



SAN DIEGO STATE UNIVERSITY

Subject: Procurement Card Audit Program

Department Name: All

Supersedes:	N/A	Lorretta A Leavitt	Digitally signed by Lorretta A Leavitt DN: cn=Lorretta A Leavitt, o=SDSU, ou=Financial Operations, Univ Controller, email=leavitt@mail.sdsu.edu, c=US Date: 2011.01.14 09:19:47 -0800
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Approved by:	Lorretta A Leavitt, University Controller		

Background

The purpose of the San Diego State University procurement credit card (PCC) program is to provide an efficient, reliable method of procurement to acquire needed goods and services in a timely and efficient manner. While the use of a procurement card can simplify and expedite procurement, its use requires strict adherence to internal control procedures and a commitment to accompanying accounting procedures. In most cases, card use reduces staff procurement efforts and shortens delivery time; however, it increases the need for financial tracking and control efforts.

The Accounts Payable Department is responsible for administering the procurement card program. These responsibilities include approval of card applications, assisting departments with dispute resolution, monitoring monthly reconciliations, and reviewing and remitting payment for the consolidated bill. Procedures governing the use of procurement cards are outlined in the [SDSU Procurement Credit Card Handbook](#).

Monthly review and reconciliation

In general, campus cardholders are using the PCC appropriately. The most frequent issues encountered are missing or non-itemized receipts, incomplete or missing justification for electronic purchases, late submission of statements, and missing cardholder or approving official signatures.

Cardholder and approving official responsibilities are outlined in the [SDSU Procurement Credit Card Handbook](#) and include a monthly reconciliation of all purchases to the expense report, collection and submission of all supporting documents (itemized receipts and any required justifications), and timely on-line approval and submission of documentation to Accounts Payable.

Failure to approve and/or submit complete documentation in a timely manner may result in suspension or cancellation of Procurement Card privileges.

- For a first offense of the cardholder and approver will be issued a warning notice. *Attachment A.*
- The second occurrence (within one year) will result in suspension of bankcard privileges for 30 days. A notice of these suspensions will also be sent to the approver's supervisor. *Attachment B.*
- Any subsequent occurrence (within one year) will result in suspension of the bankcard account for three months A notice of these suspensions will also be sent to the approver's supervisor. *Attachment C.*

An approving official cannot direct a cardholder to make a purchase that is noncompliant with bankcard policies and procedures, such as (but not limited to): unauthorized commitments, splitting requirements, purchasing restricted items, etc. (refer to the Bankcard Program User Manual for complete information).

If an approver sees a questionable transaction, they must discuss it with the cardholder. If it is determined that the purchase should not have been made, the approver shall instruct the cardholder to make arrangements for return and credit of the purchase. A note shall be added within the comments field in P-Card that the item(s) are being returned and a credit will be issued. **However, the transaction must still be 'approved' while the return/credit issue is resolved offline.**

Note: In the event that an approver is not available to approve monthly transactions (i.e., travel, S/L etc.) the APC or Alternate may go in to perform an "electronic approval" so as not to delay completion of the monthly file. The APC or Alternate will then send a copy of the transactions via e-mail to the approving official, who must then review the transactions and respond back with their official approval.

Failure of an approver to respond by the 8th of the month will result in suspension of the cardholder accounts (whose transactions have not been officially approved) for 30 days.

A cardholder whose bankcard privileges have been suspended or revoked may request consideration for reinstatement no earlier than 3 months after termination of the bankcard account.

Erroneous or Improper Purchases

On occasion, an erroneous or improper purchase is discovered. An improper purchase can be one of two types: 1) unauthorized or 2) incorrect, and may include any of the following:

- A purchase that was made for an ineligible recipient or for an ineligible good or service;
- A fraudulent purchase;
- A duplicate purchase;
- A purchase for services not received;
- A purchase for the incorrect amount;
- A purchase made on the same day from the same vendor to circumvent cardholder single transaction limits.

There are two types of improper purchases: unauthorized and incorrect.

Unauthorized purchases consist of items that are intentionally purchased and are outside of the cardholder's purchasing authority. *Upon discovery of an unauthorized purchase, the PCC may be immediately cancelled and the cardholder, approving official and approving official's supervisor notified.*

Incorrect purchases are mistakes that are the result of an unintentional error during the purchase process. For example, when a PCC cardholder is asked to buy one filing cabinet but purchases three cabinets, this is an incorrect purchase. *A series of seemingly incorrect purchases will be investigated to determine whether these purchases are actually unauthorized purchases subject to cancellation of the PCC.*

Fraudulent purchases include those made by cardholders that were unauthorized and intended for personal use, purchases made using government charge cards or account numbers that had been stolen or compromised, and purchases correctly charged to the charge card but that involve potentially fraudulent activity that went undetected.

Upon discovery of a fraudulent purchase, the PCC will be immediately cancelled and the cardholder, approving official and approving official's supervisor notified.

Risk Assessment

Due to the high volume and low dollar nature of PCC purchases, in addition to the responsibilities of the individual card holders and approving officials, Accounts Payable audits the bi-monthly statements to confirm appropriateness of purchases. Any purchase out of the ordinary is noted and the individual cardholder statement is carefully reviewed to confirm the purchase falls within university policy. Accounts Payable also confirms all cardholder and approving official signatures and on-line approvals.

Due to the unique nature of the majority of purchases for certain areas, individual cards in certain areas will be audited every month. The list of the departments and individuals to be audited every month may change depending on the nature of the purchases and volume of issues detected during audit. The list will be drafted and maintained in the Accounts Payable office by the manager and PCC administrator and made available to external auditors upon request.

All other cardholder statements will be audited every three months according to the following schedule.

Last Name Starts With	Months to be Audited			
A - G	Jan	Apr	July	Oct
H - O	Feb	May	Aug	Nov
P - Z	Mar	June	Sept	Dec

Statistical Reporting

The Procurement Card Administrator is required to report the following data on a monthly basis to the University Controller.

Purchase cards:

- Number of cards;
- Number of active accounts;
- Net number of new accounts (new less cancelled);
- Charge card dollars spent; total refunds earned; percentage of potential refunds earned;
- Number of cases reported to the agency/organization program coordinator for possible card misuse and/or abuse;
- Number of administrative and/or disciplinary actions taken for card misuse, including delinquency (if known);
- Ratio of approving officials to purchase cardholders (span of control);
- Average number of monthly purchase card transactions reviewed per approving official;
- Number of purchase cardholders with transaction limits above \$2,000;

Attachment A – First offense warning notice

Date:

Dear [Cardholder and Approving Official],

Our routine review and audit of your monthly Procurement Card statement and reconciliation show that you failed to submit your reconciliation and approval along with all appropriate documentation (itemized receipts plus any required justifications.)

Please be reminded that the on-line approvals must be completed by the 8th of the month and hard-copy documentation submitted to Accounts Payable by the same deadline.

Additional occurrences will result in suspension of the cardholder account for 30 days, at which time a notice will also be sent to the approver's supervisor.

If there is anything we can do to assist you in making timely submissions of your PCC documents and approvals, please don't hesitate to contact us.

Yours truly,

Sharon Danner
Accounts Payable
Procurement Card Administrator
sdanner@mail.sdsu.edu
619-594-2915

Cc: Cathleen Austin, Accounts Payable Manager

Attachment B – Second offense warning notice

Date:

Dear [Cardholder and Approving Official],

Our routine review and audit of your monthly Procurement Card statement and reconciliation show that for the second time within a year, you failed to submit your reconciliation and approval along with all appropriate documentation (itemized receipts plus any required justifications.)

Please be reminded that the on-line approvals must be completed by the 8th of the month and hard-copy documentation submitted to Accounts Payable by the same deadline.

This cardholder account has been suspended for 30 days.

If there is anything we can do to assist you in making timely submissions of your PCC documents and approvals, please don't hesitate to contact us.

Yours truly,

Cathleen Austin
Accounts Payable Manager
caustin@mail.sdsu.edu
619-594-5289

Cc: Lorretta A. Leavitt
AO Supervisor
Sharon Danner

Attachment C – Second offense warning notice

Date:

Dear [Cardholder and Approving Official],

Our routine review and audit of your monthly Procurement Card statement and reconciliation show that for the third time within a year, you failed to submit your reconciliation and approval along with all appropriate documentation (itemized receipts plus any required justifications.)

Please be reminded that the on-line approvals must be completed by the 8th of the month and hard-copy documentation submitted to Accounts Payable by the same deadline.

This cardholder account has been suspended for three months.

If there is anything we can do to assist you in making timely submissions of your PCC documents and approvals, please don't hesitate to contact us.

Yours truly,

Cathleen Austin
Accounts Payable Manager
caustin@mail.sdsu.edu
619-594-5289

Cc: Lorretta A. Leavitt
AO Supervisor
Sharon Danner

