Recommendations for Improving Purchasing Card Procedures

I. Cardholder Issues:

1. Receipts are not provided for all card charges.
   
   A. Current Policy Statement:

   The Cardholder must: Obtain all sales slips, register receipts, and/or Purchasing Cards slips and provide to Department Liaison reconciliation, approval and allocation of transactions.

   B. Recommended Improvements:

   (1) A Check list should be developed letting card users know what steps to take when they discover that a receipt is missing. There should be a form(s) developed to be used in conjunction with this process that will document the circumstances and provide a means for immediate handling of the situation.

   (2) Cardholders should be required to engage in refresher training every 2 years as part of their continuing authorization to hold a card. This training should be developed to be done on-line for maximum efficiency and flexibility. Renewal cards should be held by Purchasing before issuance to cardholders until the refresher training has been completed.

   (3) For cardholders who have numerous problems (more than three situations with missing receipts in two year’s time that have not been cured through the steps outlined in the check list and utilizing the forms described above) following the requirements for having receipts, there should be a progressive system for addressing these cardholders, starting with card suspension, moving to card revocation and possible triggering of the University disciplinary system for serious violations.

2. Monthly Statements are not signed off on by the Cardholder approving them for payment.

   A. Current Procedure:

   The monthly statement requires signature by cardholder and liaison.
B. Recommended Improvements:

(1) Department Heads should be required to verify that the statements have been signed by both the Cardholder and Liaison before approving the Department’s monthly bill through the WORKS system. A statement acknowledging that they will personally verify that these statements are signed each month should be added to the Department Head’s Agreement form, and all amended Agreements should be re-signed by the Department Heads.

(2) Random Audits should be conducted to help detect areas where process compliance issues exist utilizing existing staff.

3. An individual other than the person assigned the card makes purchases with the card.

A. Current Policy Statement:

THE PURCHASING CARD IS NOT TRANSFERABLE. Ensure that the Purchasing Card is only used by the approved cardholder. Use by anyone other than the cardholder is strictly prohibited.

B. Recommended Improvements:

(1) Emphasis on this prohibition should be given in the refresher training required of renewing cardholders.

(2) A progressive system for correcting problems with cardholders letting others use their cards should be put in place that starts with card suspension and moves to card revocation if the practice is repeated.

4. Purchases are split to circumvent the $2500 transaction limit.

A. Current Policy requires that the Cardholder:

Adhere to the purchase limits and restrictions of the Purchasing Card and ensure the total transaction amount of any single transaction does not exceed $2,500.

B. Recommended Improvements:

(1) Emphasis on this prohibition should be given in the refresher training required of renewing cardholders.
(2) A progressive system for correcting problems with cardholders who circumvent the $2500 limitation should be put in place that starts with card suspension and moves to card revocation if the practice is repeated.

5. Purchases through PayPal do not have proper documentation to determine if purchase was for legitimate University business.

A. Current Policy Statement:

The Cardholder must: Obtain all sales slips, register receipts, and/or Purchasing Cards slips and provide to Department Liaison reconciliation, approval and allocation of transactions.

B. Recommended Improvements:

(1) This situation should be treated as other situations where there are missing receipts as described in item 1 above.

6. Food is being bought with purchasing card.

A. Current Policy Statement:

BUSF 7.05 addresses approval authority for the purchase of food and requires that it be bought when approved using a DEV or TRV. Card use is blocked for merchant category 5812 “Eating Places, Restaurants.”

B. Recommended Improvements:

(1) The Purchasing Card Policies should be amended to include a statement prohibiting use of the card for the purchase of food.
(2) Emphasis on this prohibition should be given in the re-fresher training required of renewing cardholders.
(3) A progressive system for correcting problems with cardholders who continue to violate this policy should be put in place that starts with card suspension and moves to card revocation if the practice is repeated.
II. Liaison/Department Head Review of Transactions:

1. Purchasing Card Liaisons and Department Heads are verifying statements for payment without the required receipts and review of transactions.

A. Current Policy Statement:

(1) The department head currently must sign a statement agreeing to verify monthly the following for the department:

- All receipts as required by policy have been provided by each cardholder in the department.
- Where the vendor has failed to respond to requests for a receipt, an internal invoice has been generated and signed by the cardholder and by the department chair/head. Documentation on attempts to procure an invoice will be attached to the internal invoice.
- All charges are fair and reasonable and accurately reconciled to cardholder statements as required by policy.

and;

(2) Purchasing Card Policies state with respect to Department Liaison that responsibilities include:

- Collecting vendor receipts and purchasing card receipts from Cardholders and reconciling to Bank of America billing statements.
- Retaining all charge slips and receipts for audit by internal and external auditors.

B. Recommended Improvements:

(1) Department Heads should receive refresher training that focuses on the requirements of the roles that they play in this process every two years. This training should be developed to be done on-line for efficiency and flexibility. It should emphasize the importance of their direct verification of the adherence to policies and processes by the cardholders.

(2) If there are numerous problems found with policies and processes not being properly followed by the cardholders which have been reported as having been followed correctly by the Liaisons and the Department Head, progressive action should be taken to suspend or revoke cards in the area of their supervision and other appropriate personnel actions taken depending upon the nature and severity of the oversights.
III. Liaison Responsibilities:

1. Liaisons are not making allocations to the appropriate departmental accounts from which charges are to be paid.

   A. Current Purchasing Card Policies State that liaison is responsible for:

   Approving and/or updating account and/or object codes and cost-sharing information on electronic billing distribution of individual Cardholder account within the specified deadline using WORKS web-based application.

   B. Recommended Improvements:

   This area is one that is complex because it involves input from those in funding roles that may not be a part of the Purchasing Card system. Processes and forms have been developed by some University Departments that have helped this part of the Purchasing Card system flow more smoothly. It is suggested that annual training for Liaisons be conducted and focus very specifically on this aspect of the process. Best practice forms and systems should be developed that will help Department Liaisons who are having more difficulty in implementing this part of the process. It is also recommended that Internal Audit notify the Purchasing Department if it finds a Department that needs additional training beyond the annual training that is provided to liaisons to improve performance in this area.

2. Use tax is not assessed on purchases.

   A. Current Purchasing Card Policies State that liaison is responsible for:

   Identifying and updating transactions that require the submission of use tax and/or account changes within the specified deadline using WORKS web-based application.

   B. Recommended Improvements:

   This aspect of the Purchasing Card process is one that needs regular training to ensure that Liaisons understand the requirements for assessing of Use Tax and are consistent in its administration. It should be specifically addressed in the annual training provided to Liaisons. It is also recommended that Internal Audit notify the Purchasing Department if it finds a Department that needs additional training beyond the annual training that is provided to liaisons to improve performance in this area.
3. Monthly Statements are not signed off on by the Liaison approving them for payment.

A. Current Procedure:

The monthly statement requires signature by cardholder and liaison.

B. Recommended Improvements:

(1) This requirement is an important part of the process. Liaisons should be trained in the importance of this aspect of their duties. Department Heads should verify each month that the monthly statements for their Cardholders have been signed by the Liaison since this action signifies their review and approval of the monthly statement.

(2) Where problems continue to exist after training of liaisons, Department Heads should treat the problems as performance based issues and ensure that they have Liaisons in place who are able to properly follow procedures.

4. Purchasing Card statements are missing and cannot be located in some cases.

A. Current Purchasing Card Policies State that liaison is responsible for:

Retaining all charge slips and receipts for audit by internal and external auditors.

B. Recommended Improvements:

(1) As discussed in earlier items, the review process by Cardholders, Liaisons and Department Heads requires the card statement and receipts to be available and to be reviewed for accuracy. Their retention thereafter is necessary for review in auditing. Although duplicate copies of the statements can be obtained from the Bank, duplicate receipts are often not available. The importance of proper retention of these records should be emphasized in training. Liaisons should be required to make all efforts with vendors to retrieve copies of receipts when they are missing and to document transactions through use of the forms referenced in item 1. B (1) above when vendors are not able to provide duplicate receipts.

(2) Where audits indicate repetitive problems with missing statements, Department Heads should treat the problems as performance based issues and ensure that they have Liaisons in place who are able to properly follow procedures.
5. Rebates are not submitted for purchases or merchandise/gifts are received in exchange for purchasing certain products.

A. Current Purchasing Card Policies provide:

   Rebates for University purchased supplies are the property of the University and must be deposited back to the appropriate University account.

B. Recommended Improvements:

   This is an issue that should be covered in training with Cardholders and Liaisons. Repetitive problems should be dealt with through progressive disciplinary procedures.

IV. Addendum

1. Current Statement of Cardholder and Liaison Responsibilities:

   **CARDHOLDER RESPONSIBILITIES**

   The Cardholder must only use the Purchasing Card for legitimate business purposes. The Purchasing Card may not be used for travel, registration fees, entertainment, cash (gift cards and postage are not allowed) and other categories as included in the Blocked Merchant Category Code list included in these policies and procedures. Misuse of the card will subject the Cardholder to disciplinary action in accordance with University of South Carolina Policies and Procedures relating to disciplinary action and termination for cause. The Cardholder must:

   - **ENSURE THE PURCHASING CARD IS USED ONLY FOR LEGITIMATE BUSINESS PURPOSES.**
   - **MAINTAIN THE PURCHASING CARD IN A SECURE LOCATION AT ALL TIMES.**
   - **THE PURCHASING CARD IS NOT TRANSFERABLE.**
   - Ensure that the Purchasing Card is only used by the approved cardholder. Use by anyone other than the cardholder is strictly prohibited.
   - Adhere to the purchase limits and restrictions of the Purchasing Card and ensure the total transaction amount of any single transaction does not exceed $2,500.
   - Obtain all sales slips, register receipts, and/or Purchasing Cards slips and provide to Department Liaison reconciliation, approval and allocation of transactions.
   - Notify Department Liaison if the default account and/or object code should be changed on a transaction.
   - Attempt to resolve disputes or billing errors directly with the vendor and notify Bank of America if the dispute or billing error is not satisfactorily resolved.
   - Ensure that an appropriate credit for the reported disputed items(s) or billing error appears on a subsequent Cardholder's Statement.
   - Not accept cash in lieu of a credit to the Purchasing Card account.
   - Immediately report a lost or stolen card to Bank of America at 1-888-449-2273 (24 hours a day, 365 days a year).
   - Immediately notify Department Liaison and/or Purchasing Card Coordinator of a lost or stolen Purchasing Card at the first opportunity during business hours.
   - Return the Purchasing Card to Department Liaison upon terminating employment with the University of South Carolina.
   - If changing departments within the University of South Carolina, please contact the Purchasing Card Coordinator to coordinate the change.
DEPARTMENT LIAISON RESPONSIBILITIES

Each Department Head must designate a maximum of two Department Liaisons for each department. A Department Liaison may also be liaison for his/her own card. However, if the department liaison(s) is also a purchasing card holder, it will be the responsibility of the liaison to have the monthly charges incurred on the liaison's purchasing card reviewed and signed by their department head. The department liaison must attend all required training sessions and will be notified of these by means of a listserver to which they must be subscribed. Responsibilities include:

- Collecting vendor receipts and purchasing card receipts from Cardholders and reconciling to Bank of America billing statements.
- Retaining all charge slips and receipts for audit by internal and external auditors.
- Approving and/or updating account and/or object codes and cost-sharing information on electronic billing distribution of individual Cardholder account within the specified deadline using WORKS web-based application.
- Identifying and updating transactions that require the submission of use tax and/or account changes within the specified deadline using WORKS web-based application.
- If a change in account and/or object code, cost share, use tax needs to be made after the deadline, the department liaison is responsible for creating a journal entry to correct the necessary charges.
- Attempting to resolve any disputes with vendor and/or Bank of America not resolved by Cardholder. Note: there is a 60 day period for resolution of disputes.
- Changing the default account and/or object code for individual cards as needed in WORKS application.
- Notifying Purchasing Card Coordinator of lost or stolen cards.
- Requesting Purchasing Card Coordinator to cancel a Cardholder's card e.g.,(terminated employees, loss of purchasing card privileges) as approved by Department Head.
- Collecting canceled cards from Cardholders and forwarding to Purchasing Card Coordinator.
- Department liaisons are responsible for making sure that they are receiving messages from WORKS.
2. Department Head Agreement

DEPARTMENTAL PURCHASING CARD COMPLIANCE VERIFICATION REPORTING PROCEDURES
(Rev 7/2010)

1. Every month, within 5 calendar days of the end of the billing cycle (27th of each month), all department chairs/heads will receive an e-mail notification/alert that individual cardholder statements are being mailed. By the 20th of each following month, they must respond to the Purchasing department electronically, verifying that the items identified in the attached certification statement are true.

2. Any department not responding to the notification will be listed in an exception report.

3. Any exceptions unable to be resolved by the Procurement Card Coordinator will be forwarded to the Director of Purchasing, who will in turn contact the department head to attempt resolution.

4. If a satisfactory response is not received, the Director of Purchasing will notify either the Provost in the case of academic units, or the Vice President for Finance and Planning in the case of administrative units, who will take action as appropriate under the circumstances, including revocation of cardholder privileges.
DEPARTMENT CHAIR/HEAD CERTIFICATION STATEMENT
(Revised 7/2010)

My department/unit is in compliance with the University of South Carolina’s purchasing card policy as indicated below. I understand that this verification is due by the 20th day of each month.

1. The following statements have been verified by the cardholder and the department liaison, and in the case of research grants, by the PI on the grant. To the best of my knowledge, these statements are accurate:

All statements have been physically inspected and signed by me, and the statements as well as the original supporting receipts are in a file that I maintain and am responsible for in my department.

- All charges are fair and reasonable.
- All goods/services are for the official University use only.
- The receipt of goods/services meets one of the following criteria:
  1. The goods/services have been received.
  2. In a case where the goods/services have not been received on a timely basis, internal procedures will be followed to contact the vendor to obtain the goods/services or to obtain an appropriate credit.
- All statements are signed by both the cardholder and the liaison and any other signature as required by University policies and procedures.

2. My department/unit has complied with the following:

1. Receipts meet one of the following criteria:
   - All receipts as required by policy have been provided by each cardholder in the department.
   - Where the vendor has failed to respond to requests for a receipt, an internal invoice has been generated and signed by the cardholder and by their immediate supervisor or the department chair/head. Documentation on attempts to procure an invoice must be attached to the internal invoice.

2. All charges are fair and reasonable and accurately reconciled to cardholder statements as required by policy.
Please acknowledge receipt of the Purchasing Card Compliance Verification Reporting Procedures (revised 7/2010) and understanding of the existing Policies and Procedures at http://purchasing.sc.edu/ccpp.php by completing the following information and returning this form to the Purchasing Department.

________________________  ______________________________
Department Name          Department Chair/Head Name
(Printed)

________________________  ______________________________
Date                     Department Chair/Head Signature

________________________  ______________________________
Department Chair/Head    Department Chair/Head
USC E-mail address       Network User ID

________________________  ______________________________
Liaison Name (Printed)    Liaison Name (Printed)