


LOCAL PURCHASING CARD RULES AND REGULATION AND BEST PRACTICES

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Overview of the Chief Inspector Division

- Audit Authority over approximately 720 local governments.
- Procurement.
- Public/Private partnership.
- Budget.
- Formation of a Specialized Fraud Unit.
- Recently added the Local Purchasing Card Division (September 2016).



Types of Audits Conducted

- Financial Audits in accordance with AICPA and Government Auditing Standards.
- Federal Register (Single) Audits.
- Reviews.
- Agreed Upon Procedures.
- Special examinations (Fraud).



CID's Role for the Purchasing Card

- WV Code 6-9-2(a) (enacted in 2008)
- Notwithstanding any provisions of the code to the contrary, the Auditor may authorize and administer a purchasing card program for **local governments under the auspices of the chief inspector division**. The purchasing card program shall be conducted so that procedures and controls for the procurement and payment of goods and services are made more efficient and so that the accounting and reporting of such payments shall be uniform for all local governments utilizing the program.....**The Auditor may propose rules for promulgation to govern the implementation of the local government purchase card program and may promulgate emergency rules for emergency payments to effectuate the provision of such services.**



CID's Role for the Purchasing Card

- Fraud Unit performed program reviews on a limited number of local governments. Approximately 80 engagements with just a couple BOE's.
- Risk Based
- No fee
- Some fraudulent transactions.
- What we do when we find fraud



Purchasing Cards Pros and Cons

- What a program review report looks like
- [..\P-Card 20170717095008.pdf](#)



Purchasing Cards Pros and Cons

- Rebates
- Centralized purchasing
- Controls over credit limits and types of purchases by the Coordinator
- Different card types for specified users (Fleet; Declining Balance)
- Integration with the Accounting system



Purchasing Cards Pros and Cons

- Many cardholders
- Multiple Coordinators and control environments.
- Difficulty in determining valid transactions.
- Cards compromised.
- For some reason.....people commit fraud with Purchasing Cards.



Fraud Controls

- VISA Falcon Fraud Manager
 - Looks for suspicious transactions as they occur.
 - \$.01; out of State; suspicious vendors; even dollar amounts; multiple transactions to same vendor.

Most of the frauds that United reports to us are cards which have been compromised.





Fraud Controls

- Daily monitoring of transactions by WVSAO staff.
- Suspicious transaction forms.
- [..\Copy of Suspicious transaction form \(OOB\).xlsx](#)
- Fraud monitoring through ACL data analytic software.
 - Build scripts to analyze raw data. For example, all non-gasoline and hotel purchases on the weekend.



Fraud Controls

- The most important fraud deterrent is a good internal control structure for the purchasing card transaction cycle.
 - Policies and Procedures.
 - Supporting Documentation
 - Cardholder Reconciliation
 - Bi-Level Approval
 - Card controls (i.e. MCC codes)



Policies and Procedures

- Section 2.4 requires that each entity document internal control and accounting procedures which ensure P-Card usage is consistent with governing laws, rules and regulations, and any other governing instruments (i.e. Purchasing policies and procedures).
 - Must be submitted to the local Pcard division.



Policies and Procedures

- Policies and Procedures Manual issued by WVSAO will contain administrative procedures as well as a section for minimum policies to be adopted by local governments. Appendix will have a sample set of procedures that could be utilized by local governments to adopt policies.
- Revised manual available by September 1st.
- Governments may adopt policies and procedures over and above the minimum policies recommended by the manual.
- Many governments have **no** policies and procedures related to the operation of the Pcard program.



Policies and Procedures

- What risks policies and procedures should address:
 1. Inappropriate card use.
 2. Inappropriate general ledger account coding.
 3. Noncompliance with IRS rules.
 4. Noncompliance with governing laws, rules and regulations.



Policies and Procedures

- Section 2.4 has the following general sections that must be addressed in your local policy for Pcard use:
 - I. How to obtain a Pcard.
 - II. Procedures for Cardholders.
 - III. Procedures for Reviewers.
 - IV. Procedures for Pcard Coordinators.
 - V. Allowable, restricted, and prohibited purchases.
 - VI. Required Training
 - VII. Common Pcard Related Situations and Information
- The current draft of policies and procedures for local governments is 10 pages long.
- [..\pcard_policy_12.5.16.docx](#)



Policies and Procedures

- Section I - How to obtain a PCard.
 - Confirm eligibility. Who can obtain a card?
What type of Card for specified users. (i.e. declining balance; ghost cards)
 - Submit application
 - Provision of Cards and training.



Policies and Procedures

- Section II- Procedures for Cardholders
 - Understanding cardholder responsibilities
 - A. Acknowledge cardholder read and understands policy.
 - B. Completed necessary training (online).
Require training be completed prior to card issuance. We will be providing training in person and online (by October 1st)
 - C. Pcard privileges may be suspended or revoked for failing to comply with policy.



Policies and Procedures

Safeguard the Pcard

- A. Protect the Pcard from loss and theft.
- B. Don't allow others to use your Pcard.

- C. Notify the card provider and Pcard Coordinator immediately if lost, stolen or fraudulent activity occurs.


- D. Return the Pcard and any outstanding receipts to your Pcard coordinator if you leave department or terminate employment.

- E. Notify Pcard coordinator of extended absences so the Pcard can be suspended if deemed appropriate.



Policies and Procedures


- Make authorized purchases only (refer to section V).
- Get receipts for purchases.
 - Receipts required for meals? Is it travel under an accountable plan? Reference to a separate travel policy?
 - Receipts should include:
 - Date of transaction.
 - Name of Merchant.
 - Transaction details (what was purchased).
 - The amount of the purchase.
 - Form of payment used.
 - Indication that the amount was paid.



Policies and Procedures


- For purchases for which a receipt is issued but then lost and the cardholder is unable to obtain a copy then the cardholder must complete a *Missing Receipt Affidavit*.
- Review your Charges
 - Cardholders must review their charges (weekly/monthly) and provide a detailed business purpose for each charge. (who incurred expense; what the expense entailed; why it is a business expense; where (if not clear on receipt); when (if not clear on receipt).
 - Provide documentation to reviewers promptly.

BEST PRACTICE: PURCHASING CARD LOG SHEET
[..\Copy of Purchase Card Log.xlsx](#)




Policies and Procedures

- Section III – Procedures for Reviewers
 1. Understand reviewer responsibilities.
 - a. Read and understand policy. Acknowledge understanding.
 - b. Complete required training.
 2. Reviewers must review Pcard transactions before payment due date.
 - a. Each week/ month review all transaction of cardholders assigned to you and ensure:
 - (1) the transaction is an allowed and legitimate expense in accordance with policies.
 - (2) Has a completed detailed business purpose.
 - (3) Has supporting proof of purchase documentation.



Policies and Procedures

- Section III – Procedures for Reviewers (Continued)
 - (b) Be aware of potential misuse such as purchases for the sole benefit of the employee; use of a card by a suspended or terminated employee; frequent *Missing Receipt Affidavits*; lack of proper and timely reconciliation by the cardholder; splitting of orders to circumvent the transaction limit; use of card for commodities specifically restricted by law or policy.
 - (c) Confirm all transactions are charged to the proper general ledger accounts.
 - (d) Report any suspicious activity immediately to the purchasing card coordinator or other appropriate official.
 - (e) Document review of all transactions (i.e. purchasing card log sheet).
 - (f) Assist with any outstanding charges from terminated employees.
 - (g) Appoint back up approvers. Notify Purchasing Card Coordinator of appointment(s).



Policies and Procedures

- Section IV. Procedures for Pcard Coordinators
 1. Understand both cardholder and reviewer responsibilities
 - (a) Read, understand and acknowledge policy.
 - (b) Complete required training (most likely on-site).
 - (c) Determine whether coordinators will be reviewing transactions as well.



Policies and Procedures

- Section IV. Procedures for Pcard Coordinators (continued)
 2. Program Administration
 - (a) For new cardholder applicants; confirm eligibility; type of card; supervisor approvals; credit limits; transaction limits; MCC Code; submit application to WVSAO; distribute card to cardholder.
 - (b) Coordinate with WVSAO for the cancelation and replacement of lost, damaged or stolen cards.
 - (c) Promptly cancel Pcards of terminated employees
 - (d) Monitor credit limits and ensure requests for increases are properly approved and necessary before submitting it to the WVSAO.
 - (e) Monitor VIP status.
 - (f) Monitor declined transactions to ensure compliance with applicable policies.
 - (g) Maintain supporting documentation for program operations.



Policies and Procedures

- Section V – Allowable, Restricted and Prohibited Purchases
 1. Allowable purchases – Pcards can be used for any business related purpose including recurring accounts payable expenses.
 2. Allowable with restrictions.
 - (a) Gasoline for entity owned vehicles.
 - (b) Purchases made with Paypal but must include the name of the ultimate seller/vendor and the business purpose of the disbursement.
 - (c) Employee travel expenses such as taxis, conference fees **but not meals**. All travel expenses must be within limits and guidelines set forth in the policy for business related travel.



Policies and Procedures

- Section V – Allowable, Restricted and Prohibited Purchases (Continued)
- 3. Prohibited purchases.
 - (a) Personal purchases of any kind.
 - (b) Split transactions to circumvent the single transaction limits (exclusion for vendors which cannot process large dollar amounts).
 - (c) Gift cards or gift certificates of any kind.
 - (d) Gifts for employees.
 - (e) Flowers for funerals (or weddings).
 - (f) Gasoline for vehicles not owned by the County.
 - (g) Tickets for entertainment.
 - (h) Membership fees for airlines/credit cards/Sam's club.
 - (i) Cash advances.
 - (j) Traveler's checks.
 - (k) Prescription drugs and controlled substances.
 - (l) Hazardous materials.



Policies and Procedures

- Section VI – Training
- 1. All Pcard applicants are required to successfully complete either WVSAO online training or WVSAO live training as determined by the Pcard coordinator.
- 2. All Pcard reviewers must read, understand and acknowledge this policy before performing duties as a reviewer. All Pcard reviewers are required to successfully complete either WVSAO online training or WVSAO live training as determined by the Pcard coordinator.
- 3. A local Pcard coordinators must complete either WVSAO online training or WVSAO live cardholder training before assuming responsibilities. Furthermore, local purchasing card coordinators are required to have WVSAO live coordinator training within 30 days of assuming responsibilities.



Policies and Procedures

- Section VII – Common Related Pcard Situations and Information
 - 1. Lost, Stolen, or damaged Pcards
 - 2. Disputing Charges and Reporting Fraudulent Charges
 - 3. Sales and Hotel Tax
 - 4. Declined Pcard transactions
 - 5. Canceling a Pcard
 - 6. Renewal of an Existing Pcard
 - 7. Requesting Changes to Spending-Limit Levels
 - 8. Transferring to another Department
 - 9. Cardholder Name Change
 - 10. Pcard Statement Address Change
 - 11. Extended Absence from Government
 - 12. Pcard used in error by Cardholder



Appendices

- Appendix A – Definitions
- Appendix B - Links to Resources
- Appendix C – Sample Local P-Card Policy(WILL ALSO CONTAIN LINKS TO RESOURCES)



Moving Forward

- New manual with framework for local government policy.
- Aggressively meet and work with key vendors for card acceptance (without fees!)
- Facilitate local government's with card utilization.
- 3rd level fraud monitoring with data analytic software.
- Online training for cardholder and coordinators.
- Long-term – Better integration with general ledger integration.
- Centralized review and reconciliation process (on-line)



THE END

- Questions?
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- I Am Going:

