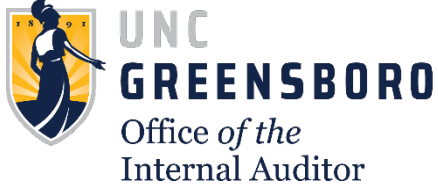


## DEPARTMENTAL EXPENSES & P-CARD

### INTERNAL AUDIT

### PROCUREMENT SERVICES

MAY 2025



## MEMORANDUM

**To:** Dr. Franklin D. Gilliam, Jr., Chancellor  
Anita Bachman, CARL Committee Chair

**From:** Katherine Skinner, Director of Internal Audit

**Date:** May 29, 2025

**RE:** Departmental Expense and P-Card Internal Audit Report

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The Departmental Expense and P-Card Internal Audit was completed by the Office of the Internal Auditor in accordance with the Internal Audit Work Plan and UNC System Regulation 1300.7.2[R] for fiscal year 2024. Provided within this communication is an Executive Summary and the Final Report of the Internal Audit activity.

Michael Logan, Director of Procurement Services, reviewed a draft copy of this report. His written comments are included starting on page 15.

We appreciate the courtesy and cooperation received from management and the employees of Procurement Services as well as the UNCG faculty and staff who were contacted during our audit.

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# EXECUTIVE SUMMARY

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## **PURPOSE**

The objective of this internal audit was to determine whether departmental expenses were made in compliance with UNC Greensboro's policies and procedures and whether UNC Greensboro's policies and procedures comply with the University of North Carolina System (UNC System) Regulation 1300.7.2[R] as of January 31, 2025.

The scope of the internal audit is purchases made between July 1, 2023, and June 30, 2024 using a purchase card (P-Card), active P-Cards for the same period, and P-Card policies and procedures as of January 31, 2025.

The internal audit was initiated based on the Fiscal Year 2025 (FY2025) Internal Audit Work Plan and the specific objectives were revised to ensure compliance with UNC System Regulation 1300.7.2[R]. During a FY2024 Advisory engagement auditors confirmed that the Procurement Services' policies, procedures, and controls were developed and implemented to ensure compliance with state laws, policies, and procedures.

## **BACKGROUND**

A purchase card (P-Card) program is authorized by state laws<sup>1</sup> and UNC System policies and regulations to provide a flexible and convenient tool for professionals serving University needs. For the period July 1, 2023, through June 30, 2024, the University had 714 active P-Cards and spent \$14,626,881 using the P-Cards.

Procurement Services, a unit of the Division of Finance and Administration, is responsible for P-Card program policies and procedures. P-Card holders and P-Card program administrators, officers, and staff must comply with all policies, regulations, and applicable laws to the highest degree. Because University-issued P-Cards present an inherent risk to the University, P-Card holders must obtain, record, and retain documentary evidence to support strict business use of P-Cards as well compliance with other applicable laws and policies.

Although internal controls are designed and implemented to prevent, deter, and detect misuse of a P-Card, intentional and unintentional misuse of a P-Card is still possible. This audit was performed as a targeted examination of higher-risk departmental P-Card transactions for intentional or unintentional noncompliance with P-Card policies, procedures, and best practices to evaluate compliance and identify opportunities for improvement.

## **KEY FINDINGS**

- UNC Greensboro policies and procedures comply with the UNC System Regulation 1300.7.2[R].

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<sup>1</sup> North Carolina General Statute 143-49 and 01 NCAC 05B.1523.

- UNC Greensboro faculty and staff do not consistently comply with UNC Greensboro policies and procedures when purchasing office supplies, IT hardware and software, and gift cards using a P-Card.

#### **KEY RECOMMENDATIONS**

- Faculty and staff must document the purchase, inventory, and disbursement of gift cards in compliance with UNC Greensboro policies and procedures and to demonstrate strict business purposes for the purchases.
- Gift card purchase, inventory, and disbursement policies and procedures should be updated to ensure that gift card purchasers record and retain information necessary to demonstrate compliance with all laws, regulations, policies, and procedures including demonstrating a legitimate business purpose.
- Faculty and staff must provide complete gift card disbursement records to Procurement Services, Internal Audit, Finance and Administration, and external auditors, upon request.
- Faculty and staff must obtain ITS pre-approval to purchase IT hardware and software.
- Faculty and staff must purchase office supplies from the mandatory statewide term contract vendor, FSI Office, or document a valid justification for purchasing office supplies from another vendor.

# BACKGROUND

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## Purchase Card (P-Card) Purpose and Background

A purchase card (P-Card) program is authorized by state laws<sup>2</sup> and the University of North Carolina System (UNC System) policies and regulations to provide a ready-made and convenient tool for professionals serving the business needs of the University. P-Cards offer flexibility and convenience that improve the efficiency of operations. All P-Card holders and P-Card program administrators, officers, and staff are expected to uphold regulations and applicable laws to the highest degree.<sup>3</sup>

University-issued purchase cards (P-Cards) present an inherent risk to the University, as P-Card holders must be trusted to use their P-Cards in compliance with University policies and in the best interest of the University. Because of the inherent risks related to P-Card use, P-Card holders must obtain, record, and retain documentary evidence to support strict business use of P-Cards as well compliance with other applicable laws and policies.

## P-Card Activity

The University of North Carolina at Greensboro (UNC Greensboro) had 714 active P-Cards and spent \$14,626,881 on the P-Cards during the period July 1, 2023, through June 30, 2024.

## Procurement Services

The Procurement Services Department is a unit of the Division of Finance and Administration reporting to the Associate Vice Chancellor for Finance. Procurement Services is responsible for policies and procedures relating to procuring goods and services, contracting, and the purchase card (P-Card) program to support the central mission of the University by providing efficient and effective procurement processes in accordance with State laws and policies as well as University policies and procedures. Additionally, Procurement Services sets the standards of quality and service while utilizing professional ethics and best business practices throughout the entire procurement cycle.

Procurement Services' administration of the P-Card program includes issuing P-Cards to individuals who meet eligibility criteria, monitoring spending on university issued P-Cards, identifying and remediating P-Card spending issues, and terminating P-Cards that are no longer approved or in use.<sup>4</sup>

During fiscal year 2024 (FY2024), internal auditors examined Procurement Services' controls and determined that Procurement Services designed and implemented policies, procedures, and controls to

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<sup>2</sup> North Carolina General Statute 143-49 and 01 NCAC 05B.1523.

<sup>3</sup> UNC System Regulation 1300.7.2[R], adopted 11/07/2024.

<sup>4</sup> P-Cards may be revoked due to noncompliance with procurement requirements or for extended periods of inactivity.

ensure that the University complies with state laws and regulations as well as University policies and procedures.

#### Internal Audit

This audit was performed to identify improvement opportunities and ensure that UNC Greensboro is the model for compliance with P-Card spending. Therefore, we performed a targeted examination of higher-risk departmental P-Card transactions for intentional or unintentional noncompliance with P-Card policies, procedures, and best practices.

# OBJECTIVE, SCOPE, AND METHODOLOGY

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## Objective:

The objective of this internal audit was to determine whether departmental expenses were made in compliance with UNC Greensboro's procurement policies and procedures and whether UNC Greensboro's procurement policies and procedures comply with UNC System Regulation 1300.7.2[R] as of January 31, 2025.

The internal audit was initiated based on the Fiscal Year 2025 (FY2025) Internal Audit work plan and the specific objectives were revised to ensure compliance with UNC System Regulation 1300.7.2[R]. During a FY2024 advisory engagement auditors confirmed that the Procurement Services' policies, procedures, and controls were developed and implemented to ensure compliance with state policies and procedures.

## Scope:

The scope of the internal audit is purchases made between July 1, 2023, and June 30, 2024 using a purchase card (P-Card), active P-Cards for the same period, and P-Card policies and procedures as of January 31, 2025.

## Methodology:

### P-Card Policies and Procedures – Compliance with UNC System Regulation 1300.7.2[R]

To determine whether UNC Greensboro's procurement policies and procedures comply with UNC System Regulation 1300.7.2[R] as of January 31, 2025, auditors reviewed the UNC System Regulation and identified UNC Greensboro procurement policies and procedures that satisfy each requirement.

### Cardholder Compliance with Procurement Policies and Procedures:

To determine whether departmental expenses were made in compliance with UNC Greensboro's policies and procedures, auditors used a risk-based and nonstatistical approach, specifically targeting transactions with the highest risk for noncompliance. Noncompliance with UNC Greensboro policies and procedures was determined to be more likely for transactions that require pre-approval, purchases that require additional supplementary documentation outside the University's procurement systems,<sup>5</sup> and for unallowable items that could be purchased with a low likelihood of detection.

There were approximately 46k P-Card transactions totaling over \$14.6 million during the period July 1, 2023, through June 30, 2024. Auditors analyzed the 46k P-Card transactions to determine the highest risk transactions by likelihood of occurrence and potential dollar value impact resulting in narrowing the scope of expenditure transaction categories and tests as follows:

- IT hardware and software – ITS pre-approval required:

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<sup>5</sup> Procurement Systems include BOA Works (Bank of America Works), Chrome River, and Jaggaer.

- Review supplementary documentation to verify that ITS pre-approval was obtained.
- Alcoholic beverages – leadership pre-approval required:
  - Review supplementary documentation to verify that pre-approvals were obtained.
  - Review brick-and-mortar store<sup>6</sup> receipts for undisclosed purchases of alcohol.
- Office Supplies – use of mandatory statewide term contract required:
  - Review transaction data to determine whether the mandatory statewide term contract was used to purchase office supplies.<sup>7</sup>
  - Review supplementary documentation to determine whether a valid justification for purchasing outside the statewide term contract was documented, if applicable.
- Gift Cards – leadership pre-approval and supplementary documentation required:
  - Review supplementary documentation to determine whether pre-approval was obtained for gift card purchases and receipts were itemized.
  - Review supplementary documentation to determine whether inventory and disbursement of gift cards was adequately documented to support strict business use of P-Cards.
  - Review transactions and receipts for undisclosed purchases of gift cards.

Auditors reviewed purchase transaction data in BOA Works, purchase receipts, and supplementary documentation and determined whether departments were complying with procurement policies and procedures. Auditors also determined the root causes of instances of non-compliance and recommended corrective actions to the respective faculty and staff and to Procurement Services.

Because the intent of this internal audit was to identify opportunities for improvement, auditors applied a nonstatistical approach and specifically targeted higher-risk transactions for testing. Therefore, results could not be projected to the population. This approach was determined to adequately support audit objectives and conclusions.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. However, our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

This audit was conducted in conformance with the Global Internal Audit Standards (*Standards*) issued by the Institute of Internal Auditors, 2024 edition. The findings were presented in order of significance in accordance with *Standard* 15.1.

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<sup>6</sup> Brick-and-mortar stores may include grocery or department stores such as Harris Teeter, Food Lion, or Target.

<sup>7</sup> Items available on a mandatory statewide term contract must be purchased through the applicable vendor. Items not available on a mandatory statewide term contract may be purchased from another vendor.

# FINDINGS AND RECOMMENDATIONS

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## **FINDING 1. UNCG P-CARD POLICIES AND PROCEDURES ARE COMPLIANT WITH UNC SYSTEM REGULATION**

UNC Greensboro purchase card (P-Card) policies and procedures are compliant with UNC System Regulation 1300.7.2[R]. For example, UNC Greensboro has policies and procedures to ensure that P-Cards are issued only to eligible employees, require strict business-use of P-Cards, and enforces compliance through card revocation and disciplinary action that may include employment termination and criminal prosecution. These policies were in place prior to the implementation of UNC System Regulation 1300.7.2[R].

### **UNC Greensboro P-Card Policies and Procedures**

Procurement Services designed and implemented policies and procedures that comply with UNC System Regulation 1300.7.2[R]. For example, Procurement Services issues P-Cards only to eligible employees. Eligible employees must submit an application, complete P-Card training, and sign a P-Card agreement form before a P-Card is issued. P-Card holders must remain in good standing with procurement policies and procedures.

As of FY2025, all P-Card holders will be required to complete annual training. P-Card holders who do not complete the training within a specified timeframe will have their P-Cards suspended or revoked until training is completed. P-Card holders who violate P-Card policies and procedures may have their P-Cards suspended or revoked, may face disciplinary action up to and including employment termination, and may face civil and/or criminal prosecution.

Procurement Services has a dedicated P-Card Administrator who oversees all aspects of the P-Card program including but not limited to, reviewing and approving P-Card applications, assigning profiles (i.e., transaction limits, spend controls), reviewing and paying monthly statements, and enforcing P-Card holder terms and conditions.

The P-Card Administrator, with use of data analytics, monitors P-Card activity and ensures transactions are compliant with North Carolina laws and regulations as well as UNC Greensboro, UNC System, and North Carolina policies applicable to P-Cards, procurement, and travel expenses. The P-Card Administrator reviews all cardholders' historical spend and will deactivate cards that are no longer in use, cards that are/were held by former employees, and cards that are held by employees who violate P-Card or other procurement policies.

Finally, the P-Card *program and use* is audited by UNC Greensboro's Internal Audit team. As reflected in this audit report, the audit is conducted in collaboration with Procurement Services to ensure that P-Cards are used strictly for business purposes and in compliance with all applicable laws, regulations, and policies. The audit specifically evaluates P-Card policies, procedures, and use to identify improvement opportunities.

## **UNC System Regulation 1300.7.2[R] Requires P-Card Accountability**

UNC System Regulation 1300.7.2[R] was approved in November 2024 for immediate implementation. The regulation includes the following key compliance requirements: P-Cards may be issued only to eligible employees; P-Card training is required at least once every two years; enforcement of P-Card policies; and an annual audit of P-Card policy compliance.

### **FINDING 2. FACULTY AND STAFF DID NOT CONSISTENTLY COMPLY WITH UNC GREENSBORO PROCUREMENT POLICIES.**

Faculty and staff did not consistently comply with UNC Greensboro policies and procedures for all purchase card (P-Card) transactions. Specifically, faculty and staff did not follow UNC Greensboro policies and procedures related to 161 purchases totaling \$50.9k for gift cards, IT hardware and software, and office supplies. However, noncompliance with P-Card policies and procedures was largely unintentional and caused primarily by a lack of understanding regarding requirements.

The P-Card transaction review did not result in the identification of any instances of fraud or intentional noncompliance. For example, auditors reviewed department store and grocery store receipts for P-Card purchases of undisclosed and unauthorized items such as alcoholic beverages, gift cards, or other personal items. None of the P-Card transactions reviewed included any undisclosed, unauthorized, or unallowable items.

#### **A. INSUFFICIENT DOCUMENTATION OF GIFT CARD PURCHASE, INVENTORY, AND DISBURSEMENT**

Faculty and staff did not consistently comply with UNC Greensboro policies and procedures for P-Card transactions to purchase gift cards. UNC Greensboro faculty and staff used P-Cards to purchase over \$176K in gift cards in fiscal year 2024 (FY2024). Auditors reviewed 148 of the P-Card transactions to acquire 1,786 gift cards valued at \$54,910 and found that gift card purchase, disbursement, and inventory records were insufficient to demonstrate strict accountability and business purpose for all gift cards that were purchased.<sup>8</sup>

For example:

- Faculty and staff purchased 65 gift cards valued at \$9,475 without documented approval.
- Faculty and staff did not have itemized receipts for 181 gift cards valued at \$6,630.
- Faculty and staff did not identify recipients for 235 of 1,322 (18%) gift cards that were disbursed.
- Faculty and staff did not document confirmation of receipt for 886 (67%) of gift cards disbursed.

Faculty and staff disbursed only 1,322 (74%) of the 1,786 gift cards reviewed, they did not disburse 451 (25%) gift cards valued at \$7,540 (for over 10 months<sup>9</sup>), and they were unable to provide inventory or disbursement records for 13 (2%) gift cards valued at \$865.

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<sup>8</sup> Insufficient documentation to demonstrate business purpose does NOT mean that gift cards were purchased for non-business purposes. It simply means that they did not document information necessary to sufficiently demonstrate business purpose; i.e., this is a documentation deficiency, not fraud.

<sup>9</sup> According to faculty and staff, as of April 2025 gift cards were still in inventory.

Without sufficient and appropriate documentation of gift card disbursement, P-Card holders cannot demonstrate that gift cards were purchased strictly for business purposes. Because gift cards are like cash, supporting documentation must be recorded and maintained to demonstrate disbursement as evidence of a legitimate business purpose.

Gift card disbursement logs were not consistently documented because faculty and staff did not know or understand what information must be recorded and maintained. Additionally, when asked for gift card disbursement logs, some of the faculty and staff initially were resistant to provide the disbursement logs to auditors citing “confidentiality” concerns which significantly delayed audit procedures.

According to procurement policies, gift card purchases must be approved and supported with an itemized receipt. In accordance with UNC Greensboro and UNC System procurement policies, all P-Card purchases must be strictly for business purposes; therefore, gift cards must be disbursed timely and gift card disbursement details must be sufficient to demonstrate business purposes. Additionally, faculty and staff must record and maintain sufficient and appropriate gift card inventory and disbursement details to ensure that UNC Greensboro is compliant with all laws, regulations, policies, and procedures.

#### **B. IT HARDWARE AND SOFTWARE WAS PURCHASED WITHOUT ITS APPROVAL**

UNC Greensboro faculty and staff did not consistently comply with UNC Greensboro Information Technology Services (ITS) procurement policies requiring ITS pre-approval for IT hardware and software purchases.

Auditors reviewed 23 IT hardware and software P-Card transactions and determined that 17 were not approved in compliance with UNC Greensboro IT procurement policies and procedures. Auditors found that desktop printers and software, including software as a service,<sup>10</sup> were purchased without obtaining ITS pre-approval and outside UNC Greensboro contracts.

IT hardware and software, not purchased through a UNC Greensboro contract,<sup>11</sup> must be pre-approved by ITS to ensure that ITS can properly manage cyber security. The ITS governance structure including policies and procedures were designed and implemented to ensure that ITS can effectively and efficiently manage cyber security. Additionally, when ITS contracts are used to purchase IT hardware and software, ITS can leverage volume purchases to predict future needs and obtain better prices in future periods. ITS may also help departments find cost savings by identifying and leveraging existing software and subscription contracts avoiding multiple purchases for the same software or subscription services.

When asked why ITS pre-approval was not requested, faculty and staff explained that they did not realize that the purchases required ITS pre-approval.

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<sup>10</sup> Software as a Service (SaaS) refers to a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted.

<sup>11</sup> When purchasing items from UNC Greensboro IT contracts, purchases are automatically routed through ITS to ensure that any necessary inventory and imaging processes are completed.

According to its publicly available webpage, “Information Technology Services (ITS) is the sole authority that centrally manages the procurement and governance of all University IT resources, assets, and services, including IT software, hardware, and services. ITS manages the purchase and governance of IT-related items in collaboration with the University Procurement Office, and upon authorization and approval of ITS, the University Procurement Office has final responsibility and authority for all purchase activities. The procurement of University IT resources, assets, and services is only authorized once it has completed the appropriate University Procurement Office and ITS pre-purchase review and approval workflow.”

### **C. FACULTY AND STAFF DID NOT PURCHASE OFFICE SUPPLIES FROM MANDATORY STATEWIDE TERM CONTRACT**

Faculty and staff who purchased office supplies using a P-Card did not purchase the office supplies from the mandatory statewide term contract vendor, Forms and Supply, Inc. (FSI Office), as required.

Auditors reviewed 25 P-Card transactions to purchase office supplies valued at \$6,392 and found that none of the purchases were through FSI Office. Three of the P-Card transactions included items that were not available through FSI, Office. However, faculty and staff admitted that they did not check FSI Office for the items.

Consistent use of the mandatory statewide term contract by all state agencies and universities allows the Purchase and Contract Division of the North Carolina Department of Administration (P&C) to better predict the types and quantities of office supplies needed. P&C can then use historical purchasing trends to obtain better prices for desired products and use purchasing power as leverage in negotiations.<sup>12</sup>

Office supplies were not purchased through the mandatory statewide term contract because faculty and staff did not know it was required. When asked why the required vendor was not used, in addition to being unaware of the requirement, the following explanations were provided to auditors:

- FSI Office does not offer free shipping for purchases of less than \$50.
- Faculty and staff believed that Staples was the preferred vendor.
- Faculty and staff find the Amazon and Staples punchouts easier to use.
- Amazon and Staples offer free next-day shipping; items are received fastest and at a lower cost when purchasing from Amazon or Staples.

According to the North Carolina Procurement Manual, mandatory STCs shall be used by state agencies, departments, institutions, universities, and community colleges, unless exempted by statute or rule.<sup>13</sup>

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<sup>12</sup> A ‘term contract’ is a contract where a vendor agrees to provide goods and services at set prices, for an agreed contract term, and pursuant to specific terms and conditions. No set quantity is provided, but estimates are often given based on forecasted usage.

<sup>13</sup> Section 2.1.4.1

The Statewide Term Contract 4412A for office supplies is a mandatory contract and it covers office consumables, office equipment, toner, envelopes, and remanufactured toner.

## **RECOMMENDATIONS.**

1. Faculty and staff must document the purchase, inventory, and disbursement of gift cards in compliance with UNC Greensboro policies and procedures and to demonstrate strict business purposes for the purchases.
2. Gift card purchase, inventory, and disbursement policies and procedures should be updated to ensure that gift card purchasers record and retain information necessary to demonstrate compliance with all laws, regulations, policies, and procedures including demonstrating a legitimate business purpose.
3. Faculty and staff must provide complete gift card disbursement records to Procurement Services, Internal Audit, Finance and Administration, and external auditors, upon request.
4. Faculty and staff must obtain ITS pre-approval to purchase IT hardware and software.
5. Faculty and staff must purchase office supplies from the mandatory statewide term contract vendor, FSI Office, or document a valid justification for purchasing office supplies from another source.<sup>14</sup>

Internal auditors provided recommendations directly to faculty and staff whose P-Card transactions were reviewed during the engagement and those responsible for applicable policies. Corrective action should be implemented immediately and will be verified by follow-up procedures during the next fiscal year audit.

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<sup>14</sup> A valid justification can be demonstrated by providing documentation to show significant savings. User preference is not a valid justification.

# AUDITEE RESPONSE

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TO: Office of the Internal Auditor  
FROM: Michael Logan, Director of Procurement Services  
DATE: May 15, 2025  
RE: Departmental Expense and P-Card Internal Audit Report

We are grateful for the opportunity to respond to the Internal Audit report and extend our thanks to the Internal Audit team for their collaboration and valuable input.

While the Internal Auditor report did not have specific findings for Procurement Services, we are committed to continuously improving our processes to minimize any potential compliance concerns.

We are currently undertaking several key initiatives that will support the recommendations outlined in the report, including:

- Implementing new and enhanced workflows in Emburse ChromeRiver for the P-Card reconciliation process
- Developing new and improved reports in Emburse ChromeRiver for the P-Card reconciliation process
- Creating new and enhanced Card Integrity Audit reports for Procurement Services and campus departments
- Enhancing workflows within the eProcurement system (SpartanMart)
- Updating P-Card policies and guidance documents

We look forward to ongoing collaboration with the Internal Audit team and will continue to contribute to reducing risk and ensuring compliance within UNC Greensboro operations.

Sincerely,

Michael Logan

Director of Procurement Services