

Purchasing Card Best Practices

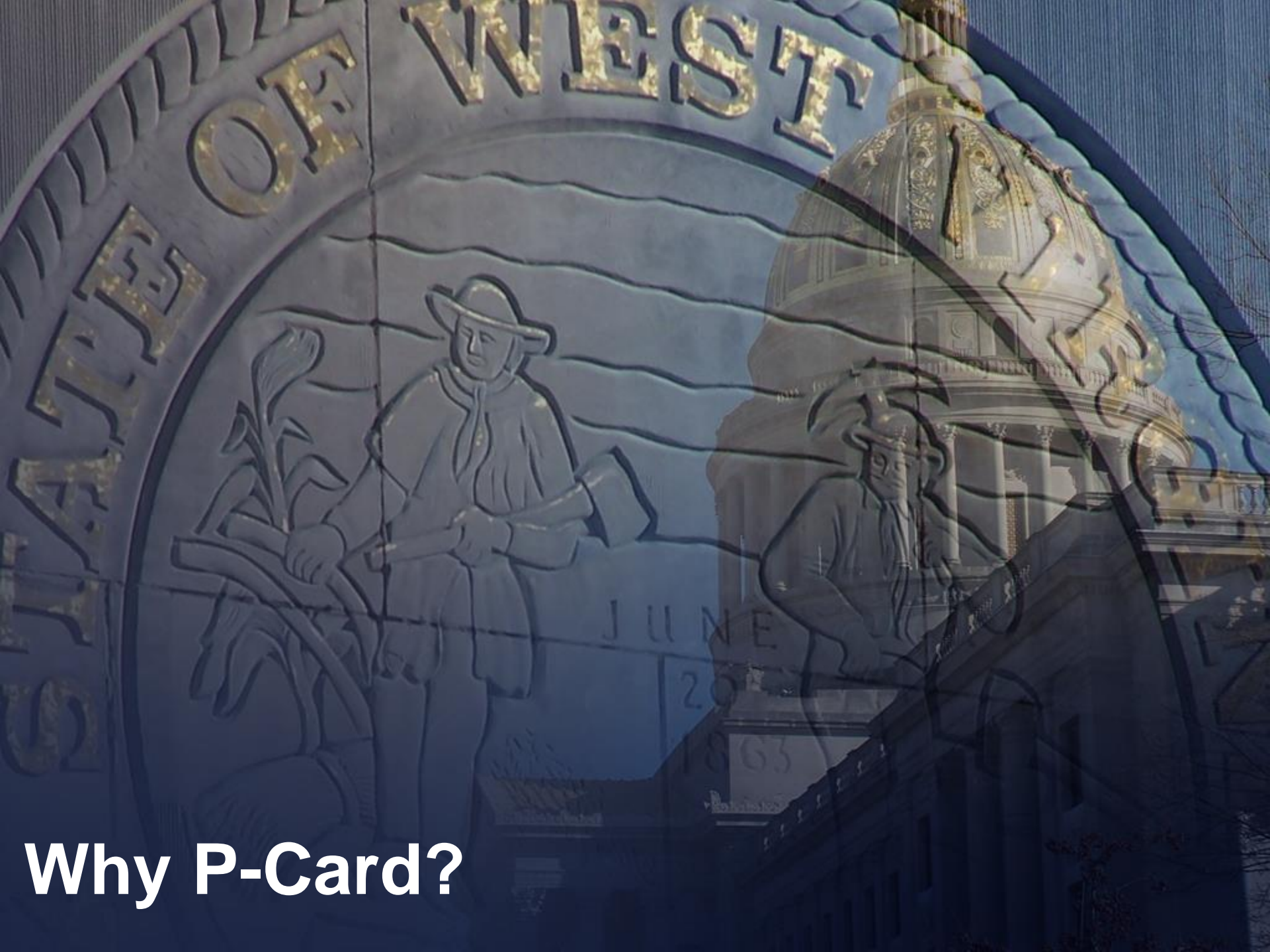
Presented by: Travis Mulanax
Assistant Director of Operations
SAO Purchasing Card Division

John B. McCuskey
State Auditor



Agenda

- **Why P-Card?**
 - **What is it?**
 - **Traditional Procure-to-Pay vs. P-Card**
 - **P-Card Program Benefits**
- **The Purchasing Card process, participants and their roles.**
- **Internal Controls/Operating Procedures**
- **Reconciliation and Approval Processes**
- **Training and Communication**
- **Program Evaluations**
- **Program Optimization**



Why P-Card?

What is a P-Card?

- **A Purchasing Card (P-Card) is a type of Commercial Card that allows organizations to take advantage of the existing credit card infrastructure to make electronic payments for various business expenses (e.g., goods and services).**
- **In the simplest terms, a P-Card is a charge card, similar to a consumer credit card. However, the card-using organization must pay the card issuer in full each month, at a minimum.**

Why use P-Cards?

- **Reduce the transactional or processing cost of purchases.**
- **The traditional procure-to-pay process often involving a requisition, purchase order, invoice, and check payment; costs the same regardless of the dollar amount of the purchase.**
- **When the payment method is switched from the traditional process to a purchasing card process, efficiency savings range from 55% to 80% of the traditional process cost.**

Why use P-Cards?

- **P-Cards provide a means for streamlining the procure-to-pay process.**
- **IOCP (Institute of Commercial Payments) evaluation states typical savings of \$63 per transaction by utilizing a P-Card for payment.**
 - *Reduces paperwork and time associated with the procurement and payment processing function*
 - *Reduces costs associated with paper checks*
 - *Quicker purchase time for applicable goods and services*
 - *Reduces or eliminates petty cash*
 - *Take advantage of supplier discounts*
 - *May allow an entity to redirect purchasing and/or accounts payable staff*
 - *Focus on larger dollar transactions*

Why use P-Cards?

- **1,000 transaction = \$63,000 cost avoidance savings.**
- **8,000 transaction = \$504,000 cost avoidance savings.**
- **15,000 transaction = \$945,000 cost avoidance savings.**
- **50,000 transaction = \$3,150,000 cost avoidance savings.**

**Are we doing our part to
ensure that we are being
good stewards of taxpayers'
money?**

Card Types

- **One Card**
 - All types of purchases
- **Department/Ghost**
 - Accounts Payable
 - Travel
- **Fleet**
 - Driver
 - Vehicle
- **Declining Balance**
- **E-payables**
 - Virtual
 - Mobile

P-Card Program Benefits

- **Provides greater transparency**
- **100k Insurance Coverage per card**
- **Enhanced fraud monitoring provided by:**
 - MasterCard/Visa
 - Issuing Bank
 - Auditor's Office
- **Fraud protection:**
 - Protection against intentional employee misuse and fraud
 - Receive credits for unauthorized 3rd party transactions
 - Can dispute transactions 60 days from the statement date

P-Card Program Benefits

Percent of fraud by payment method

Rapid growth in electronic payments expected to accelerate

- Currently, 38% of businesses using p-cards have adopted virtual cards. Within three years, that figure is **expected to rise to 44%**.¹
- Attempted fraud on virtual cards is **29% lower** than ACH, which was once seen as the safest payment method²
- Checks present the greatest fraud risk: **63% higher** than virtual card programs.²

1. RPMG Virtual Card Benchmark Survey, 2022.
2. Mercator Advisory Group, 2022.
3. AFP Payments Fraud and Control Report, 2024

Percentage of respondents who experienced attempted or actual fraud by payment type:³



65% Check



33% ACH/EFT

24% Wire



3% Virtual Card

P-Card Program Benefits

- **Online access to:**
 - Monitor card activity
 - Card management
 - ***Create accounts***
 - ***Card Maintenance***
 - ***Activate, suspend and close accounts***
 - ***View credit limit availability and transaction status in real-time***
 - Upload receipts
 - Review and approve transactions
 - Download statements
 - Program reporting

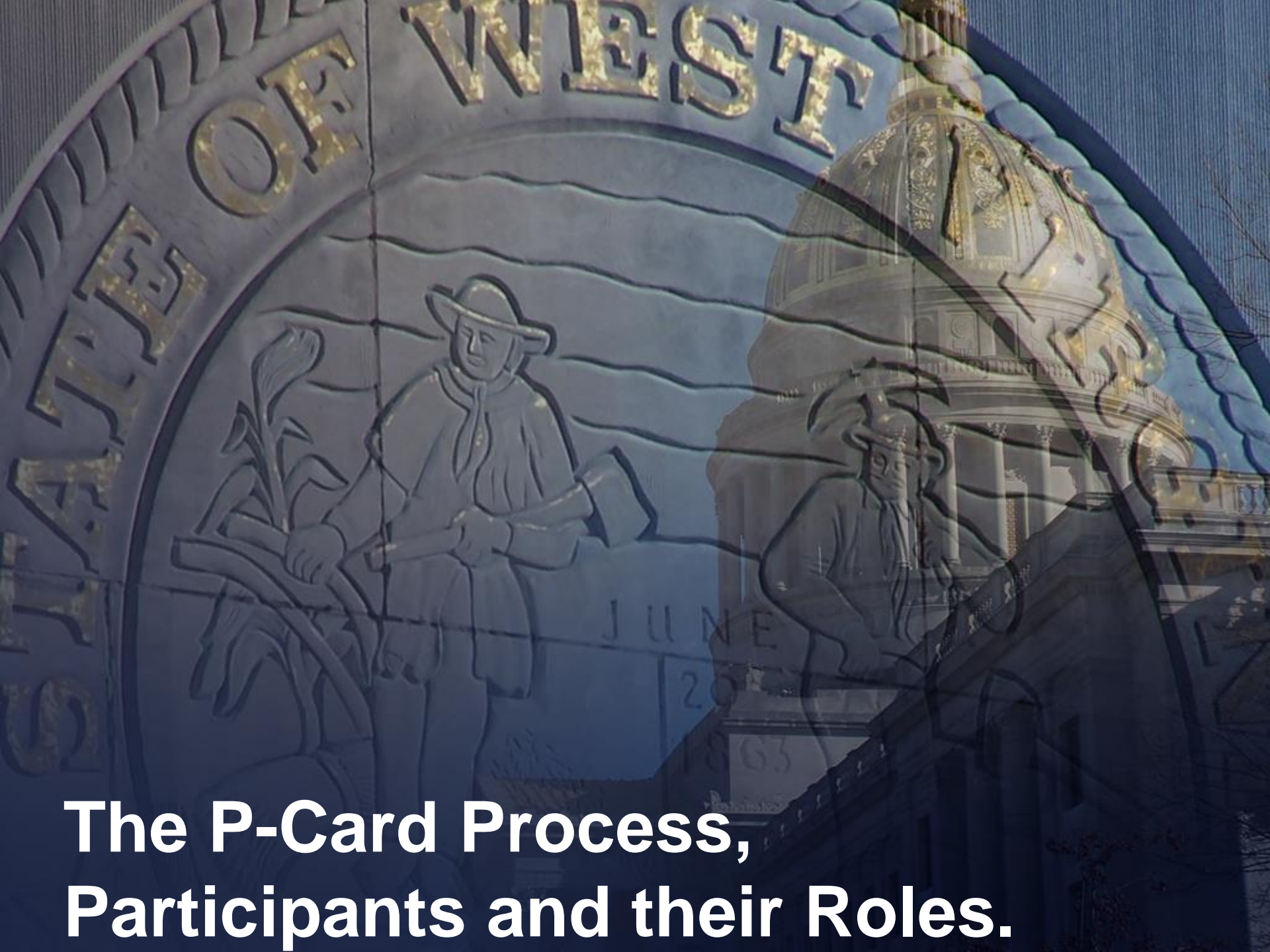
P-Card Program Benefits

- **Fuel Tax Reclamation Service - free tracking and filing**
- **E-Pay option available**
 - Issuing Bank utilizing PIF to pay suppliers
 - Mobile pay
- **Reduce the number of 1099s**
 - Using the P-Card results in the vendor's acquiring bank to fulfill 1099 reporting requirements.
 - If no P-Card, then Entity is responsible.
- **Earn Rebates = Revenue!!**
- **Transparency and Reporting**
- **Cash flow**
- **Zero cost to the entity**

P-Card Program Benefits

➤ **Benefits to your vendors/suppliers**

- Cost reductions such as eliminating invoice creation, handling, mailing, depositing payments, and collection activities
- Electronically deposited funds
- Faster receipt of payments and improved cash flow
- Increased sales because many organizations solicit only suppliers that accept P-Cards as payment
- Potential staff reductions within accounts receivable and the ability to redirect staff to more value-added activities



The P-Card Process, Participants and their Roles.

P-Card Process, Participants and their Roles

- **A P-Card program is designed to provide a more efficient and cost-effective method of making purchases and payments by reducing paperwork and streamlining the purchasing process.**
- **The program is designed as an alternative to the traditional purchasing process for supplies and materials, allowing for more control and responsibility at the department level.**
- **The program is not intended to circumvent the bid process or other purchasing policies.**

P-Card Process, Participants and their Roles

- **Senior Executives and Directors**
- **Approving Manager (AM)**
- **Program Manager (PM)**
- **Program Administrator (PA)**
- **Department Authorizer**
- **Coordinator**
- **Cardholder/Proxy**



Internal Controls/Operating Procedures

Internal Controls/Operating Procedures

- **A comprehensive policy and procedures manual is the best way to outline policy requirements and procedures for the organization.**
- **Develop and document appropriate internal control procedures to ensure proper program oversight, compliance with p-card policies and procedures and that p-card usage is consistent with the manual.**
- **Internal controls help prevent errors as well as deter fraudulent use of the card.**

Internal Controls/Operating Procedures

➤ Examples of topics

- Coordinator duties and responsibilities
- Training requirements
- P-Card issuance and maintenance procedures
- P-Card usage
 - Allowable, restricted and prohibited purchases
 - Following procurement procedures
 - Card limits
- Transaction documentation and reconciliation
- Segregation of duties and oversight
- Fraud, misuse, and abuse and the consequences
- Program monitoring

Internal Controls/Operating Procedures

- **It is the governing body of the entity, it's coordinators, and cardholders responsibility to be knowledgeable of and to follow all p-card policies and procedures, as well as all applicable purchasing laws and guidelines.**
- **Other members of Entity staff with reviewing and approving responsibilities (entity officials, chief financial officers, department heads, directors, managers, supervisors, etc.) should also be knowledgeable of program requirements.**

Internal Controls/Operating Procedures

- **Each P-Card Coordinator should hold a position of knowledge and experience of the responsibilities delegated to them.**
- **Additionally, Entity Officials (or a representative) should designate an individual to act as a backup P-Card Coordinator in the event the primary Coordinator is unavailable to perform his or her duties.**
- **No cardholder should be their own coordinator.**



Reconciliation and the Approval Process

Reconciliation and the Approval Process

- **Transactions are permitted on the p-card as long as the entity can provide documentation of its authority for purchases, and all applicable laws, rules and regulations, purchasing policies, and other governing instruments are followed.**
- **Cardholder should review all transactions to ensure that they are legitimate, for official business, and that all required documentation is included.**

Reconciliation and the Approval Process

- **Cardholder or proxy is responsible for reconciling their individual transactions each month by the scheduled payment date.**
- **Proper workflow established to ensure segregation of duties during the reconciliation process.**
- **Reconciliation should be completed promptly and not wait until the last minute.**

Reconciliation and the Approval Process

Supporting Documentation

- **All supporting documentation is documentation required by applicable laws, rules and regulations, p-card policies and procedures, and other governing instruments, such as grant requirements.**
- **All supporting documentation should be attached to every transaction, whether manually or within the reconciliation software.**
- **Entities should adopt a “zero tolerance policy” for missing or inadequate documentation.**

**P-Card Delegation should be
PROHIBITED!**



Training and Communication

Training and Communication

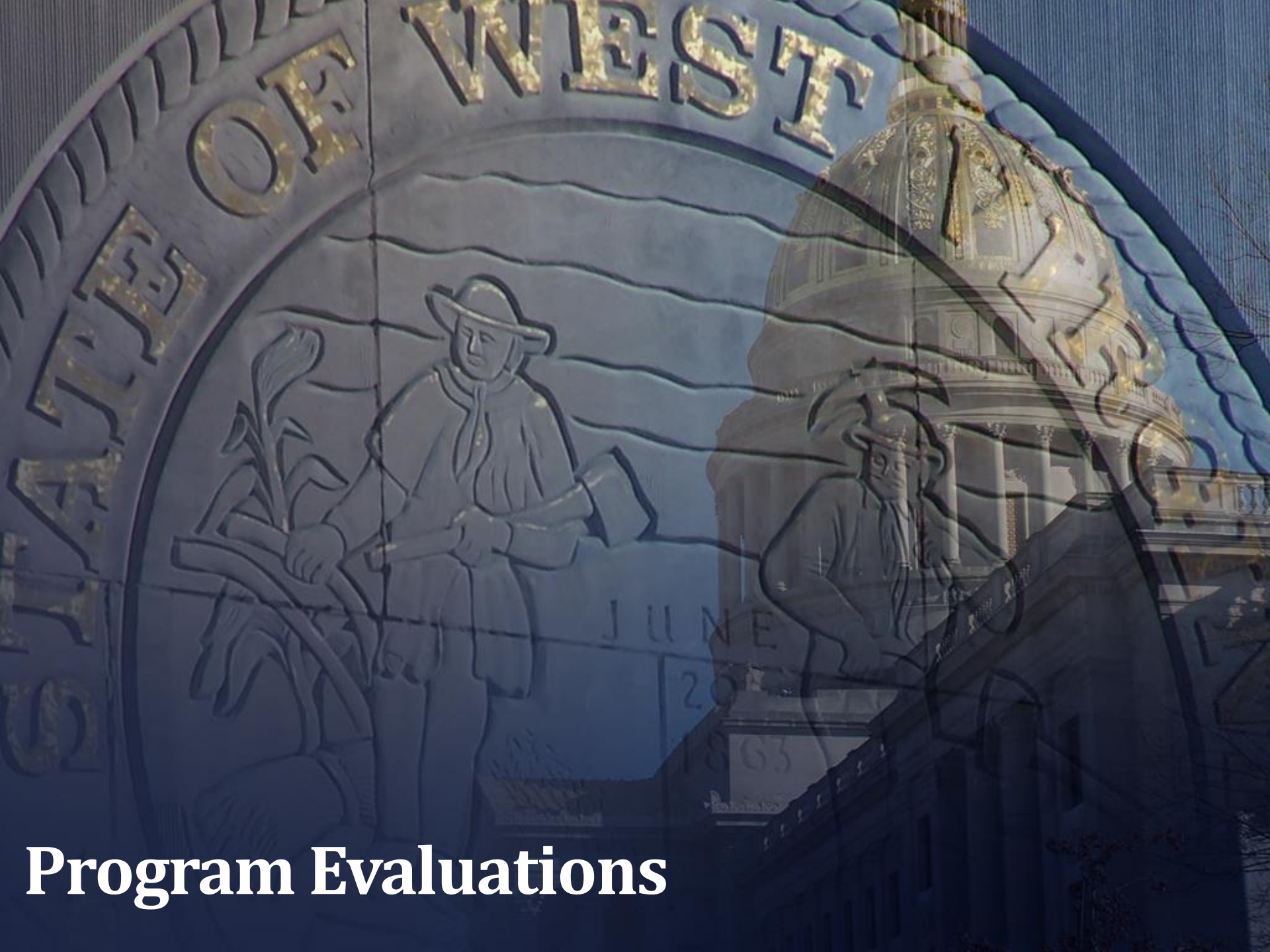
- **Training should be required for all cardholders and program coordinators.**
- **All coordinators should receive training within 30 days of assuming the duties of the position.**
- **All training sessions, initial and refresher, should have a process for testing the trainee's retention of the information.**
- **Training topics should include Ethics, Policies, Procedures, Procurement, and Reconciliation Processes, at a minimum.**

Training and Communication

- **Communication with all stakeholders is vital and should be consistent.**
- **Any policy or procedural changes should be distributed throughout the Entity.**
- **Entities should review all policies and procedures, and internal control processes on a regular basis (i.e. quarterly, annually).**

Training and Communication

- **Communication examples**
 - **Monthly emails from Procurement or A/P**
 - **Webinars**
 - **Newsletters**
 - **Surveys**
 - **Annual conferences/trainings**



Program Evaluations

Program Evaluations

- **Auditing, internal or external, is an effective way to monitor policy compliance.**
 - **Transactional audits**
 - **Process audits**
 - **Audit reports**
- **Peer review**
- **Any member of an Entity finding an instance of unlawful use, possible fraud, misappropriation, or mismanagement with the p-card must report such discovery to the Entity's Program Management group within 24 hours of their discovery.**



Program Optimization

Program Optimization

- **Card Products**

- Card types

- **Automation Opportunities**

- Efficiencies of card software
- Virtual
- Elimination of paper (i.e. checks, workflow)
- Pay efficiently using software and reconciliation tools

- **Electronic Statements**

- Available 1-3 days after cycle end date

- **Utilization metrics**

- Effort to maximize spend
 - Rebate
- Mitigating risk



Resources

Resources

- **NAPCP Government/K-12 Best Practices Guide, revised September 2019.**
- **State of West Virginia State P-Card Policies and Procedures, revised August 2019**
- **State of West Virginia Local Government PCPP, revised September 2020**

Questions?



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