Texas Southern University

Internal Audit of Procurement Cards

October 21, 2026

weaver

Assurance • Tax • Advisory

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Board of Regents
Texas Southern University
3100 Cleburne St.
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This report presents the results of the internal audit procedures performed for Texas Southern University (the University) during the period March 1, 2025, through October 6, 2026, relating to the Procurement Card processes of the University.

The objectives of the internal audit were to evaluate the design and effectiveness of Texas Southern University's Procurement Card processes as follows:

A. Determine whether internal controls over P-Cards, T-Cards, and One-Cards are designed to efficiently and effectively address risks within the processes and ensure compliance with applicable standards.
B. Ensure that controls over selected high-risk processes within the P-Card, T-Card, and One-Card processes are operating efficiently and effectively.

To accomplish these objectives, we conducted interviews and walkthroughs with key personnel within the Procurement Department. We also examined existing documentation, evaluated internal controls over the processes, and performed specific testing procedures to assess controls. Our coverage period was March 1, 2025, through February 28, 2026. Procedures were performed in-person and remotely and an exit meeting was conducted on October 6, 2026.

The following report summarizes the findings identified, risks to the organization, recommendations for improvement and management responses.

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Austin, Texas
October 21, 2026

Texas Southern University

Internal Audit of Procurement Cards

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Background

Texas Southern University's Procurement Services Department administers and oversees the University's Procurement Card (P-Card), Travel Card (T-Card), and One-Card programs, which are designed to facilitate the efficient purchase of goods and services and the timely payment of approved travel-related expenditures. Procurement Services is responsible for issuing cards to authorized employees, establishing and monitoring spending limits, ensuring compliance with University policies and procedures, and maintaining effective oversight of card usage. The department also oversees transaction review and reconciliation activities, including ensuring that supporting documentation is maintained, expenses are appropriately approved, transactions are accurately coded and recorded, and card activity is reviewed for compliance with applicable requirements. Additionally, Procurement Services is responsible for monitoring card activity, investigating potential policy violations, enforcing merchant category restrictions, and reporting compliance matters to management. Through these processes, the University seeks to promote operational efficiency while maintaining accountability and safeguarding institutional resources.

Given the decentralized nature of card usage and the risks associated with unauthorized purchases, inadequate documentation, untimely reconciliations, policy noncompliance, and inappropriate system access, effective controls are critical to ensuring the integrity of the University's card programs. In addition, increasing scrutiny over payment card transactions and regulatory expectations regarding the use of payment cards highlight the importance of maintaining strong governance and oversight processes. As a result, an internal audit was conducted to assess the adequacy of existing controls, identify opportunities for process improvement, and provide assurance that card-related activities are conducted in accordance with University policies, applicable regulations, and sound internal control practices.

Audit Objective and Scope

This audit focused on the design and effectiveness of Texas Southern University Procurement Card processes in place. The scope of the engagement included Procurement Cards (P-Cards), Travel Cards (T-Cards), and One-Cards. The audit included an evaluation of the Procurement Card processes and internal controls currently in practice covering the activities within key process areas including:

- Governance and Utilization
- Transaction Review and Reconciliation
- Monitoring and Compliance Oversight

Our procedures were designed to ensure relevant risks were covered and verify the following:

<u>Governance and Utilization</u>

- Cards were issued only to authorized employees based on documented business need.
- Card spending limits were established, approved, and aligned with employee roles and responsibilities.
- Cards were used only for allowable purchases in accordance with University policy.
- Prohibited purchases (e.g., personal, split transactions, restricted merchant categories) were prevented or detected.
- Card usage was limited to low-dollar, low-risk transactions and did not circumvent procurement or bidding requirements.
- Card activity was suspended or revoked timely for terminated, transferred, or inactive cardholders.
- Card training and policy acknowledgements were completed prior to card issuance and periodically thereafter.

Transaction Review and Reconciliation

- "Authority to Travel" Forms were completed appropriately and timely before any travel costs were incurred.
- Card transactions were reconciled timely in accordance with University policy.
- Supporting documentation was complete, accurate, and retained for all P-card, T-card, and One-card transactions.
- Transactions were reviewed and approved by an independent supervisor with appropriate authority.
- Actual expenses were reconciled to approved travel expenses per the "Authority to Travel' Form following the completion of the trip.
- Business purpose and account coding were documented and reviewed for appropriateness.
- Sales tax was appropriately reviewed and corrected when improperly charged.
- Disputed or questionable transactions were identified, documented, and resolved timely.
- Reconciled transactions were accurately posted to the general ledger.

Monitoring and Compliance Oversight

- Card activity was periodically monitored for unusual, high-risk, or noncompliant spending.
- Split transactions and serial purchases were identified and evaluated.
- Merchant category code (MCC) restrictions were established and enforced.
- Exception reports were reviewed and followed up on a timely basis.
- Repeated or significant policy violations were escalated and addressed through corrective action.
- Card compliance metrics and trends were reported to management periodically.

Our procedures included interviewing key personnel within Procurement Services to gain an understanding of the current processes in place, examining existing documentation, performing walkthroughs, and evaluating the internal controls over the process. We evaluated the existing policies, procedures and processes in their current state. Our coverage period was March 1, 2025, through February 28, 2026.

The objectives of this internal audit were as follows:

A. Determine whether internal controls over P-Cards, T-Cards, and One-Cards are designed to efficiently and effectively address risks within the processes and ensure compliance with applicable standards.
B. Ensure that controls over selected high-risk processes within the P-Card, T-Card, and One-Card processes are operating efficiently and effectively.

Texas Southern University

Internal Audit of Procurement Cards

October 21, 2026

Executive Summary

Through our interviews, evaluation of internal control design and testing of transactions, we identified seven findings. The listing of findings includes those items that have been identified and are considered to be non-compliance issues with documented Texas Southern University policies and procedures, rules and regulations required by law, or where there is a lack of procedures or internal controls in place to cover risks to the University. These issues could have significant financial or operational implications.

A summary of our results, by audit objective, is provided in the table below. *See the Appendix for an overview of the Assessment and Risk Ratings*.

OVERALL ASSESSMENT	Satisfactory

SCOPE AREA	RESULT	RATING
Objective A: Determine whether internal controls over P-Cards, T-Cards, and One-Cards are designed to efficiently and effectively address risks within the processes and ensure compliance with applicable standards.	Controls are generally in place; however, we identified that: • The University relies on decentralized and largely manual communication processes to identify employees requiring purchasing card deactivation. • The post-travel reconciliation process has not been documented in University policy or procedures. • Management has not established monitoring procedures or data analytic reviews to identify potential split transactions and serial purchases. • Management has not established formal procedures requiring the collection, analysis, and reporting of purchasing card compliance metrics and spending trends.	**Satisfactory**
Objective B: Ensure that controls over selected high-risk processes within the P-Card, T-Card, and One-Card processes are operating efficiently and effectively.	Controls are generally operating effectively; however, we identified that: • Required approvals for entertainment privileges were not consistently obtained prior to incurring entertainment expenses. • Management has not established sufficient monitoring procedures to ensure reconciliations are completed and approved by required deadlines. • Cardholders and approvers did not consistently identify or correct instances where sales tax was charged on otherwise eligible purchases.	**Satisfactory**

Conclusion

Based on our evaluation, Procurement Services has procedures and controls in place designed to mitigate risks within the significant processes. Additionally, our testing did not reveal any misuse or abuse of P-cards, T-Cards or One-Cards. However, we identified opportunities to strengthen the P-Card, T-Card, and One-Card process and effectiveness of controls within the Department.

Most significantly, management should strengthen purchasing card administration controls by establishing procedures for timely card cancellation, implementing a standardized notification process between Human Resources and Procurement Services, and performing periodic reconciliations of active cardholders.

The University should strengthen travel expense controls by implementing standardized post-travel reconciliation procedures, including review of actual expenditures against approved travel amounts, documentation of significant variances, and retention of evidence supporting reconciliation and approval activities.

Management should strengthen controls over split transactions and serial purchases by implementing monitoring procedures and periodic data analytics to identify potentially noncompliant purchasing activity. Management should also strengthen oversight of purchasing card activity by implementing a monitoring program with periodic analysis of cardholder transactions and compliance metrics.

The University should strengthen supervisory review procedures over procurement card transactions to ensure entertainment-related expenditures are evaluated for compliance with University requirements prior to approval and payment. Additionally, we recommend strengthening purchasing card reconciliation compliance by reinforcing approval requirements, implementing monitoring procedures for overdue reconciliations, and establishing escalation processes for recurring noncompliance.

Lastly, management should strengthen compliance with the University's tax-exempt purchasing requirements by enhancing cardholder training, reconciliation procedures, and monitoring activities.

Follow-up procedures will be performed in Fiscal Year 2027 to evaluate the effectiveness of remediation efforts taken to address the findings identified.

Detailed Procedures Performed, Findings, Recommendations and Management Response

Detailed Procedures Performed, Findings, Recommendations and Management Response

Our procedures included interviewing key personnel within the University's Procurement Services Department to gain an understanding of the current processes in place, examining existing documentation, performing walkthroughs, and evaluating the internal controls over the process. We evaluated the existing policies, procedures and processes in their current state.

Objective A: Design of Internal Controls

Determine whether internal controls over P-Cards, T-Cards, and One-Cards are designed to efficiently and effectively address risks within the processes and ensure compliance with applicable standards.

Procedures Performed: We gained an understanding of the current Procurement Card processes by conducting interviews and walkthroughs with key personnel within Procurement Services and examined existing documentation. We documented our understanding of the processes and identified controls over the following critical processes:

- Governance and Utilization
- Transaction Review and Reconciliation
- Monitoring and Compliance Oversight

We evaluated whether the identified internal controls are sufficiently designed to comply with University policies and procedures and mitigate critical risks associated with the P-Card, T-Card, and One-Card processes. We identified any unacceptable risk exposures due to control design inadequacy and any opportunities to strengthen the effectiveness of the existing control design.

Governance and Utilization

Finding 1 – High – Card Cancellation for Terminated Employees:
The University relies on decentralized and largely manual communication processes to identify employees requiring purchasing card deactivation. Management has not established service-level expectations, monitoring controls, reconciliation procedures, or documentation retention requirements to ensure purchasing cards are cancelled timely and that evidence of the process is retained.

The University's Payment Card Manual requires the Cardholder/Department Business Administrator (C/DBA) to notify the Purchasing Card Coordinator when a purchasing card should be cancelled due to employee separation, transfer, leave of absence, loss of business need, inappropriate card use, or other qualifying circumstances. The manual also requires cardholders to relinquish their purchasing cards when employment is terminated, suspended, transferred, or when their job responsibilities no longer require purchasing card privileges.

Although the Payment Card Manual assigns notification responsibilities to personnel in that employee's department, the actual process for identifying employees requiring card cancellation varies depending on the nature of the personnel action. For example, Human Resources is generally responsible for notifying the Purchasing Card Coordinator when an employee separates from the University, while other departments may be responsible for communicating employee transfers or other status changes. Upon receiving notification, the Purchasing Card Coordinator determines whether the individual is an active cardholder and, if applicable, deactivates the card. However, notifications are not always provided timely or consistently.

Additionally, the University relies on manual communication to identify employees requiring card deactivation and has not established:

- A timeframe for cancelling purchasing cards following employee separation, transfer, or other qualifying events;
- Independent monitoring procedures to identify active purchasing cards assigned to terminated or transferred employees; or
- Documentation retention requirements sufficient to demonstrate timely notification and card cancellation.

To evaluate compliance with card cancellation requirements, we reviewed 25 cardholder records associated with terminated employees, transferred employees, or other qualifying events requiring card deactivation. During testing, we identified the following:

- For 3 of 25 samples (12%), the University could not provide sufficient documentation to demonstrate when notification of the employee's separation, transfer, or other qualifying event was provided to the Purchasing Card Coordinator. Although card deactivation dates were available, we were unable to determine whether card cancellations occurred timely because supporting notification records were not maintained.
- For 10 of 25 samples (40%), purchasing cards were not cancelled timely following an employee's separation or transfer. Specifically:
    - Three instances lacked evidence that the Purchasing Card Coordinator was notified of the personnel action.
    - Four instances involved notifications that were provided after the employee's separation date, resulting in delayed card cancellation. One of these involved a cardholder who maintained both a Travel Card and Purchasing Card.
    - One instance involved a cardholder who maintained both a Travel Card and Purchasing Card. Although the Purchasing Card Coordinator received timely notification before the employee's termination, the cards were not cancelled until five days after the employee's separation date due to delays in processing the cancellation.

As a result, the University cannot consistently demonstrate that purchasing card privileges are removed promptly when employees separate from or transfer within the University.

Recommendation: We recommend management:

- Establish requirements defining the timeframe for cancelling purchasing cards following employee separation, transfer, or other qualifying events.
- Develop a standardized notification process between Human Resources, departmental administrators, and Procurement Services.
- Implement periodic reconciliations between active cardholder listings and Human Resources personnel records to identify cardholders who have separated, transferred, or otherwise no longer require card privileges.
- Implement monitoring controls and escalation procedures for overdue card cancellations.
- Establish documentation retention requirements for notification and cancellation records.
- Maintain evidence of notification dates, card deactivation dates, and management review activities to support compliance monitoring.

Management Response: Management agrees that the process for identifying and deactivating purchasing cards associated with separated, transferred, or otherwise ineligible employees should be strengthened.

Human Resources, Procurement Services, Finance and Business Administration, and applicable departments will establish a standardized notification and card-deactivation process. The revised process will define required notification and cancellation timeframes, identify responsible parties for separations and transfers, and establish documentation-retention requirements.

Procurement Services will also implement a periodic reconciliation of active cardholders against Human Resources personnel records to identify cards associated with terminated, transferred, or otherwise ineligible employees. Exceptions will be documented, investigated, and escalated when cancellation requirements are not met.

Management will retain evidence of the personnel notification date, card-deactivation date, reconciliation, exceptions identified, and management follow-up.

Responsible Party: Interim SAVP Procurement and Chief Procurement Integrity Officer; Interim Chief HR Officer
Implementation Date: February 28, 2027

Transaction Review and Reconciliation

Finding 2 – Low – Post Travel ATF Expense Reconciliation:
While department Business Administrators perform post-travel reconciliations, the process has not been documented in University policy or procedures. Furthermore, management has not established requirements for documenting travel cost variances, obtaining additional approvals for expenditures that exceed approved amounts, or retaining evidence of management review.

The University requires employees to complete an Authority to Travel Form (ATF) prior to travel that documents the business purpose of the trip and estimated travel costs. Department Business Administrators (DBAs) are expected to reconcile actual travel expenses to the approved amounts on the Authority to Travel Form following the completion of travel. However, this reconciliation process, including procedures for reviewing and approving travel cost variances, has not been documented in University policy or procedures.

To assess compliance with approved travel budgets, we reviewed 25 travel-related purchasing card transactions and compared actual travel expenditures to the amounts approved on the corresponding Authority to Travel Forms. We identified one exception (4%) where actual travel expenses exceeded the approved travel amount. In these instances, supporting documentation was not available to demonstrate that the increased costs were reviewed, justified, or approved by appropriate management personnel.

As a result, management may not have sufficient assurance that travel expenditures exceeding approved budgets are reasonable, necessary, and consistent with University expectations.

Recommendation: We recommend management:

- Document the post-travel reconciliation process within University travel policies and procedures.
- Require DBAs to compare actual travel expenditures to approved Authority to Travel amounts following completion of travel.
- Establish variance thresholds and require documented explanations for material differences between approved and actual expenditures.
- Require supervisory or departmental approval when actual travel expenditures exceed approved amounts.
- Maintain documentation evidencing reconciliation, variance review, and approval activities.
- Periodically monitor travel expenditures to identify recurring travel budget overruns and opportunities for strengthening spending controls.

Management Response: Management agrees that the post-travel reconciliation process should be formally documented and consistently applied.

Finance and Business Administration, in coordination with Procurement Services, will document procedures requiring Department Business Administrators to compare actual travel expenditures to the approved Authority to Travel amount following completion of travel.

The revised process will establish requirements for documenting variances, identifying the circumstances requiring additional approval, retaining supporting documentation, and escalating expenditures that exceed approved amounts without adequate justification.

Management will also establish periodic monitoring to identify recurring travel budget variances and areas requiring additional training or corrective action.

Responsible Party: Interim SAVP Procurement and Chief Procurement Integrity Officer
Implementation Date: March 31, 2027

Monitoring and Compliance Oversight

Finding 3 – Moderate – Split Transactions and Serial Purchases Monitoring:
Management has not established monitoring procedures or data analytic reviews to identify potential split transactions and serial purchases. Current oversight primarily relies on decentralized departmental review processes, which may not detect patterns occurring across multiple transactions, vendors, or reporting periods.

The University's Purchasing Card Program prohibits cardholders from attempting to make purchases that exceed their delegated purchasing authority or from making multiple purchases from the same vendor to circumvent purchasing limits and procurement requirements. Specifically, cardholders are prohibited from splitting a purchase into multiple transactions or making serial purchases intended to avoid established purchasing thresholds. Purchasing card transactions are reviewed as part of the normal statement reconciliation and approval process. However, the University has not implemented a monitoring process or analytic review designed to identify potential split transactions or serial purchases across cardholders, vendors, or reporting periods. As a result, the University relies primarily on manual reviews, which may not consistently detect transactions structured to circumvent purchasing requirements.

Without a monitoring process, management's ability to identify and investigate potential purchasing policy violations is limited.

Recommendation: We recommend management:

- Develop and implement a monitoring process to identify potential split transactions and serial purchases.
- Utilize periodic data analytics to identify:
  - Multiple purchases from the same vendor occurring on the same day or within a defined period;
  - Transactions occurring immediately below established purchasing thresholds;
  - Sequential purchases that cumulatively exceed delegated purchasing limits; and
  - Unusual purchasing patterns warranting further review.
- Establish procedures for investigating and documenting identified exceptions.
- Require corrective action and retraining for cardholders who violate purchasing card requirements.
- Periodically report monitoring results to procurement management to support oversight and accountability.

Management Response: Management agrees that enhanced monitoring and data analytics are necessary to identify potential split transactions and serial purchases.

Procurement Services will establish a recurring monitoring process using purchasing-card transaction data to identify potential exceptions, including multiple purchases from the same vendor within defined periods, purchases immediately below applicable thresholds, sequential transactions that cumulatively exceed delegated limits, and other unusual purchasing patterns.

Potential exceptions will be reviewed to distinguish legitimate transactions from policy violations. Confirmed violations will be documented and addressed through appropriate corrective action, which may include cardholder retraining, suspension or restriction of card privileges, and escalation to management.

Results will be periodically reported to Procurement and Finance and Business Administration leadership.

Responsible Party: Interim SAVP Procurement and Chief Procurement Integrity Officer
Implementation Date: April 30, 2027

Finding 4 – Moderate – Card Compliance Metrics and Trends Reporting:
Management has not established procedures requiring the collection, analysis, and reporting of purchasing card compliance metrics and spending trends. Oversight activities are primarily focused on individual transaction reviews rather than program-level monitoring and analytics.

The University has established policies and procedures governing purchasing card use, including requirements related to transaction limits, supporting documentation, approvals, prohibited purchases, and cardholder responsibilities. Effective oversight of a purchasing card program requires management to monitor compliance with these requirements and periodically evaluate spending trends to identify areas of elevated risk.

Purchasing card activity is reviewed on a transactional basis through departmental reconciliation and approval processes. However, the University has not established procedures to track and analyze purchasing card compliance metrics or spending trends, nor does it periodically report this information to management. As a result, management is not routinely provided with information regarding program performance, compliance issues, policy violations, card usage trends, or other indicators that may warrant further review.

Without monitoring and reporting processes, the University may be unable to identify emerging risks, recurring compliance issues, or unusual purchasing patterns in a timely manner.

Recommendation: We recommend management:

- Develop and implement a purchasing card monitoring program that includes periodic analysis of purchasing card activity.
- Establish key compliance and performance metrics, such as:
  - Late reconciliations and approvals;
  - Missing supporting documentation;
  - Transactions exceeding established thresholds;
  - Split transaction and serial purchase exceptions;
  - Cardholder training completion rates;
  - Active cards assigned to separated employees;
  - Spending trends by department, cardholder, and vendor.
- Prepare periodic management reports summarizing compliance metrics, spending activity, identified exceptions, and corrective actions.
- Review reported trends to identify areas requiring additional oversight, training, or policy enhancements.
- Maintain documentation supporting management's review and follow-up of identified exceptions.

Management Response: Management agrees that opportunities exist to strengthen monitoring of purchasing card compliance and spending trends.

Procurement Services, in coordination with Finance and Business Administration, will evaluate existing reporting and monitoring practices and identify appropriate opportunities to enhance management visibility into purchasing card activity, compliance concerns, and emerging risk areas.

As part of this effort, management will consider relevant compliance indicators, exception trends, and spending patterns that may support more effective oversight and inform future training, policy, or process improvements.

Responsible Party: Interim SAVP Procurement and Chief Procurement Integrity Officer
Implementation Date: April 30,2027

Objective B: Effectiveness of Internal Controls

Ensure that controls over selected high-risk processes within the P-Card, T-Card, and One-Card processes are operating efficiently and effectively.

<u>Governance and Utilization</u>

1. **Procedures Performed:** We selected a sample of 30 P-Card, T-Card, and One-Card holders during the period March 1, 2025, through February 28, 2026, and verified the following:
   - The selected cardholder was appropriate based on job title, position, and card type and had been an active employee of the University for greater than four months.

- The selected cardholder completed the Cardholder Application / Approval Form prior to the date of card issuance and acquired appropriate approvals.
- The credit limits for the selected P-card and One-card cardholder were appropriate based on card type and overrides were appropriately approved.
- The cardholder completed the Vector training appropriate for their card type prior to card issuance, or within the past year.

Results: No findings identified

2. **Procedures Performed:** For all 25 cancelled cards during the period March 1, 2025, through February 28, 2026, we verified that the card issued to the terminated employee was cancelled timely upon termination.

   Finding 1 – High – Card Cancellation for Terminated Employees

3. **Procedures Performed:** For all active cardholders, we performed an analysis over the listing of cardholders and verified all were included on the listing of active employees received from HR.

   Results: No findings identified

Transaction Review and Reconciliation

1. **Procedures Performed:** We selected a sample of 25 P-Card expenses during the period March 1, 2025, through February 28, 2026, and verified the following:
   - The purchase was in compliance with established purchasing guidelines (under $5,000), State of Texas Comptroller's office regulations, Texas Southern University procedures, and applicable state statutes.
   - The P-card was not used for personal or inappropriate purchases or professional services.
   - The Account Expense Report including the purchase was supported by itemized receipts and includes a description, purpose, and benefit for each transaction.
   - The Account Expense Report including the purchase was signed by the cardholder and approved by someone other than the cardholder.
   - The related reconciliation was completed in the system no later than the 10th of each month.
   - No sales tax was collected for the purchase and if it was collected, ensure it was refunded.

2. **Procedures Performed:** We selected a sample of 25 T-Card and One-Card expenses during the period March 1, 2025, through February 28, 2026, and verified the following:
   - Pre-approval was obtained for the expense via the Authority to Travel Form prior to the expense being incurred.
   - The expense amount did not exceed pre-approval amount.
   - The purchase was less than $5,000 and is not required to be competitively procured (quotes, RFP, RFQ, etc.).
   - The purchase is in compliance with established purchasing guidelines, State of Texas Comptroller's office regulations, Texas Southern University procedures, and applicable state statutes.
   - The P-card was not used for personal or inappropriate purchases or professional services.

- The Account Expense Report including the purchase was supported by itemized receipts and included a description, purpose, and benefit for each transaction.
- The Account Expense Report including the purchase was signed by the cardholder and approved by someone other than the cardholder.
- The related reconciliation was completed in the system no later than the 10th of each month.
- No sales tax was collected for the purchase and if it was collected, ensure it was refunded.

Finding 2 – Low – Post Travel ATF Expense Reconciliation

Finding 5 – Moderate – Entertainment Expense Authorization:
Required approvals for entertainment privileges were not consistently obtained prior to incurring entertainment expenses. We reviewed 25 procurement card transactions and identified one transaction (4%) involving an entertainment-related expenditure that was processed, approved, and paid by the University. For this transaction, the cardholder's procurement card application did not contain evidence of the required approval for entertainment privileges.

Although management provided the cardholder's procurement card application, the application did not include documentation demonstrating that the requisite authorization had been obtained prior to the cardholder incurring entertainment-related expenditures. Additionally, management was unable to provide alternative supporting documentation to substantiate that the required approval had been granted. As a result, Internal Audit was unable to verify that the cardholder had been appropriately authorized to incur entertainment expenses in accordance with University procurement card requirements.

Recommendation: Management should strengthen supervisory review procedures over procurement card transactions to ensure entertainment-related expenditures are evaluated for compliance with University requirements prior to approval and payment. As part of the expense report review process, reviewers should verify that cardholders have the required entertainment privileges on file before approving entertainment-related transactions. Transactions lacking evidence of the required authorization should be escalated for further review and resolved before payment is processed.

Management Response: Management agrees that existing review procedures should be reinforced to ensure entertainment-related expenditures are appropriately authorized.

Procurement Services will review current approval practices and provide additional guidance to cardholders and approvers regarding documentation requirements for entertainment privileges. Where appropriate, Procurement will incorporate verification of required authorization into the existing transaction review process and address identified exceptions through established review and escalation procedures.

Responsible Party: Interim SAVP Procurement and Chief Procurement Integrity Officer
Implementation Date: April 30,2027

Finding 6 – Moderate – Timely Reconciliation:
Management has not established sufficient monitoring procedures to ensure reconciliations are completed and approved by required deadlines. In addition, documentation practices do not consistently capture review and approval dates necessary to demonstrate timely completion of reconciliation activities. Existing oversight processes also do not consistently identify and address situations where cardholders or approvers fail to complete their responsibilities within established timeframes.

The University's Purchasing Card Program requires cardholders to reconcile purchasing card transactions and submit supporting documentation by the 10th day of each month. Following submission, the reconciliation package must be reviewed and approved by the appropriate supervisor and College/Department Business Administrator before being provided to Procurement Services. Timely reconciliation serves as a key internal control designed to identify errors, unauthorized transactions, unsupported expenditures, and other discrepancies before financial records are finalized.

To evaluate compliance with reconciliation requirements, we reviewed 25 purchasing card transactions and 25 travel-related purchasing card transactions to determine whether reconciliations were completed and approved by the required deadline.

For general purchasing card transactions, we identified five exceptions (20%). Specifically:

- For 2 of 25 samples, evidence of review and approval was present; however, supporting documentation did not include a review or approval date, preventing verification that the reconciliation was completed by the required deadline.
- For 2 of 25 samples, reconciliations were submitted by the cardholder after the required deadline and, as a result, were approved after the deadline.
- For 1 of 25 samples, the reconciliation was submitted two days before the deadline but was not approved until five days after the deadline, indicating delays in the review and approval process despite timely submission by the cardholder.

For travel-related purchasing card transactions, we identified seven exceptions (28%) where reconciliations were submitted by the cardholder on or after the required deadline and, as a result, were approved after the required deadline.

Overall, 13 of 50 transactions tested (26%) were either not reconciled timely or lacked sufficient documentation to demonstrate timely completion. As a result, the University did not consistently comply with established reconciliation requirements and lacked assurance that purchasing card transactions were reviewed and approved in a timely manner.

Recommendation: We recommend management:

- Reinforce reconciliation and approval requirements with cardholders, supervisors, and Department Business Administrators.
- Implement monitoring procedures to identify overdue reconciliations and approvals before monthly deadlines pass.
- Establish escalation procedures for delinquent reconciliations and recurring noncompliance.
- Require reconciliation packages to include documented submission, review, and approval dates.

- Periodically report reconciliation compliance metrics and aging of outstanding reconciliations to Procurement management.
- Consider implementing automated reminders and workflow controls to notify cardholders and approvers of upcoming deadlines and outstanding actions.

Management Response: Procurement Services will reinforce existing reconciliation deadlines and clarify expectations for cardholders, supervisors, and Department Business Administrators regarding timely submission, review, and approval. Current reconciliation practices will be reviewed to identify opportunities to better track outstanding items and improve visibility into transactions that have not been reconciled or approved within established timeframes.

Procurement Services will also reinforce the requirement to maintain sufficient documentation demonstrating when reconciliations were submitted, reviewed, and approved. Where recurring delays or incomplete documentation are identified, Procurement will follow up with the responsible individuals or departments and escalate repeated instances of noncompliance as appropriate.

Management will periodically review reconciliation exceptions and recurring delays to determine whether additional training, process changes, or other corrective actions are warranted.

Responsible Party: Interim SAVP Procurement and Chief Procurement Integrity Officer
Implementation Date: February 28,2027

Finding 7 – Low – Sales Tax Collection:
Cardholders and approvers did not consistently identify or correct instances where sales tax was charged on otherwise eligible purchases. In addition, reconciliation and review procedures were not sufficiently effective to detect improperly charged sales tax and ensure refunds were requested and received when appropriate.

As a tax-exempt institution, the University is generally exempt from paying Texas sales tax on qualifying purchases. The Payment Card Manual designates cardholders as responsible for utilizing the University's tax-exempt status when making purchases and obtaining refunds when sales tax is charged in error. Departments and approvers are also responsible for reviewing transactions during the reconciliation process to ensure sales tax is not paid unnecessarily and that any incorrectly charged taxes are recovered.

To evaluate compliance with tax-exempt purchasing requirements, we reviewed 25 purchasing card transactions. During testing, we identified three exceptions (12%) where sales tax was charged on purchases and was not subsequently refunded to the University. As a result, the University incurred avoidable costs and did not fully realize available tax-exempt purchasing benefits.

These exceptions indicate that cardholders and reviewers did not consistently verify whether sales tax was appropriately applied or pursue refunds when tax was charged in error.

Recommendation: We recommend management:

- Reinforce tax-exempt purchasing requirements with cardholders, travelers, and approvers.
- Require cardholders to present tax-exempt documentation for all eligible purchases.
- Enhance reconciliation procedures to specifically review transactions for improperly charged sales tax.
- Require cardholders and departments to pursue vendor refunds when sales tax is charged in error.
- Provide periodic training regarding the University's tax-exempt status, including circumstances in which exemptions may or may not apply.
- Periodically monitor transactions for sales tax exceptions and communicate recurring issues to departments for corrective action.

Management Response: Management agrees that controls should be reinforced to reduce the occurrence of unnecessary Texas sales tax charges on qualifying purchases and improve follow-up when Texas sales tax is charged in error.

Procurement Services will reinforce the University's Texas sales tax-exempt purchasing requirements with cardholders, Department Business Administrators, and approvers. Cardholders will be reminded to use the University's tax-exempt documentation for qualifying purchases made within the State of Texas, as applicable.

As part of the existing reconciliation and review process, cardholders and approvers will be expected to identify Texas sales tax charges, determine whether the purchase qualifies for the University's exemption, and pursue a refund when Texas sales tax was incorrectly assessed.

Purchases made outside the State of Texas will remain subject to the applicable tax requirements of the jurisdiction in which the transaction occurs.

Procurement Services will provide appropriate guidance and review regarding Texas sales tax exceptions to determine whether additional training or corrective action is warranted.

Responsible Party: Interim SAVP Procurement and Chief Procurement Integrity Officer
Implementation Date: March 31,2027

Appendix

The appendix defines the approach and classifications utilized by Internal Audit to assess the residual risk of the area under review, the priority of the findings identified, and the overall assessment of the procedures performed.

Report Ratings

The report rating encompasses the entire scope of the engagement and expresses the aggregate impact of the exceptions identified during our test work on one or more of the following objectives:

- Operating or program objectives and goals conform with those of the University
- University objectives and goals are being met
- The activity under review is functioning in a manner which ensures:
    - Reliability and integrity of financial and operational information
    - Effectiveness and efficiency of operations and programs
    - Safeguarding of assets
    - Compliance with laws, regulations, policies, procedures and contracts

The following ratings are used to articulate the overall magnitude of the impact on the established criteria:

Strong	The area under review meets the expected level. No high risk rated findings and only a few moderate or low findings were identified.
Satisfactory	The area under review does not consistently meet the expected level. Several findings were identified and require routine efforts to correct, but do not significantly impair the control environment.
Unsatisfactory	The area under review is weak and frequently falls below expected levels. Numerous findings were identified that require substantial effort to correct.

Risk Ratings

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

High High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten the University's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of the University or beyond a single function or department
- Potential material impact to operations or the University's finances
- Remediation requires significant involvement from senior University management

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Moderate Moderate risk findings have qualitative factors that include, but are not limited to:

- Events that could threaten financial or operational objectives of the University
- Impact could be felt outside of the University or across more than one function of the University
- Noticeable and possibly material impact to the operations or finances of the University
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior University management to be updated

Low Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten the University's strategic priorities
- Impact is limited to a single function within the University
- Minimal financial or operational impact to the University
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk