



University Risk &
Compliance
Stop 8093
Pocatello, Idaho
83209-8093

Date: September 3, 2008

To: All Purchase Card Holders

From: S. Reese Jensen, CPA *SRJ*
Director, University Risk & Compliance

Subject: Purchase Card Reviews

The purpose of the Purchasing Card Program is to streamline and simplify the requisitioning, purchasing and payment processes for small dollar transactions. The Program is designed to facilitate the approval process and reduce the paperwork of procurement procedures such as purchase orders, petty cash, check requests and expense reimbursements. The goals of the Program are to:

- Reduce the cost of processing small dollar purchases.
- Receive faster delivery of required merchandise.
- Simplify the buying and payment processes.
- Provide cardholders with empowerment to choose!

In order to ensure the ongoing integrity and success of the Purchase Card Program, University Risk & Compliance (formerly Auditing Services) conducts reviews of purchase card (P-Card) transactions. Reviews are initiated through a random selection of P-Card holders and/or due to factors such as high volume purchases, potential policy infractions and/or the appearance of unauthorized purchases.

The review process includes the following:

- A memorandum is sent to the card holder announcing the review including a proposed review date and time.
- The card holder confirms the review date and time by calling the phone number provided on the memorandum.
- An interview and review of selected transactions is conducted by University Risk & Compliance personnel in the office of the card holder or over the phone.
- A draft report is issued to the card holder detailing the results of the review.
- If areas of concern are identified, the card holder is asked to respond to University Risk & Compliance within 30 days with a statement describing how the issues will be resolved and a timeframe for implementation.
- A final report including the card holder's responses is sent to both the card holder and their supervisor.

The Purchase Card program requires card holders to maintain adequate records and to follow P-Card policies. Adequate records should include: itemized receipts, invoices, packing slips, Log Record Tracking Sheets, and other supporting documentation. To ensure a smooth review, University Risk & Compliance recommends cardholders or business offices maintain tracking sheets in chronological order with all supporting documentation attached.

University Risk & Compliance reviews P-Card transactions to determine compliance with University policies, appropriateness of purchases, and adequacy of internal controls. Potential policy violations that may be identified during the review include, but are not limited to:

- Sharing the P-Card.
- Meal purchases without adequate documentation such as a descriptive business purpose, itemized receipt, and a list of participants.
- Sales tax being charged.
- Travel expenses charged not related to recruitment or non-compensated independent contractors.
- Computer or printer purchases over \$300.
(please see the P-Card Manual on Purchasing Service's website for a complete list)

Internal controls represent policies or procedures put in place to safeguard assets, provide reliable financial information, promote efficient and effective operations and ensure policy compliance. Some of the most important internal controls related to purchase cards include, but are not limited to:

- Management (account director) documenting approval of expenditures by signing receipts, tracking sheets, or a log of multiple receipts.
- Card holder signing of receipts documenting acknowledgement of purchases.
- Separation of duties – separating the purchasing function from the reconciliation function. If possible, the person making the purchase should not be the person who accounts for the purchase in the computer system (reconciliation). In small offices it is sometimes difficult to separate these functions. In those cases, documentation of management approval of expenditures can compensate for a lack of separation.

University Risk & Compliance strives to keep disruption to your office at a minimum during the review process. Please contact Reese Jensen at 282-3182 or email at jensstev@isu.edu if you have any questions, concerns, or ways we can improve our processes.