

Best Practices For Procurement Cards

Agenda



Why is Procurement Card Oversight Important?



Key Controls for Effective Oversight



Recommended Procedures



What Happens When Controls Fail



Questions

WHY IS OVERSIGHT IMPORTANT?



Inappropriate use of P-cards may be the result of:

1. Noncompliance with District policies
2. Fraud

Key Controls for Effective Oversight

Each cardholder should attend training and sign a cardholder agreement prior to being issued a card.

Cardholders should secure the physical location of the card at all times.

Cardholder should obtain receipts and submit them to the reviewer at least monthly.

Reviewer should obtain the monthly statement and reconcile all transactions to supporting documentation.

Someone independent of the reviewer should perform periodic review of statements and reconciliations.

SC DIVISION OF PROCUREMENT SERVICES (SCDPS) AUP PROCEDURES

These procedures are required by State law for any district whose budget of total expenditures exceeds \$75 million

Procedures must be performed at least once every three years by an audit firm approved by the State



SCDPS AUP Procedures

- Review the District's P-Card Manual to confirm the establishment of internal controls, including specific roles and responsibilities for cardholders, approvers, liasons, and the P-Card Administrator. Verify that the manual:
 - Describes the cardholder qualifications and card issuance requirements
 - Describes the types of purchases that are allowed and/or prohibited
 - Prohibits the splitting of transactions to get below the single transaction limits (STL)
 - Blocks Merchant Category Codes (MCC) not suitable for District purchases

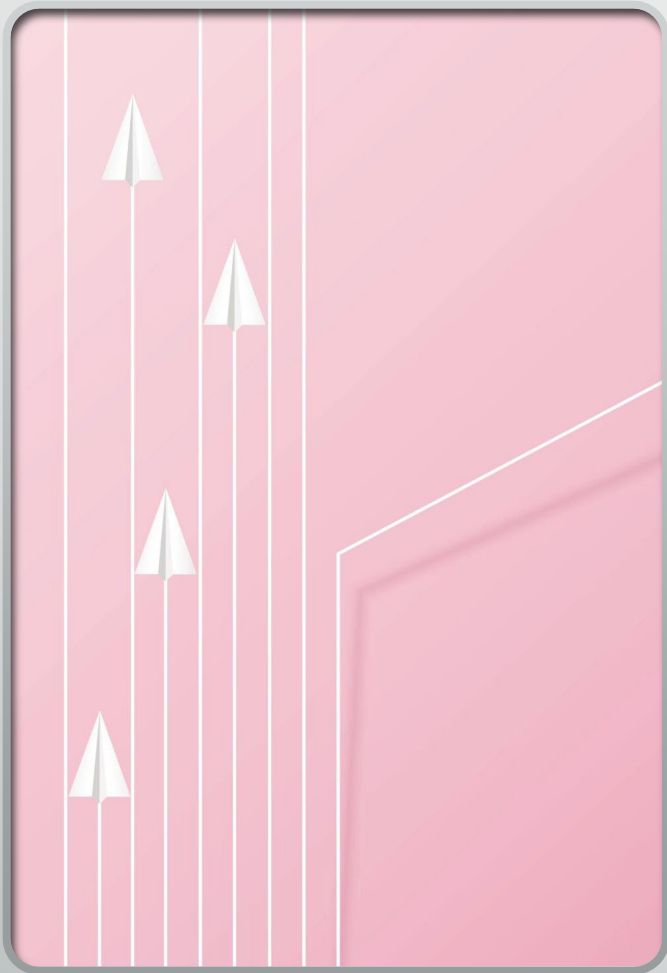
SCDPS AUP Procedures

- Determine if the District's internal audit department, or some other independent group, is required to conduct compliance audits of P-card usage.
- Determine when the last P-card audit was conducted. Obtain a copy of the report and determine that the corrective action plans have been implemented.

SCDPS AUP Procedures

- Program Administration:
 - Obtain a listing of all P-cards that were active during the period showing the cardholder, reviewer, liaison, date of issue, STL, and date of last transaction.
 - Ensure that the number of cardholders per liaison provides for adequate monthly review of transactions for compliance with the P-card policy for STL, allowable purchases and blocked MCC codes.
 - Ensure that P-cards are only issued to full or part-time permanent employees and that the district has a documented training program for new cardholders and liaisons, and that all cardholders received training prior to card issuance.
 - Determine that the district has no unassigned cards.
 - Identify employees who have been issued more than one card.
 - Confirm that no cards have been inactive for more than six months.
 - Sort the listing to verify that no STL is greater than the district's competition threshold.

SCDPS AUP Procedures



- Select two monthly billing statements and perform the following:
 - Obtain a listing of all P-card transactions during the period.
 - Determine that purchases were not made from blocked MCCs during the period.
 - Determine that no transactions exceeded the cardholders' STLs without written approve of a temporary increase in STL and subsequent reduction to the original level.
 - Select a sample of 25 transactions and obtain supporting documentation and test the following attributes of each transaction.

SCDPS AUP Procedures

P-Card Attributes

- Appropriate supporting documentation on file
- District procurement code was followed
- Purchased from contract vendor when available
- Purchase meets criteria for “allowable”
- No splitting to circumvent STL
- Purchase made by named cardholder
- Purchase not shipped to employee home address
- Transaction properly executed through Works and authorized by Works approver
- Activity reconciler reviewed all transactions and maintained evidence of reconciliation
- Monthly statement approved for payment

WHEN CONTROLS FAIL



In Indiana, a superintendent improperly spent nearly \$16,000 on her assigned P-card. As a result, the school board canceled the district's P-card program.



In Florida, a school board member misused her P-card, charging over \$100,000 in personal expenses, including trips to the Dominican Republic and Las Vegas. She has been charged with organized fraud and grand theft and awaits trial.



In Minnesota, a school principal used her P-card to make personal charges of at least \$11,000. She initially claimed that she used the card by mistake; however, this was disputed as she had uploaded her receipts into the district's system, as required by district policies. She was required to pay restitution, sentenced to probation and to serve time in the County workhouse.



Questions?