Department of Developmental Disabilities

Payment Card Transaction Review Audit

Audit Period: October through December 2016

Results Summary:

Objective	Conclusion *
Payment Card Transaction Controls	**Improvement Needed**

* Please refer to Appendix A for classification of audit objective conclusions.

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 October through December 2016, the Department of Developmental Disabilities (DDD) had 4,470 payment card transactions totaling approximately $1,080,644.

During the audit, OIA identified opportunities for DDD to strengthen internal controls and improve business operations. OIA conforms to the *International Standards for the Professional Practice of Internal Auditing.* OIA would like to thank DDD 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

Through the utilization of automation and data analysis, OIA staff performed an assurance audit over payment card transactions processed October through December 2016. This work was completed during February and March 2017. The objective of the review was to evaluate the effectiveness of payment card transaction controls through data analysis.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations identified during the course of the engagement would be discussed with individual agency management and are not part of this report. However, there were no low risk observations identified for this engagement.

Observation 1 – Payment Card Testing Exceptions

The State of Ohio Payment Card Policies and Procedures Manual contains requirements for use of state payment cards. Requirements include:

- Cardholders shall not intentionally split a purchase with the intent of processing two or more transactions that total more than the cardholder's transaction limit.

OIA tested a sample of 18 potential groupings of split payment transactions that occurred during the period of October through December 2016 and noted the following:

- For eight (44%) transactions, the transactions appear to have been split to circumvent the cardholder transaction limits.

Additionally, OIA noted a transaction processed that included the full credit card information (including card number, expiration date, and CVC code) in the supporting documentation attached in OAKS.

Employees willing to bypass state payment card rules and internal policies increase the Department's risk of fraud waste and abuse, in addition to the risk that other policies will be intentionally disregarded. Employees making multiple purchases at the same vendor over several days, or several employees purchasing similar items at the same vendor, at the same time, is not an efficient use of employee time. Additionally, failure to properly safeguard credit card information increases the likelihood that sensitive information is lost, stolen or compromised and could result in a damaged reputation to DDD and the State of Ohio.

Recommendation

Continue to train and/or remind agency payment card holders and supervisors/approvers of the payment card rules, including: purchasing limits and the process for requesting a temporary transaction limit increase. Agency management may want to consider utilizing purchase orders rather than payment cards so employees who must make large purchases are able to do so without circumventing State policy.

Additionally, train staff to ensure they do not write down complete credit card information and retain it internally or allow the vendor to retain it in this format. In the event this happens, securely destroy the credit card portion of the forms containing sensitive data after processing and retain only the credit card receipt that displays the last four digits of the card number as evidence of the transaction.

Management Response

The DDD has recently created an agency Payment Card Guide to reiterate the policies and procedures set forth by OBM and the Department of Administrative Services (DAS) regarding procurement guidelines and use of the payment card. DDD's Payment Card Guide is in the

process of being updated due to the recent P-card Program's enhancements.

When the updated guide is distributed, within the communication, DDD Fiscal Administration will be reiterating that full credit card numbers must be redacted from any supporting documentation that will be attached in OAKS or placed within any files to include electronic files.

In regards to the appearance of split transactions potentially initiated to avoid limits due to multiple transactions with the same supplier, all employees under the payment card program will also be reminded that this practice is unacceptable.

Furthermore, any employee that will be associated with DDD's P-card Program shall be required to review and acknowledge the review of the payment card guide. This will include individuals in the following roles: cardholders, supervisors, reconcilers, and/or approvers. The acknowledgement forms will be collected and placed on file.

In summary, to become more efficient within DDD's P-card program, Fiscal will be updating the P-card guide, policy and procedures to include referencing purchase orders, managing purchase orders associated with P-card transactions and thresholds, in addition to communicating other key internal control steps to all DDD's P-card program participants.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Payment Card Administrator	July 2017

* Refer to Appendix A for classification of audit observations.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

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