



**State of Delaware
Office of Auditor of Accounts
Kathleen K. McGuinness, RPh, CFE**

Working Hard to Protect YOUR Tax Dollars

Performance Audit

Fiscal Year 2018 Higher Education Procurement Card

February 5, 2020

The Auditor of Accounts (AOA) performed a performance audit to determine whether internal controls over Procurement Card activities at Delaware Technical Community College were effective in ensuring compliance with organization policies and applicable state regulations.



STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS

KATHLEEN K. MCGUINNESS, CFE, RPH
STATE AUDITOR

To: Delaware Technical Community College

The attached report provides the results of our performance audit on the Procurement Card internal controls and compliance with applicable state regulations and organization policy for Delaware Technical Community College for the period July 1, 2017 through June 30, 2018.

My office is authorized under 29 Del. C., § 2906 to perform post-audits of all the financial transactions of all State agencies. 29 Del. C. § 6902 (1) defines Delaware Technical Community College as a State agency for procurement purposes

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report can be accessed online through the Auditor of Accounts website at <http://www.auditor.delaware.gov>.

Sincerely,

A handwritten signature in blue ink that reads "K. McGuinness".

Kathleen K. McGuinness, RPh, CFE
State Auditor

February 5, 2020

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Abbreviations:

AOA	Auditor of Accounts
PCard	Procurement Card

The mission of the Delaware Office of Auditor of Accounts

The Delaware Auditor of Accounts serves Delawareans by ensuring accountability in the use of taxpayer dollars through independent assessments of financial operations, performance management and statutory compliance of state government.

For further information on this release please contact:

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Performance Audit Overview

The United States Government Accountability Office develops and promulgates government auditing standards that provide a framework for performing high-quality audit work with competence, integrity, objectivity, and independence to provide accountability and to help improve government operations and services. These standards are referred to as generally accepted government auditing standards (GAGAS).

Performance audits are audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Authority

The AOA is authorized, under 29 Del. C., § 2906, to perform post-audits of all the financial transactions of all State agencies. 29 Del. C. § 6902 (1) defines Delaware Technical Community College as a State agency for procurement purposes. Therefore, the AOA has the authority to conduct post-audits for Delaware Technical Community College procurement transactions made using purchasing cards.

Background

In accordance with Delaware Code Title 29, Chapter § 6901, the purpose of PCard regulations is to create a more efficient process to better enable the State of Delaware to obtain the highest quality goods, materials and services at the best possible price, by maximizing the purchasing value of public moneys.

The PCard process creates a single forum for the procurement needs of state agencies, and technical and legal requirements of Government Support Services are addressed simultaneously so as to increase mutual understanding, respect, trust and equitable treatment for all persons who deal with the state procurement process.

The State of Delaware is liable for the use of the PCard. The card is backed by the full faith and credit of the State, not the credit of the employee.

Audit Objectives

The objectives established for the performance audit of Delaware Technical Community College, include:

Objective 1: Analyze internal controls over PCard activities for weaknesses.

Objective 2: Test PCard internal controls and determine compliance with organization policy and applicable state regulations.

Objective 3: If warranted, report findings and make recommendations based on the conclusions reached from the analysis and testing performed.

Audit Scope

PCard activity and the related internal controls for the period July 1, 2017 through June 30, 2018.

Audit Methodology and Results

Planning Methodology

AOA obtained an understanding of the Delaware Technical Community College PCard program by reviewing the following:

- Applicable sections of the Delaware Code and the Delaware Administration Code
- Delaware Technical Community College PCard policies and procedures
- The State of Delaware Budget and Accounting Manual

AOA assessed the risk of noncompliance with provisions of laws, regulations, and policies. Based on that risk assessment, AOA designed procedures to obtain reasonable assurance of detecting instances of noncompliance with provisions of laws, regulations, contracts, and policies that are significant within the context of the audit objectives.

Internal control and compliance testing samples selected were based on the sample guidance in the *AICPA Audit and Accounting Guide Government Auditing Standards and Single Audits*, Chapter 11., Table 11-2.

Objective 1: Analyze internal controls over PCard activities for weaknesses.

Methodology

To analyze internal controls over PCard activities, AOA obtained and reviewed internal policies and procedures over PCards and reviewed them against the corresponding sections of the State Budget and Accounting Manual.

AOA also interviewed staff and management to establish an understanding of the organization's internal controls. During the interview and walk-through of transactions, AOA documented the entity's procedures, identified key controls in place and collected supporting documentary evidence of internal control processes in effect. AOA analyzed and documented internal controls related to the following:

- creation of new cardholder accounts and issuance of new PCards,
- the termination of cardholder accounts and return of PCards,
- the tracking and review of cardholder accounts, and PCard transaction procedures from the purchase of goods and services through the monthly PCard account reconciliations, and
- dispute resolution and fraudulent transaction resolution.

Results

Through interviews with staff personnel and management, examination of the internal control policies observation, walk-throughs and inspection of supporting documents, AOA determined that the internal controls employed by Delaware Technical Community College are effectively designed to prevent or detect fraud, noncompliance with policy, or abuse in the associated PCard program.

Objective 2: Test PCard internal controls and determine compliance with organization policy and applicable state regulations.

Methodology

AOA determined the effectiveness of internal controls over PCard activities by examining supporting documentation for an initial random sample of 40 transactions. These transactions were selected from the entire population of 14,803 using analytics software default random selection based on the sample size guidance in the AICPA Audit and Accounting Guide Government Auditing Standards and Single Audits, Chapter 11, Table 11-2.

AOA then employed analytic software to identify and segregate a population of high-risk transactions. AOA then conducted detail testing on an additional 40 random sample items from the resultant sub-population of 4,082 transactions. High-risk transactions included:

- potential split-transactions (transactions that are intentionally broken down into smaller transactions in order to avoid some procurement requirements or limitations),

- transactions with merchant category codes that have an increased risk for personal use
- payments made to PayPal,
- vendor used by only a single cardholder,
- in-state hotel usage, and
- convenience store transactions in excess of \$500.

AOA also employed analytic software to match employee personnel records to employee cardholder activity listing to verify the active employee status of the cardholder population and ensure that cards were properly closed out for terminated employees.

Results

The transaction sample items tested were in compliance with Delaware Code Title 29, Chapter § 6901, and within the guidelines specified by the State of Delaware Budget and Accounting Manual.

Objective 3: If warranted, report findings and make recommendations based on the conclusions reached from the analysis and testing performed.

Methodology

AOA defined a finding as deficiencies in internal control, noncompliance with provisions of laws, and regulations, or any evidence of fraud or abuse.

Results

AOA determined that the internal control system utilized by DTCC appears to be effective in preventing or detecting non-compliance with laws and regulations.

Conclusion

The AOA would like to thank the staff of Delaware Technical Community College for their cooperation during this audit.

Management Response



Mark T. Brainard, President

February 5, 2020

Ms. Kathleen K. McGuiness, RPh, CFE
State Auditor
401 Federal Street
Dover, DE 19901

Dear Kathy:

Thank you for providing us with your recent performance audit of our fiscal year 2018 higher education procurement card. We appreciate your team's hard work to provide us with very detailed feedback.

The four months that you and your team spent on reviewing numerous documents and testing our internal controls for compliance with the State's regulations, policies, and procedures was extremely thorough. When I shared the positive results with our financial team, they were proud to have played a major role in this stellar outcome.

We take our financial integrity and reputation very seriously at Delaware Technical Community College. Thank you again for your affirmative acknowledgement of our efforts.

Sincerely,

A handwritten signature in blue ink that reads "Mark".

Mark T. Brainard, President
Delaware Technical Community College

OFFICE OF THE PRESIDENT

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