

Starting a P-Card Program

by Antonio Romero, Staff Associate II

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Starting a purchasing card program can be a great way of making the acquisition process more efficient. Purchasing cards will help reduce the time required to acquire and obtain goods/services from vendors who don't accept purchase orders. However, the increase in flexibility also leads to an increase in risk related to unapproved and fraudulent transactions. Going forward we will discuss what a District needs to consider before starting a P-card program, key USFR requirements, and common pitfalls.

Questions to consider

The most important question for a district to ask themselves is if it's worth it. It is also the first step in beginning this process. While credit cards can be a great way to minimize the acquisition process it also comes with some risks. A cost analysis should be performed to determine if the time saved is greater than the initial start-up cost and additional duties.

Once the district has determined that a P-card program will be beneficial, it is time to start looking at all the options for P-card vendors. When deciding on a vendor the district should follow the Procurement Rules or guidelines for written quotes. In this process, the USFR has listed some great questions to ask when reviewing each submission.

- Does the program allow for online management? If so, what features and functions are available?
- Does the vendor charge annual fees or per-card issuance or replacement costs?
- Does the vendor provide automated approval and reconciliation software, and is it compatible with the district's accounting software?

- Is the program easy to use, including “user-friendly” reports that district management can use to monitor the program?
- Does the program have a comprehensive system of controls that can be managed on a per-card basis?
- Does the card provider offer training material and customer support?
- Does the program offer rebates, and how are the rebates administered?
- Does the program have the ability to create and manage multiple levels of online security and authority?

Key USFR Requirements

The USFR is stacked with a ton of procedures and guidelines to help a district run a smooth P-card program. As such, I will touch on just a couple of key requirements that I believe are especially important.

The first key requirement is defining responsibilities between staff for issuing cards. These responsibilities should be divided among staff for requesting, authorizing, executing purchases, and payment processing. This separation is especially important because it helps reduce the risk of unapproved or fraudulent transactions. This way multiple people will be involved in the process and can review/approve every transaction.

The second key requirement is to develop transaction controls. The district must decide if they will use purchase requisitions or purchase orders to ensure proper approval for a purchase. The district must also determine if they want to issue blanket Purchase Orders for items bought regularly including maintenance and food supplies. The district will also need to develop a plan to review all supporting documentation at least monthly. Creating these controls will help the District determine if the purchase was properly authorized, for an appropriate district purpose, and within budget/cash limits for applicable funds.

The last key control is to maintain a list of all card users along with a signed card user agreement. A card user agreement is especially important because it outlines all the policies and procedures for using a P-card. This agreement should state that card users will be held personally liable and will state disciplinary actions such as loss of card privileges or personnel actions. This list will help keep track of everyone who has a card and inform everyone about the transaction process or the procedures that should be followed. Therefore, everyone can be on the same page regarding the expectations.

Common Pitfalls

While testing P-card transactions, auditors encounter some common pitfalls. The first one is spreading district resources too thin. Many districts apply for P-cards or issue P-cards to several employees who don't necessarily need them. This leads to employees being unable to track the whereabouts of all the P-cards or not being able to review all the monthly statements to ensure there are no discrepancies. This comes back to the first step in making sure that the district is choosing advantageous vendors and issuing cards to the minimal number of employees.

The second pitfall is not separating the responsibilities between requesting, authorizing, executing, and payment processing. This is mainly a problem in smaller districts due to the few staff available. However, it is crucial to distinguish these roles between multiple staff due to the higher risk of unapproved or fraudulent purchases.

The last pitfall encountered is retaining supporting documentation for credit card purchases and who made the purchase. This is more common with P-cards because the district should retain transaction receipts. It is important to ensure employees making purchases retain a copy of each receipt. If the original receipt is unavailable, the district will need to request a copy from the vendor or complete an affidavit detailing the purchase and the reason the receipt is not available. This documentation will be needed to review the transactions listed on statements and to ensure the correct employee was making each purchase.

Wrap-up

Starting a P-card program can be a daunting task. There are a lot of procedures to consider and responsibilities to outline. However, it will add some flexibility to the district and allow streamlining of the requisition process. As long as the district considers all aspects of the process, adheres to the USFR requirements, and doesn't fall into those pitfalls everything should run smoothly.

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