Procurement Card Program Review
(Fieldwork ended January 15, 2014)

Audit Report
and
Management’s Responses

Issue date April 7, 2014

Prepared by: Alamo Colleges’ Internal Audit Department
## AUDIT REPORT AT A GLANCE

### Objectives:
To determine compliance with Board Policies, District Procedures, and the PCard Handbook, and if controls would prevent and detect fraud, misuse, or negligence

### Scope included:
- Program User Guidelines as of summer 2013
- Cardholder authorization documentation as of August 2013
- PCard statements and transactions from September 2012 through June 2013
- Other transactions before or after this period as appropriate

### General Conclusions Statement:
Alamo Colleges implemented procedures, processes, and controls over the use of procurement cards. However, the compliance exceptions to the policies and procedures noted during the audit indicate controls were not operating as designed. Program oversight, including monitoring compliance with policy and procedures needs improvement.

### Key Recommendations:
- Strengthen compliance with Board Policies, District Procedures, and PCard Program requirements
- Segregate PCard Administrator duties and develop procedures
- Enhance Bank Service Provider System controls by limiting update access and utilizing more automated workflow functionality
- Improve the process for posting PCard transactions into Banner System
- Consider using Procurement Card Processing available in Banner
- Improve processes to comply with Texas Education Code Section 44.031 Purchasing Contracts and Policy C.1.5 Purchasing and Acquisitions

### Impact or potential risks for Alamo Colleges if these are not addressed:
- FY 2013 charges were $4.7 million for 380+ cardholders and growth is expected
- Inherent risk of abuse or fraud, unauthorized or inappropriate use
- Noncompliance with Board Policies and District Procedures

### Management's Responses Overview:
During the audit, Management strengthened the controls over its PCard Program through improved oversight, compliance monitoring, electronic processing of expense statements, coding for fiscal appropriations, and declining spend balances. Additionally, steps have been taken to enhance administrative oversight and address concerns regarding expense reporting and the use of the digital documents and files for purchases and approvals.

The remaining recommendations were also accepted and will be completed by January 2015 to investigate system enhancements, update procedures and train cardholders.
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PROCUREMENT CARD (PCARD) PROGRAM BACKGROUND

In fiscal year 2011, the PCard Program expanded to allow more departments to make purchases in a cost-effective manner. This expansion corresponded with the transition to a different servicing bank. Alamo Colleges implemented procedures, processes, and controls over the procurement cards. This included a Handbook for employees with guidelines for using the cards and role descriptions. While this audit was in progress, Management issued Procedure C.1.5.3 Procurement Card Purchases (September 2013) to formalize the Handbook information.

According to the Handbook, the PCard Administrator is required to monitor and report Cardholders who make unauthorized purchases, inappropriately use their cards, or fail to submit the required documentation. Cardholders, Reconcilers, Budget Managers, and Budget Officers are responsible for ensuring that purchases have an appropriate business purpose and comply with Policies and Procedures.

IMPACT

The PCard Program experienced significant growth since fiscal year (FY) 2011. In FY 2013, 384 employees used PCards for purchases exceeding $4.7 million as compared with FY 2011 when 129 Cardholders spent about $0.6 million. This trend should continue as Management anticipates further expansion of the Program.

For the ten months ended June 30, 2013, Cardholders spent over $3.6 million for more than 16,200 transactions representing an average cost of $222 per purchase. Thirty-five Cardholders accounted for over 50 percent of the transaction amounts. The total expenditures involved 3,151 unique merchants, including some international vendors.

AUDIT RESULTS SUMMARY

The audit examined 2,274 transactions judgmentally selected for a ten-month period. These transactions amounted to $939,803, and included 499 Monthly Expense Reports for 130 Cardholders. This represented 14 percent of the transactions and 26 percent of the expenditures for this period.

The audit found noncompliance with policies and procedures, indicating that the controls were not operating as designed. The statistical significance of the compliance exceptions indicated that these could be systemic for the Program overall. Therefore, Program oversight including compliance monitoring needs immediate strengthening and reinforcing.

The audit also identified risks for purchases from merchants using PayPal, Square, or Ticket Master to process their credit card transactions. Due to the ease of setting up merchant accounts with these companies, fictitious accounts could be established to process fraudulent transactions. Although not fraudulent, a few transactions reviewed highlighted this risk. For example, several Square charges showed a name indicating embroidery services; however, the invoices were for yoga classes. Two other transactions reflected a well-known personal care product vendor; these payments were for three tables at a not-for-profit event.

We commend the Finance & Fiscal Services Department for implementing changes before the audit was concluded, such as the segregation of the Program Administrator duties.
### DETAILED OBSERVATIONS AND RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Observation 1</th>
<th>Required Cardholder Documents not Adequately Maintained</th>
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<td><strong>Priority Rating</strong></td>
<td><strong>High (requires immediate action by management to mitigate risks)</strong></td>
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The PCard Handbook required three documents to issue or make changes to a card:

- An Application approved by the Budget Manager and a Vice President, Vice Chancellor, or Associate Vice Chancellor with the specified transaction and credit limits.
- An Acknowledgement Form communicating responsibilities signed after completion of mandatory training and card issuance.
- A PCard Modification Form documenting subsequent changes to a Cardholder’s account, including purchasing limits and adding travel related privileges. These required the same level of approvals as an Application.

Of the 365 PCards with activity between September 2012 through June 2013, 92 did not have a current Application on file and Modification Forms required for 23 PCards were not located. The purchasing limits authorized for these could not be verified with the Bank Service Provider System.

Cardholder documents were not in a centralized location or scanned into Alamo Colleges’ WebXtender Application. Some records were in the current PCard Administrator’s file cabinet, while older files were stored in boxes.

### Recommendation

1. Strengthen compliance with PCard Program requirements for issuing or modifying a card by:
   - Storing Cardholder documents electronically to ease retention and retrieval
   - Ensuring cardholder documents are on file for active cards
   - Enforcing periodic reviews and updates of the cardholders and their limits by College Vice Presidents

### Management’s Response

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<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Accept</th>
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<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Pamela K. Ansboury, AVC</td>
<td>Target Completion: Completed</td>
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**Action Plan:**

Management has completed the electronic storage of cardholder documents for ease of retention and retrieval. Annually, the Vice President for College Services at each location reviews and signs off on the cardholders authorized for their college. Management has developed a process to update cardholder documents prior to issuing a new card to replace an expired one.
<table>
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<th>Observation 2</th>
<th>Expense Reports Missing, Not Timely, or Incomplete</th>
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Alamo Colleges’ PCard Handbook required that:
- Cardholders reconcile Expense Reports within 5 business days after the billing cycle
- Reports be reviewed and approved within 7 business days after each billing cycle
- Reports and support (itemized receipts and other required documents) be scanned and transmitted to a designated Email address

When received, the PCard Administrator saved emailed reports on the Purchasing Department shared drive and then uploaded them to Alamo Colleges’ WebXtender Application. The upload did not always occur. Expense Reports were not always sent to designated Email address; instead, some were sent directly to Purchasing Department personnel.

Noncompliance with the above requirements was noted. Of the 499 Expense Reports:
- 96 were not in the WebXtender Application
  - 74 subsequently obtained from Purchasing Department’s shared drive or Cardholders
- 268 were not reconciled timely; 43 late by over 30 days, 14 over 60 days
- 240 were not approved timely; 43 late by over 30 days, 15 over 60 days
- 57 were not signed by an approver
- 69 were approved by the Cardholder themselves
- 34 were approved by a Cardholder’s peer, or subordinate
- 6 did not include $2,660 in charges shown in the Bank’s System
  - 1 did not include all of the pages
  - 1 missing four transactions; report excluded transactions coded to multiple accounts
  - 2 omitted 6 transactions; report included only those with reviewed status
  - 2 excluded 3 charges because report run with incorrect cut-off dates

**Recommendation**

2. Improve compliance with PCard Program requirements for reconciling, approving, and submitting expense reports by:
   - Implementing monthly tracking of Expense Report submission
   - Holding personnel accountable for noncompliance with report deadlines
   - Rejecting incomplete expense reports and providing feedback on how to run report
   - Requiring Approvers be the person responsible for approving purchases from the Cardholder’s fund, organization, accounts, and program (FOAP) or their supervisor

**Management’s Response**

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**Action Plan:**

Management strengthened the management of the PCard program by separating the program operations from compliance monitoring. Compliance monitoring is now performed by the Accounts Payable department, which ensures compliance with policies and procedures, including documentation. The PCard administrator is responsible for day to day operations, such as new card issuance, training, card modifications and tracking expense report submission. The last recommendation is in process and will make the approval process consistent with existing procurement practices.
Observation 3  Expense Reports with Incomplete Supporting Documentation

| Priority Rating | High (requires immediate action by management to mitigate risks) |

The PCard Handbook required Expense Reports be submitted with itemized receipts and other supporting documents. Food and travel related purchases required preapproval using the Travel Authorizations and Event Refreshment Request Forms.

Of the 2,274 transactions reviewed:
- 376 transactions worth $152,490 lacked receipts or itemization of items
- 37 were supported by Missing Receipt Affidavits
- 280 charges totaling $57,842 lacked timely or approved Event Refreshment Request Forms
- 51 were supported by an ad-hoc Explanation of Food Purchase Form
- 299 purchases totaling $77,990 did not have an approved Travel Authorization

The Event Refreshment Request Form estimated food costs, but not other related expenses. Therefore, approvers may not have been aware of the total expected event costs. A few Cardholders used an ad-hoc Explanation of Food Purchase Form. During interviews, some Cardholders indicated they were not aware of the PCard Handbook requirements to attach Travel Authorization or Event Refreshment Request Forms. Cardholders accepted responsibility for complying with Policies and Procedures when signing the PCard Acknowledgement Form.

An $893 transaction for catering services that was not supported by a receipt was determined to be an inappropriate charge by the vendor. Further research in collaboration with the Finance & Fiscal Services Department identified an additional $13,450 in unauthorized transactions initiated by the same vendor. By mid-December, all but $1,775 was recovered.

Recommendation

3. Improve compliance with PCard Program requirements for submitting expense reports with all required supporting documentation by:
- Providing ongoing training for Cardholders, Reconcilers, and Approvers
- Implementing monitoring controls to ensure compliance
- Reporting violations to the Chancellor, Presidents, and Vice Chancellors
- Disciplining personnel for noncompliance events; include in employment records
- Attaching receipts electronically to Bank Service Provider’s System transactions

Management’s Response

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<td>Target Completion:</td>
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Action Plan:
Management strengthened the management of the PCard program by separating the program operations from compliance monitoring. Compliance monitoring is now performed by the Accounts Payable department, which ensures compliance with policies and procedures, including backup documentation. The PCard administrator is responsible for day to day operations, such as new card issuance, training, card modifications and tracking expense report submission. The disciplining of personnel for noncompliance events, including documented noncompliance in employment records will be evaluated by Human Resources. The Bank Service Provider does not retain the receipts long enough for the required record retention. Management is evaluating other options to streamline receipt routing and retention.
Observation 4 | Unallowable Purchases per Restricted Items List
---|---
**Priority Rating** | **High** *(requires immediate action by management to mitigate risks)*

According to the PCard Handbook and a related attachment, Cardholders could purchase commodities or services except for restricted items. The Handbook also prohibited Cardholders from splitting purchases to circumvent single credit limits and from allowing others access to use their card.

About 6 percent of the 2,274 transactions reviewed were for restricted items, including:

- Over $69,000 paid for city building permits and fees
- $10,400 for Bexar County taxes, penalties, and card fees for the Tobin Lofts Partnership
- $8,744 in split transactions
- $6,300 for telephone services; some during international travel or for grant students
- $3,800 for hazardous materials, including cylinder gases
- $3,100 for yoga classes at Pat Booker Rd; vendor name was embroidery service
- $2,600 for Student Government Association textbooks; appeared to be for classes, which were considered personal use items
- $1,800 for emergency medical services for a foreign grant program student
- Purchases using the Special Needs – District Fund 229003 for:
  - $621 for spouse meals; 1 receipt included alcoholic beverages
  - $525 for movie gift cards; used for student contest prizes
  - No documentation available about unique purpose of these funds from the Foundation
- $650 on furniture, including a storage cabinet, utility cart, and a deposit on a pool table
- $420 in gasoline
- $266 spent for an electronic tablet and a DVD player which are controlled assets
- $132 in personal items, including toiletries, snacks during trips, toner, and a parking fine
- Ten instances of Cardholder allowing another employee to use their card

**Recommendations**

4A. Improve compliance with PCard Program requirements regarding restricted items or splitting purchases by:

- Reviewing and updating restricted items list on a periodic basis
- Providing ongoing training for Cardholders, Reconcilers, and Approvers
- Monitoring PCard activity to identify noncompliance
- Reporting violations to the Chancellor, Presidents, and Vice Chancellors
- Disciplining personnel for noncompliance events; document in employment records

4B. Document purpose and authorized uses of the Special Needs – District Fund 229003

**Management’s Response**

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**Action Plan:**

Management is scheduled to review all procedures on a 3-year rotating basis. PCard procedures were updated in September 2013. Management will review procedures out of cycle to review and incorporate the recommendations from this review.
Observation 5: Purchases Misclassified in Banner General Ledger

Priority Rating: Moderate (requires timely action by management to mitigate risks)

Cardholders were responsible for assigning the correct Fund-Organization-Account-Program (FOAP) to each transaction when reconciling the monthly Expense Reports. A default FOAP was established during setup of the Cardholder’s account profile but was to be changed during reconciliation process as necessary. The PCard Handbook indicated that Budget Managers and Officials had responsibility for accurate expense classifications.

Of 2,274 transactions tested, 696 were recorded in incorrect Banner general ledger accounts. The misclassified transactions posted to 58 different accounts; the table below shows the FOAPs frequently used for misclassifications.

<table>
<thead>
<tr>
<th>General Ledger Expense Account Number / Title</th>
<th>Transactions</th>
<th>Percent</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>71201 Repair and Maintenance</td>
<td>78</td>
<td>11%</td>
<td>$34,681</td>
</tr>
<tr>
<td>71252 Instructional Supplies</td>
<td>67</td>
<td>10%</td>
<td>$10,681</td>
</tr>
<tr>
<td>73017 TRVL USA Employee Travel Other</td>
<td>52</td>
<td>7%</td>
<td>$5,235</td>
</tr>
<tr>
<td>71674 Refreshments - Other</td>
<td>48</td>
<td>7%</td>
<td>$7,762</td>
</tr>
<tr>
<td>73016 TRVL USA Employee Meals Out of Town</td>
<td>38</td>
<td>5%</td>
<td>$1,334</td>
</tr>
<tr>
<td>71255 Office Supplies</td>
<td>32</td>
<td>5%</td>
<td>$5,758</td>
</tr>
<tr>
<td>All Other Misclassified</td>
<td>381</td>
<td>55%</td>
<td>$124,359</td>
</tr>
<tr>
<td>Total Misclassified</td>
<td>696</td>
<td>100%</td>
<td>$189,810</td>
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</tbody>
</table>

Improper recording of expenses could potentially conceal PCard fraud or impact some financial reports. These mistakes would affect comparisons with the budget estimates for organization groups, and may by-pass the automated Banner Finance expenditure controls established for some account groups. For example, controlled (high-risk) items and capitalized assets may not be tagged for inventory purposes due to incorrect FOAPs. Purchases of hardware and software may not be reviewed by the District Information Technology Services Department for capability and standards requirements.

The Bank’s System had a drop-down menu of general ledger accounts to select; however, this did not show the FOAP titles and was not an all-inclusive list.

Recommendation

5. Improve compliance with PCard requirements for correct account classification by:
   - Providing additional training for Cardholders and Approvers about general ledger account classifications, and feedback when errors occur
   - Verifying that all PCards have appropriate default accounts; periodically review/update

Management’s Response

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<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Pamela K. Ansboury, AVC</td>
<td>August 2014</td>
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Action Plan:
Management will provide additional training for Cardholders and Approvers in late Spring and Summer 2014 for appropriate general ledger account classifications. The PCard system has been updated to ensure all cardholders have an appropriate default account.
### Observation 6

<table>
<thead>
<tr>
<th>Delays and Losses for Disputed Transactions</th>
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<td><strong>Priority Rating</strong></td>
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Cardholders are responsible to ensure their accounts reflect credits for returns and disputed charges. Cardholders are to contact the PCard Administrator if they suspect a fraudulent charge. Monthly Expense Reports should indicate any returns, credits, and disputed charges and include a vendor’s return or credit receipt. If disputed items cannot be resolved with a vendor directly, cardholders must submit a Dispute Form to the Bank Service Provider.

Testing identified 26 transactions with credits valued at $7,463 that were not processed timely, within thirty days, for returns or disputed charges; these included:

- A fraudulent $300 gasoline charge; not recovered because the Dispute Form was submitted too late; card was inactivated immediately.
- An inappropriate charge for $1,196 in catering services credited after 48 days.
- Incorrect car rental charge of $217; Cardholder immediately alerted vendor. First credit of $89.90 received within five days and second $89.90 credit processed two months later.
- Three $500 transactions contested by a Cardholder in June credited by vendor in September. Cardholder paid for three tables at an event. Payment made using a personal smart phone device. This individual was a cosmetics representative and charges posted under this merchant name and not the host organization. Cardholder requested refund and processed a Direct Pay for two event tables purchased. Bank recently reprocessed the $1,500 charge due to issues with the dispute documents provided.

### Recommendation

6. Improve compliance with PCard Program requirements regarding returns and disputed charges by:
   - Documenting a more detailed procedure for returns and disputes; monitor recoveries
   - Providing ongoing training for Cardholders, Reconcilers, and Approvers
   - Monitoring PCard activity to identify noncompliance
   - Reporting violations to the Chancellor, Presidents, and Vice Chancellors
   - Disciplining personnel for noncompliance events; document in employment records

### Management’s Response

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**Action Plan:**
Management will provide additional training in the area of returns and disputed charges in the next few months. The procedure will be reviewed and updated as appropriate. The disciplining of personnel for noncompliance events, including documented noncompliance in employment records will be evaluated by Human Resources.
### Observation 7: Potential Noncompliance with District Policies and Procedures

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<tr>
<th>Priority Rating</th>
<th>Description</th>
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<tr>
<td>Moderate (requires timely action by management to mitigate risks)</td>
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The Handbook stated Cardholders, Reconcilers, Budget Managers, and Budget Officers were responsible for ensuring that purchases have an appropriate business purpose and comply with Alamo Colleges' Policies and Procedures.

Approximately three percent of the 2,274 transactions reviewed indicated issues regarding potential noncompliance with Alamo Colleges' Policies and Procedures. Examples included:

- **$8,000 in charges for computer software.** Purchasing procedures require approval from District Information Technology Services Department for purchase of computer hardware and software.
- **$4,400 spent on public events,** which did not evidence approvals required per Policies B.3.5 Board Members: Conventions, Conferences, Workshops, B.5.5 Sponsorship or Endorsement of Public Events, and C.2.10 Official Functions.
- **$3,000 for toner not purchased from the contracted vendor.** Purchasing procedures specify a particular vendor for certain toner.

### Recommendations

7. Improve the PCard Program processes to enhance compliance with District Policies and Procedures by:
   - Providing ongoing training for Cardholders, Reconcilers, and Approvers
   - Enhancing monitoring controls
   - Reporting compliance violations to the Chancellor, Presidents, and Vice Chancellors
   - Disciplining personnel for noncompliance events; document in employment records

### Management's Response

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**Action Plan:**

Management will provide additional training to reinforce policies and procedures in the next few months. The disciplining of personnel for noncompliance events, including documented noncompliance in employment records will be evaluated by Human Resources.
Observation 8

<table>
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<th>Observation 8</th>
<th>Ineffective Monitoring to Ensure Compliance with Procurement Requirements</th>
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<tr>
<td>Priority Rating</td>
<td><strong>Moderate</strong> <em>(requires timely action by management to mitigate risks)</em></td>
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Board Policy C.1.5 Purchasing and Acquisitions delegates the Chancellor or his designee the authority to determine the method of purchasing in accordance with state law. Texas Education Code Section 44.031 states that contracts for the purchase of goods and services valued at $50,000 or more a year follow specific purchasing methods, including competitive bidding, competitive sealed proposals, requests for proposal, and interlocal contracts.

The PCard Handbook recommended using existing contracts and contacting multiple vendors to obtain the lowest prices within acceptable quality and delivery requirements.

Analysis of PCard activity between September 2012 and June 2013 identified ten vendors with purchases close to or over $50,000. Contracts with seven of the vendors were confirmed through review of the Contract Listing. However, because of the variances in how vendor names are captured in the Bank Provider System, could not easily identify all vendors with purchases exceeding $50,000. Therefore, there may be opportunities to pursue contracts with additional vendors to promote competition and help ensure that Alamo Colleges receives the best value.

Also, testing indicated that contracted vendors were not always used. Detailed review of 477 PCard Expense Reports did not always show evidence of quotes or contracts. Purchasing from vendors other than those contracted or without competitive bids was more costly for Alamo Colleges because some discounts were not received.

**Recommendation**

8. **Improve processes to strengthen compliance with requirements in the Texas Education Code Section 44.031 and in Alamo Colleges’ Policy C.1.5 Purchasing and Acquisitions by:**
   - Providing ongoing training for employees and Supervisors to ensure compliance with contracting requirements
   - Developing a system to track how much is purchased from non-contracted vendors
   - Broadening use of contract or cooperative purchases for discounts and efficiencies

**Management’s Response**

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**Action Plan:**

Management will review PCard activity analyzed for this review to determine if additional discounts and efficiencies can be developed to optimize procurement activities. Training will be provided to employees and supervisors to ensure compliance with contracting requirements in the next year.
Observation 9 | Inadequate Program Administration
---|---
**Priority Rating** | **Moderate** *(requires timely action by management to mitigate risks)*

There were no comprehensive procedures to guide the procurement card administration daily or monthly activities. Twelve documents with screen prints for performing certain actions in the Bank’s System were available. This included adding cardholders, changing limits, and resetting passwords. The Bank’s System had several manuals available for PCard administration. While occasionally accessed, these were voluminous for day-to-day activities.

The Bank Service Provider has several secure Web-based Applications with significant data for monitoring PCard Program activity. One System enables users to create reports by querying over 600 data elements. It also provides access to shared reports created by the Bank or other Texas agencies. Program administration has not taken advantage of these or other tools available to automate the current review process. Instead, reviews were performed manually.

The process in place involved randomly reviewing PCard statements provided by the Bank Service Provider to identify questionable transactions or potential compliance issues primarily looking for travel related expenditures. Follow-up actions were taken as necessary after discussions with the Cardholders. If Handbook violations occurred, a warning letter was issued to the Cardholder. On a few occasions, Cardholder privileges were suspended. The current practice was to reduce the authorized limits to $1 instead of closing accounts; if fraud was reported, the accounts were closed.

**Recommendation**

9. Improve Program administration by:
   - Developing procedures for PCard administration duties
   - Redefining PCard Administrator duties to front-end processes, such as account set up, file maintenance, customer service, and Bank liaison
   - Assigning back-end processes for reconciliation, compliance and other exception monitoring to a different unit/section

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**Action Plan:**
Management will develop desktop procedures for PCard administration duties. Management strengthened the management of the PCard program by separating the program operations from compliance monitoring. Compliance monitoring is now performed by the Accounts Payable department, which ensures compliance with policies and procedures, including backup documentation. The PCard administrator is responsible for day to day operations, such as new card issuance, training, card modifications and tracking expense report submission.
Observation 10  |  Banner System Transaction Posting Needs Improvement  
--- | ---
| **Priority Rating** | **Moderate** (requires timely action by management to mitigate risks)

A monthly Banner Export Report is generated from the Bank System, missing FOAPs added, and file saved on a dedicated drive. A designated District Information Technology Services Department Programmer uploads the file into the Banner Finance Module. The purchases post with the upload date, not the transaction date. The text file is not compared to the uploaded transactions to verify accuracy or completeness. Observations made regarding review of the June 2013 Banner Export Report included:

- The 42-page report did not have control totals of record counts or amounts
- The layout included transaction date, general ledger FOAP, amount, and vendor name
- Not all transactions included a purchase description
- 23 records missing FOAPs for 4 PCards; had handwritten notes

Accounts Payable uses Cardholder statements to prepare a journal entry to process an electronic payment to the Bank. The following was noted in review of fiscal year 2013 Banner account 21026 AP-Purchasing Card transactions:

- Payments to Bank occurred before transactions posted from Banner Export Report text file
- No transactions posted in November 2012 and March 2013
- December transactions of $344,006 posted twice in error
  - Transactions were reversed on 1/24/2013 with errors
- An adjusted debit balance of $10,473 indicated more payments than transactions
- Payment descriptions showed the previous Bank Service Provider’s name
- Document numbers for transaction journal vouchers were not sequential

Alamo Colleges did not implement the procurement card automated processing available in Banner. The Bank’s System can interface accounts payable information with an organization’s general ledger using automatic mapping and a file of valid general ledger codes. It can also map the data received from the point-of-sale merchant on a daily basis. The Bank’s System maintains more details about each purchase than what is posted in Banner. There is a risk of not having access to this data should the State or District change servicing banks again.

**Recommendations**

10A. Improve the process for posting transactions to the Banner System by:

- Ensuring that Bank Service Provider’s transaction text files have FOAP numbers
- Automating text file postings to discontinue Programmer intervention
- Posting the PCard transaction text files more timely
- Reconciling monthly the Banner account 21026 AP-Purchasing Card Transactions

10B. Consider implementing Banner Procurement Card Processing to improve the controls and data collected by attaching receipts/supporting documents

**Management’s Response**

<table>
<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Target Completion:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Pamela K. Ansboury, AVC</td>
<td>January 2015</td>
</tr>
</tbody>
</table>

**Action Plan:**
Management will evaluate the opportunity to improve the process for PCard processing using existing functionality in the Banner System.
<table>
<thead>
<tr>
<th>Observation 11</th>
<th>Bank System Access Issues &amp; Incomplete Cardholder Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority Rating</strong></td>
<td>Moderate <em>(requires timely action by management to mitigate risks)</em></td>
</tr>
</tbody>
</table>

The Bank Service Provider’s System allows users to be set up by role. These include cardholders, level managers, account group managers, and program administrators. A Program Administrator has access to implement the application at the company level, to configure the application, to manage users, to export data, and to run reports.

Seven active user accounts had the Program Administrator Role.
- Three Internal Auditors had inquiry access
- Four Finance & Fiscal Services Department staff had update access (PCard Administrator, two Purchasing Department staff, and the Assistant Accounts Payable Manager)

Account information must be manually entered for each Cardholder in the Bank’s System. A limited review of Cardholder information identified several discrepancies. For example, 232 employee identification numbers (Banner IDs) were not entered or were incorrect; and 9 accounts showed invalid employee social security numbers. Several fields were not being populated, including the card status, issue date, status change date, and account closed date.

**Recommendation**

11. Enhance Bank Service Provider System controls by:
   - Limiting update access to the PCard Administrator and a backup
   - Ensuring accuracy and completeness of Cardholder information entered

<table>
<thead>
<tr>
<th>Management’s Response</th>
<th>Accept</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senior Leader:</strong> Diane E. Snyder, VCFA</td>
<td><strong>Manager:</strong> Pamela K. Ansboury, AVC</td>
</tr>
</tbody>
</table>

**Action Plan:**
Management has restricted access to the Bank Service Provider’s system to the PCard Administrator and a backup. Procedures are in place to ensure accuracy and completeness of Cardholder information entered into the Bank Service Provider's system.
<table>
<thead>
<tr>
<th>Observation 12</th>
<th>Bank System Structure and Functionality Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority Rating</strong></td>
<td><strong>Low</strong> <em>(presented for consideration by management)</em></td>
</tr>
</tbody>
</table>

Each Cardholder account is assigned a reporting hierarchy (level) code in the Bank’s System. This allows the PCard Administrator and others with access to view data, to run, and to export reports for accounts levels or groups. While the Bank’s System provided up to seven reporting hierarchy levels, Alamo Colleges only set-up four levels. This reporting hierarchy (shown below) was established in 2011.

- Hierarchy Level 1 – Alamo Colleges
- Hierarchy Level 2 – Purchasing Department
- Hierarchy Level 3 – Campus
- Hierarchy Level 4 – Department

The hierarchy level set up did not mirror the Banner System structure of Fund, Organization, and Program.

The Bank’s System had the ability to review and approve transactions online and capability to attach electronic documents to transactions. Alamo Colleges was not requiring Cardholders, Reconcilers, or Approvers to use the online review and approval functions. Although not required, 68 percent of the transactions examined during this audit showed online approvals.

**Recommendation**

12. Consider enhancing Bank Service Provider System controls by:
   - Modifying the account hierarchy structure to resemble Banner HR organizations
   - Utilizing more automated workflow functionality

**Management’s Response**

<table>
<thead>
<tr>
<th>Senior Leader:</th>
<th>Manager:</th>
<th>Accept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diane E. Snyder, VCFA</td>
<td>Pamela K. Ansboury, AVC</td>
<td>Target Completion: January 2015</td>
</tr>
</tbody>
</table>

**Action Plan:**

Management will research the account hierarchy structure and the automated workflow functionality in the Bank Service Provider System to determine if improvements can be made.
### Observation 13

<table>
<thead>
<tr>
<th>Maximum Single Purchase Limit Exceeded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority Rating</td>
</tr>
</tbody>
</table>

PCard limits defaults are $250 single purchase and $750 monthly limits. A PCard Modification Form must be approved to make changes to these limits. The Handbook stipulates a maximum single purchase limit of $2,500.

Of the 40 transactions tested that exceeded the single purchase limit of $2,500

- 9 totaling $38,926 did not have PCard Modification Forms on file evidencing approval of higher single purchase limits. These transactions ranged from $2,700 to $10,404.
- 31 totaling $288,277 were approved by Management
  - 25 totaling $255,129 were made to the same vendor for aviation services; several on the same day. Charges did not exceed the Cardholder’s limit, as it was set at $61,100. The Purchasing Director approved the PCard Modification Forms to increase these limits because the Board had approved the contract for these services.
  - 1 charge of $15,096 for call center services for a one-time urgent situation was approved by the Associate Vice Chancellor of Finance and Fiscal Services.
  - 5 other charges totaling $18,052 evidenced approved PCard Modification Forms.

### Recommendation

13. Comply with the PCard Program requirements related to maximum purchasing limits by:

- Ensuring that all changes to purchase limits are approved using the PCard Modification Form
- Revising Procedure C.1.5.3 Procurement Card Purchases (previously the Handbook) to reassess purchasing limits and reflect actual practices

### Management’s Response

<table>
<thead>
<tr>
<th>Senior Leader: Diane E. Snyder, VCFA</th>
<th>Manager: Pamela K. Ansboury, AVC</th>
<th>Target Completion: January 2015</th>
</tr>
</thead>
</table>

### Action Plan:

Management is scheduled to review all procedures on a 3-year rotating basis. PCard procedures were updated in September 2013. Management will review procedures out of cycle to review and incorporate the recommendations from this review.
Observation 14 | Noncompliance with Procedure F.2.3.1 Student Services Fee Advisory Committee
--- | ---
Priority Rating | **Low** *(presented for consideration by management)*

Procedure F.2.3.1 Student Services Fee Advisory Committee provided guidelines for the Committee and College Departments about budgets for events funded with these fees. It did not address tracking and reporting the subsequent expenditures for approved event budgets, which would provide transparency and accountability about the use of these special fees. Using PCards for purchases did not diminish the requirement to document the business purpose for the transactions, which were the approved events.

The Student Services Departments at SAC, SPC, PAC, and NVC who handled the disbursement of student services fees had 7 PCards that accounted for almost 1,000 transactions worth over $245,000. Samples of their Monthly Expense Statements, receipts, Travel Authorizations and Event Refreshment Request Forms were reviewed during the audit test work. Several split transactions were found for the SAC PCard transactions; for example, two Cardholders paid for an invoice over $2,000. Event Forms that were available included only food or refreshments. In some cases, event expenses for decorations, awards, and prizes were substantial and had no visibility since only the refreshment costs required approval. No NLC PCard transactions were tested; and there may have been other cards for other Colleges that were not selected for testing.

Three of the Colleges did not provide documentation to show that the annual budgets were submitted to the Chancellor as required by the Procedure. The budgets provided by the two other Colleges were not detailed to support the PCard transactions tested.

**Recommendations**

14A. Strengthen compliance with Procedure F.2.3.1 Student Services Fee Advisory Committee by:
- Maintaining documentation evidencing annual budgets submitted to the College President and Chancellor
- Providing ongoing accountability training for the employees, Supervisors, and Committee
- Considering revising guidelines to provide a standard budget format and requiring periodic reporting of budget to actual expenses

14B. Enhance compliance with Policy C.2.10 Official Functions by:
- Changing the Event Refreshment Request Form to an Event Request Form requiring advanced approval for all estimated expenses, including non-refreshment costs

**Management’s Response**

| Senior Leader: | Diane E. Snyder, VCFA | Manager: | Pamela K. Ansboury, AVC | Target Completion: | August 2014 |

**Action Plan:**
Management will strengthen compliance with Procedure F.2.3.1 Student Services Fee Advisory Committee by instituting a process to collect required information using a consistent format. Training will be provided to Student Activity Directors in the summer. Management is currently reviewing Policy C.2.10 Official Functions and will consider the recommendation above.
SCOPE AND METHODOLOGY
The scope included Program conditions during fiscal year 2013. It also incorporated testing on a sample basis of the 16,212 transactions between September 2012 and June 2013 that totaled $3.6 million, as summarized in the table below. In a few instances, transactions before or after this range were examined as deemed necessary. The project was also planned to evaluate the Program administration procedures, controls, and practices. This involved reviews of Cardholder documents, Expense Reports, and supporting documentation to determine compliance with Board Policies, District Procedures and related guidelines. Interviews were conducted and documentation reviewed to understand the processes and controls. The Bank Service Provider’s automated applications were evaluated; Cardholder data extracted for testing. Some review of transactions posted to the Banner Finance Module also occurred.

### Summary of Procurement Card Activity Reviewed

<table>
<thead>
<tr>
<th></th>
<th>PCards</th>
<th>Monthly Expense Reports</th>
<th>Transactions</th>
<th>Expenditures</th>
<th>Percent Tested</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Board of Trustees</td>
<td>8</td>
<td>32</td>
<td>167</td>
<td>$23,790</td>
<td>100%</td>
</tr>
<tr>
<td>2 Board Liaisons</td>
<td>2</td>
<td>17</td>
<td>152</td>
<td>37,895</td>
<td>100%</td>
</tr>
<tr>
<td>3 Chancellor</td>
<td>1</td>
<td>10</td>
<td>113</td>
<td>21,840</td>
<td>100%</td>
</tr>
<tr>
<td>4 Presidents &amp; Vice Chancellors</td>
<td>6</td>
<td>44</td>
<td>177</td>
<td>52,043</td>
<td>100%</td>
</tr>
<tr>
<td>5 Chancellor's Office</td>
<td>6</td>
<td>39</td>
<td>220</td>
<td>26,981</td>
<td>100%</td>
</tr>
<tr>
<td>6 Institutional Advancement (District)</td>
<td>3</td>
<td>29</td>
<td>167</td>
<td>27,023</td>
<td>100%</td>
</tr>
<tr>
<td>7 Purchasing Department</td>
<td>4</td>
<td>22</td>
<td>127</td>
<td>12,376</td>
<td>100%</td>
</tr>
<tr>
<td>8 Palo Alto College*</td>
<td>1</td>
<td>9</td>
<td>40</td>
<td>261,541</td>
<td>41%</td>
</tr>
<tr>
<td>9 San Antonio College (SAC) *</td>
<td>1</td>
<td>10</td>
<td>176</td>
<td>70,749</td>
<td>15%</td>
</tr>
<tr>
<td>10 International Programs (District) *</td>
<td>9</td>
<td>57</td>
<td>190</td>
<td>38,282</td>
<td>25%</td>
</tr>
<tr>
<td>11 Alamo University Center *</td>
<td>3</td>
<td>27</td>
<td>244</td>
<td>62,483</td>
<td>86%</td>
</tr>
<tr>
<td>12 Northeast Lakeview College *</td>
<td>1</td>
<td>8</td>
<td>38</td>
<td>41,237</td>
<td>20%</td>
</tr>
<tr>
<td>13 Northwest Vista College *</td>
<td>1</td>
<td>8</td>
<td>30</td>
<td>30,233</td>
<td>7%</td>
</tr>
<tr>
<td>14 St. Philip’s College *</td>
<td>1</td>
<td>10</td>
<td>82</td>
<td>27,192</td>
<td>8%</td>
</tr>
<tr>
<td>15 SAC International Programs Travel</td>
<td>1</td>
<td>2</td>
<td>15</td>
<td>4,843</td>
<td>100%</td>
</tr>
<tr>
<td>16 Facilities *</td>
<td>26</td>
<td>96</td>
<td>205</td>
<td>171,006</td>
<td>23%</td>
</tr>
<tr>
<td>17 Weekends and Holidays **</td>
<td>56</td>
<td>79</td>
<td>131</td>
<td>30,290</td>
<td>8%</td>
</tr>
<tr>
<td>Verified Transactions &amp; Data</td>
<td>130</td>
<td>499</td>
<td>2,274</td>
<td>$939,803</td>
<td></td>
</tr>
<tr>
<td>Total Transactions &amp; Data</td>
<td>365</td>
<td>16,212</td>
<td>$3,602,896</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent Verified</td>
<td>36%</td>
<td>14%</td>
<td>26%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Allocation Detail Report from the Bank Service Provider

Notes: * = Judgmentally selected transactions ** = Judgmentally selected from remaining Cardholders

CRITERIA
Texas Education Code Chapter 44 Fiscal Management Subchapter B Purchases; Contracts
Board Policies and the related District Procedures including:
- B.3.5 Board Members: Conventions, Conferences, Workshops
- B.5.5 Sponsorship or Endorsement of Public Events
- C.1.1.1 Financial Ethics and Accountability (Procedure)
- C.1.5 Purchasing and Acquisitions; Purchasing Card Handbook, guidelines and forms
- F.2.3.1 Student Services Fee Advisory Committee (Procedure)
- C.2.4 Records Management
- C.2.9 Employee Travel Reimbursement; Travel Procedure and related guidelines
- C.2.7.4 Property Management: Inventory Control (Procedure)
- C.2.10 Official Functions
- F.5.2 Student Contests and Competitions
AUDITING STANDARDS
We conducted this follow-up audit in accordance with generally accepted governmental 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on our audit objectives.

This audit was also conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

ACKNOWLEDGEMENTS
The Finance & Fiscal Services Department provided exceptional cooperation during this project. The Director of Purchasing & Contract Administration and the Procurement Card Administrator were instrumental in planning and conducting this project. Various District and College Departments provided requested documentation and assistance throughout the course of this review including the Deputy to the Chancellor, Board Liaisons, Institutional Advancement, Facilities, District International Programs, and Alamo University Center.

AUDIT REPORT DISTRIBUTION
Board of Trustees (9)  Chancellor
Vice Chancellors (5)  Presidents (5)
General Counsel  Vice Presidents for Colleges Services (5)
Associate Vice Chancellor for  Vice Presidents for Student Services (5)
    Finance & Fiscal Services
Associate Vice Chancellor for Facilities  Associate Vice Chancellor for
    Human Resources & Organizational Development
District Director of International Programs  District Director of Institutional Advancement
Deputy to the Chancellor  Director of Purchasing & Contract Administration
Board Liaison  District Comptroller
Ethics & Compliance Officer  Procurement Card Program Administrator
Alamo University Center Manager  Accounts Payable Manager
### APPENDIX – ANALYTICAL SUMMARIES

#### Merchant Categories by Expenditure Amounts - Top Ten
September 2012 Through June 2013

<table>
<thead>
<tr>
<th>MCC*</th>
<th>MCC Description</th>
<th>Expenditures</th>
<th>Percent</th>
<th>Transactions</th>
<th>Average Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>8299</td>
<td>Schools &amp; Educational Svc - Not Elsewhere Classified</td>
<td>$387,062</td>
<td>11%</td>
<td>292</td>
<td>$1,326</td>
</tr>
<tr>
<td>5965</td>
<td>Direct Marketing - Combination Catalog and Retail</td>
<td>228,565</td>
<td>6</td>
<td>1,853</td>
<td>123</td>
</tr>
<tr>
<td>7399</td>
<td>Business Services - Not Elsewhere Classified</td>
<td>196,710</td>
<td>5</td>
<td>1,277</td>
<td>154</td>
</tr>
<tr>
<td>5812</td>
<td>Eating Places, Restaurants</td>
<td>193,417</td>
<td>5</td>
<td>976</td>
<td>198</td>
</tr>
<tr>
<td>5942</td>
<td>Book Stores</td>
<td>154,971</td>
<td>4</td>
<td>737</td>
<td>210</td>
</tr>
<tr>
<td>9399</td>
<td>Government Services - Not Elsewhere Classified</td>
<td>133,386</td>
<td>4</td>
<td>324</td>
<td>412</td>
</tr>
<tr>
<td>2741</td>
<td>Miscellaneous Publishing and Printing</td>
<td>128,057</td>
<td>4</td>
<td>518</td>
<td>247</td>
</tr>
<tr>
<td>5085</td>
<td>Industrial Supplies Not Elsewhere Classified</td>
<td>124,084</td>
<td>4</td>
<td>598</td>
<td>208</td>
</tr>
<tr>
<td>5411</td>
<td>Grocery Stores, Supermarkets</td>
<td>105,934</td>
<td>3</td>
<td>976</td>
<td>73</td>
</tr>
<tr>
<td>5811</td>
<td>Caterers</td>
<td>85,777</td>
<td>2</td>
<td>174</td>
<td>493</td>
</tr>
<tr>
<td></td>
<td>208 Other Merchant Category Codes</td>
<td>1,864,933</td>
<td>52</td>
<td>8,002</td>
<td>233</td>
</tr>
<tr>
<td></td>
<td>Totals for 218 MCCs</td>
<td>$3,602,896</td>
<td>100%</td>
<td>16,212</td>
<td>$222</td>
</tr>
</tbody>
</table>

Source: Allocation Detail Report from Bank Service Provider’s System
Note: * MCC = Merchant Category Code

#### Summary of Expenditures by Merchant – Top Eight
September 2012 Through June 2013

<table>
<thead>
<tr>
<th>Merchant Name</th>
<th>Expenditures</th>
<th>Transactions</th>
<th>Average Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Sky Safety Inc (aviation services for PAC)</td>
<td>$258,334</td>
<td>30</td>
<td>$8,611</td>
</tr>
<tr>
<td>2 Office Depot</td>
<td>250,320</td>
<td>2,127</td>
<td>118</td>
</tr>
<tr>
<td>3 Development Services – City of SA</td>
<td>101,596</td>
<td>98</td>
<td>1,037</td>
</tr>
<tr>
<td>4 HEB/Central Market</td>
<td>84,552</td>
<td>1,147</td>
<td>74</td>
</tr>
<tr>
<td>5 WW Grainger</td>
<td>68,453</td>
<td>351</td>
<td>195</td>
</tr>
<tr>
<td>6 Jason’s Deli</td>
<td>64,906</td>
<td>255</td>
<td>255</td>
</tr>
<tr>
<td>7 Thomas Reprographics</td>
<td>57,652</td>
<td>253</td>
<td>228</td>
</tr>
<tr>
<td>8 Amazon.com &amp; Marketplace</td>
<td>53,226</td>
<td>507</td>
<td>105</td>
</tr>
<tr>
<td>Totals for Top 8</td>
<td>$939,038</td>
<td>4,768</td>
<td></td>
</tr>
<tr>
<td>Totals for All Merchants</td>
<td>$3,602,896</td>
<td>16,212</td>
<td>$222</td>
</tr>
<tr>
<td>Percent of Top 8 to All Merchants</td>
<td>26%</td>
<td>29%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Allocation Detail Report from Bank Service Provider’s System

#### Procurement Card Activity by Organization Group
September 2012 Through June 2013

<table>
<thead>
<tr>
<th>Organization</th>
<th>Card-holders</th>
<th>Expenditures</th>
<th>Percent</th>
<th>Transactions</th>
<th>Average Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facilities</td>
<td>26</td>
<td>$746,792</td>
<td>21%</td>
<td>2,742</td>
<td>$272</td>
</tr>
<tr>
<td>All Other District Departments</td>
<td>69</td>
<td>$649,528</td>
<td>18</td>
<td>3,438</td>
<td>189</td>
</tr>
<tr>
<td>Palo Alto College</td>
<td>43</td>
<td>$645,626</td>
<td>18</td>
<td>1,663</td>
<td>388</td>
</tr>
<tr>
<td>San Antonio College</td>
<td>83</td>
<td>$485,138</td>
<td>13</td>
<td>2,877</td>
<td>169</td>
</tr>
<tr>
<td>Northwest Vista College</td>
<td>53</td>
<td>$436,093</td>
<td>12</td>
<td>2,199</td>
<td>198</td>
</tr>
<tr>
<td>St. Philip’s College</td>
<td>42</td>
<td>$336,769</td>
<td>9</td>
<td>1,777</td>
<td>190</td>
</tr>
<tr>
<td>Northeast Lakeview College</td>
<td>18</td>
<td>$205,277</td>
<td>6</td>
<td>1,059</td>
<td>194</td>
</tr>
<tr>
<td>Chancellor, Presidents, Vice Chan.</td>
<td>7</td>
<td>$73,883</td>
<td>2</td>
<td>290</td>
<td>255</td>
</tr>
<tr>
<td>Board of Trustees</td>
<td>8</td>
<td>$23,790</td>
<td>1</td>
<td>167</td>
<td>142</td>
</tr>
<tr>
<td>Totals</td>
<td>349</td>
<td>$3,602,896</td>
<td>100%</td>
<td>16,212</td>
<td>$222</td>
</tr>
</tbody>
</table>

Source: Allocation Detail Report from Bank Service Provider’s System
Does not include PCards with no transactions during this period.