the payment card process. The audit objectives included:

- Evaluate the design and effectiveness of payment card issuance and cancellation process.
- Evaluate the design and effectiveness of payment card usage in compliance with established policies and procedures.
- Evaluate the operational effectiveness of the payment card administration.

OIA's sampling of payment card transactions was judgmentally selected to identify and test transactions that represented a potential higher risk. As a result, noncompliance reported may not be representative of the entire population of payment card transactions.

Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.



Observation 1 – Payment Processing

An adequate system of internal controls should be in place to prevent improper use of payment cards, including timely approval of payment card transactions by the cardholder, the cardholder’s supervisor, and the approver/reconciler.

A review of payment card transactions made by the Agency from December 2011 through May 2012 revealed an instance in which the approver/reconciler approved the transaction prior to the cardholder and supervisor approving the transaction; instances where the supervisor did not approve the payment card log in a timely manner; and instances in which OIA was unable to determine if reconciliations were performed prior to approval because the approver/reconciler did not record the date he/she reconciled the payment card log.

Failure of internal controls can lead to an increase in the risk of improper use of payments cards, including fraud or misspending.

Recommendation

Review policies and procedures with cardholders, cardholder’s supervisors, and approvers/reconcilers to reinforce the importance of performing and evidencing timely reviews and approvals of payment card transactions.

Management Response

Management will implement a process to inform all payment cardholders of their responsibility to submit the weekly payment card log promptly to the supervisor for review and approval.

Supervisors will be reminded of the requirement that the supervisor review, sign and date the payment card log promptly upon receipt of the log from the employee. Supervisors will be reminded that they must perform the review of the log prior to the payment card reconciler making payment.

Within 60 days payment card holders and supervisors of payment card holders will be trained on the proper time lines, approvals and review process required of payment cards.

Risk	Remediation Owner	Estimated Completion Date
Moderate	P-Card Administrator Supervisor	February, 2013



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee