

State of West Virginia Purchasing Card Program

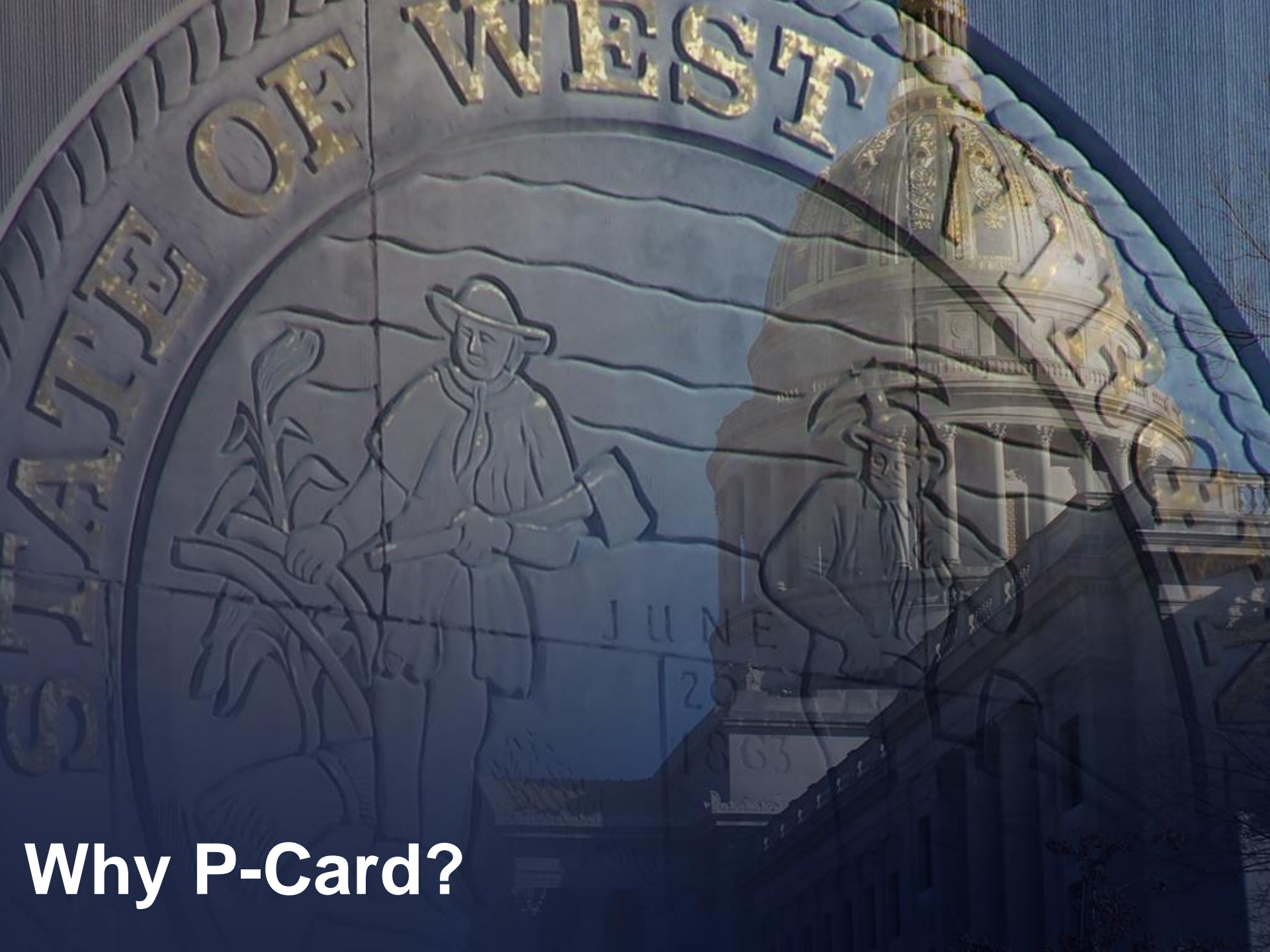
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Agenda

- **Why P-Card?**
 - **What is it?**
 - **Traditional Procure-to-Pay vs. P-Card**
 - **P-Card Program Benefits**
- **The Purchasing Card Process, Participants and Their Roles**
- **Reconciliation and Approval Processes**
- **Procurement to Payables**
- **Training and Communication**
- **Internal Controls/Operating Procedures**
- **Program Oversight and Evaluations**



Why P-Card?

What is a P-Card?

- **A purchasing card (p-card) is a type of commercial card that allows organizations to take advantage of the existing credit card infrastructure to make electronic payments for various business expenses (e.g., goods and services).**
- **In the simplest terms, a p-card is a charge card, similar to a consumer credit card. However, the card-using organization must pay the card issuer in full each month, at a minimum.**

Why Use P-Cards?

Reduce the transactional or processing cost of purchases.

- **The traditional procure-to-pay process often involving a requisition, purchase order, invoice, and check payment; costs the same regardless of the dollar amount of the purchase.**
- **When the payment method is switched from the traditional process to a purchasing card process, efficiency savings range from 55% to 80% of the traditional process cost.**

Why Use P-Cards?

- **P-Cards provide a means for streamlining the procure-to-pay process.**
- **The Institute of Commercial Payments (IOCP; formerly NAPCP, the National Association of Purchasing Card Professionals) evaluation states typical savings of \$63 per transaction by utilizing a p-card for payment.**
 - *Reduces paperwork and time associated with the procurement and payment processing function*
 - *Reduces costs associated with paper checks*
 - *Quicker purchase time for applicable goods and services*
 - *Reduces or eliminates petty cash*
 - *Take advantage of supplier discounts*
 - *May allow an entity to redirect purchasing and/or accounts payable staff*
 - *Focus on larger dollar transactions*

Why Use P-Cards?

1,000 transactions = \$63,000 cost avoidance savings

8,000 transactions = \$504,000 cost avoidance savings

15,000 transactions = \$945,000 cost avoidance savings

50,000 transactions = \$3,150,000 cost avoidance savings

**Are we doing our part to
ensure that we are being
good stewards of taxpayers'
money?**

Card Types

➤ One Card

- All types of purchases

➤ Department/Ghost

- Accounts Payable
- Travel

➤ Fleet

- Driver
- Vehicle

➤ Declining Balance

➤ E-payables

- Virtual
- Mobile

P-Card Program Benefits

- **Provides greater transparency**
- **Enhanced fraud monitoring provided by:**
 - MasterCard/Visa
 - Issuing Bank
 - State Auditor's Office
- **Fraud protection**
 - Protection against intentional employee misuse and fraud
 - Receive credits for unauthorized 3rd party transactions
 - Can dispute transactions 60 days from the statement date

P-Card Program Benefits

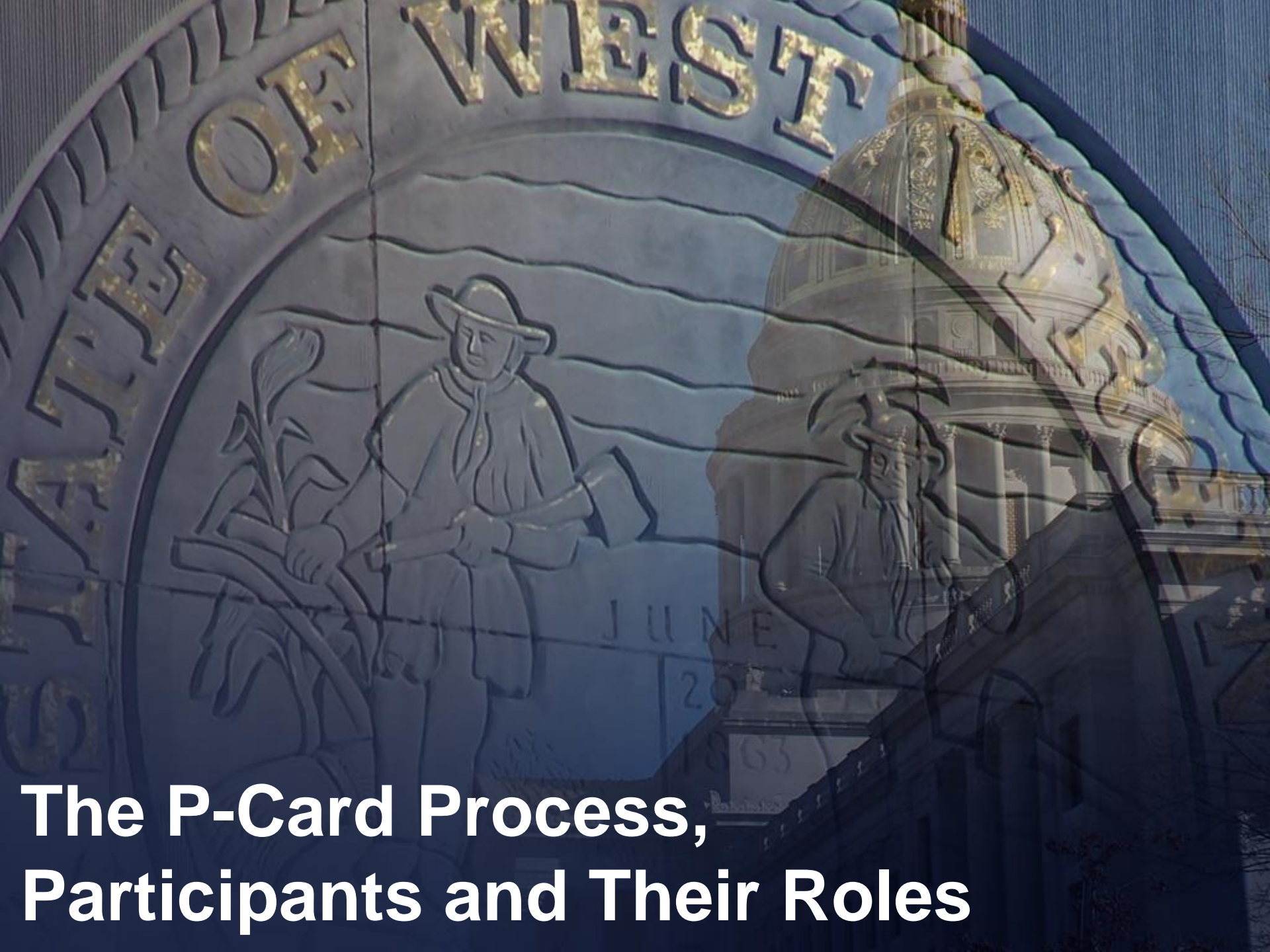
➤ Online access to:

- Monitor card activity
- Card management
 - *Create accounts*
 - *Card Maintenance*
 - *Activate, suspend and close accounts*
 - *View credit limit availability and transaction status in real-time*
- Review transactions
- Download statements
- Program reporting

P-Card Program Benefits

➤ **Benefits to your vendors/suppliers**

- Cost reductions such as eliminating invoice creation, handling, mailing, depositing payments, and collection activities
- Electronically deposited funds
- Faster receipt of payments and improved cash flow
- Increased sales because many organizations solicit only suppliers that accept p-cards as payment
- Potential staff reductions within accounts receivable and the ability to redirect staff to more value-added activities



The P-Card Process, Participants and Their Roles

P-Card Process, Participants and Their Roles

- **A p-card program is designed to provide a more efficient and cost-effective method of making purchases and payments by reducing paperwork and streamlining the purchasing process.**
- **The program is designed as an alternative to the traditional purchasing process for supplies and materials, allowing for more control and responsibility at the department level.**
- **The program is not intended to circumvent the bid process or other purchasing policies.**

P-Card Process, Participants and Their Roles

- **Senior Executives and Directors**
- **Approving Manager (AM)**
- **Program Manager (PM)**
- **Program Administrator (PA)**
- **Department Authorizer**
- **Coordinator**
- **Cardholder/Proxy**



Reconciliation and the Approval Process

Reconciliation and the Approval Process

- **Transactions are permitted on the p-card as long as the agency can provide documentation of its authority for purchases, and all applicable laws, rules and regulations, purchasing policies, and other governing instruments are followed.**
- **Cardholder should review all transactions to ensure that they are legitimate, for official business, and that all required documentation is included.**

Reconciliation and the Approval Process

- **Cardholder or proxy is responsible for reconciling their individual transactions each month by the scheduled payment date.**
- **Proper workflow established to ensure segregation of duties during the reconciliation process.**
- **Reconciliation should be completed promptly and not wait until the last minute.**

Reconciliation and the Approval Process

- **All supporting documentation is documentation required by applicable laws, rules and regulations, p-card policies and procedures, and other governing instruments, such as grant requirements.**
- **All supporting documentation is to be attached to every transaction within the reconciliation software.**
- **Agencies should adopt a “zero tolerance policy” for missing or inadequate documentation.**

P-Card Delegation is PROHIBITED!



Procurement to Payables

Did you know?

**That since *wv*OASIS
Financials went live in 2014...**

**Approximately 600,000
agency level award
documents!**

**Millions of dollars
encumbered every year...**

BUT

**What is being used to release
the encumbrances?**

**Have you ever considered
that there is an ultimate
option per best practices?**

It's the P-Card!

The p-card, as the preferred method of payment, is also the preferred mechanism to release encumbrances.

**How often does the
Procurement Officer/Division
talk to the Payables
Officer/Division?**

**Is the cardholder required to
check with Procurement
before making a purchase?**

**Does a cardholder know that
an award document has been
created for them to use?**

**Remember that the p-card is
just a method of payment but
can greatly help out
Procurement!**



Training and Communication

Training and Communication

- **Training is required for all cardholders and program coordinators.**
- **All coordinators should receive training within 30 days of assuming the duties of the position.**
- **Training topics include Ethics, Policies, Procedures, Procurement, and Reconciliation Processes, at a minimum.**

Training and Communication

- **Communication with all stakeholders is vital and should be consistent.**
- **Any policy or procedural changes should be distributed throughout the agency.**
- **Agencies should review all policies and procedures, and internal control processes on a regular basis (i.e. quarterly, annually).**

Training and Communication

➤ **Communication examples**

- **Monthly emails from Procurement or A/P**
- **Webinars**
- **Newsletters**
- **Surveys**
- **Annual conferences/trainings**



Internal Controls/Operating Procedures

Internal Controls/Operating Procedures

- **A comprehensive policy and procedures manual is the best way to outline policy requirements and procedures for the organization.**
- **Develop and document appropriate internal control procedures to ensure proper program oversight, compliance with p-card policies and procedures and that p-card usage is consistent with the manual.**
- **Internal controls help prevent errors as well as deter fraudulent use of the p-card.**

Internal Controls/Operating Procedures

➤ Examples of topics

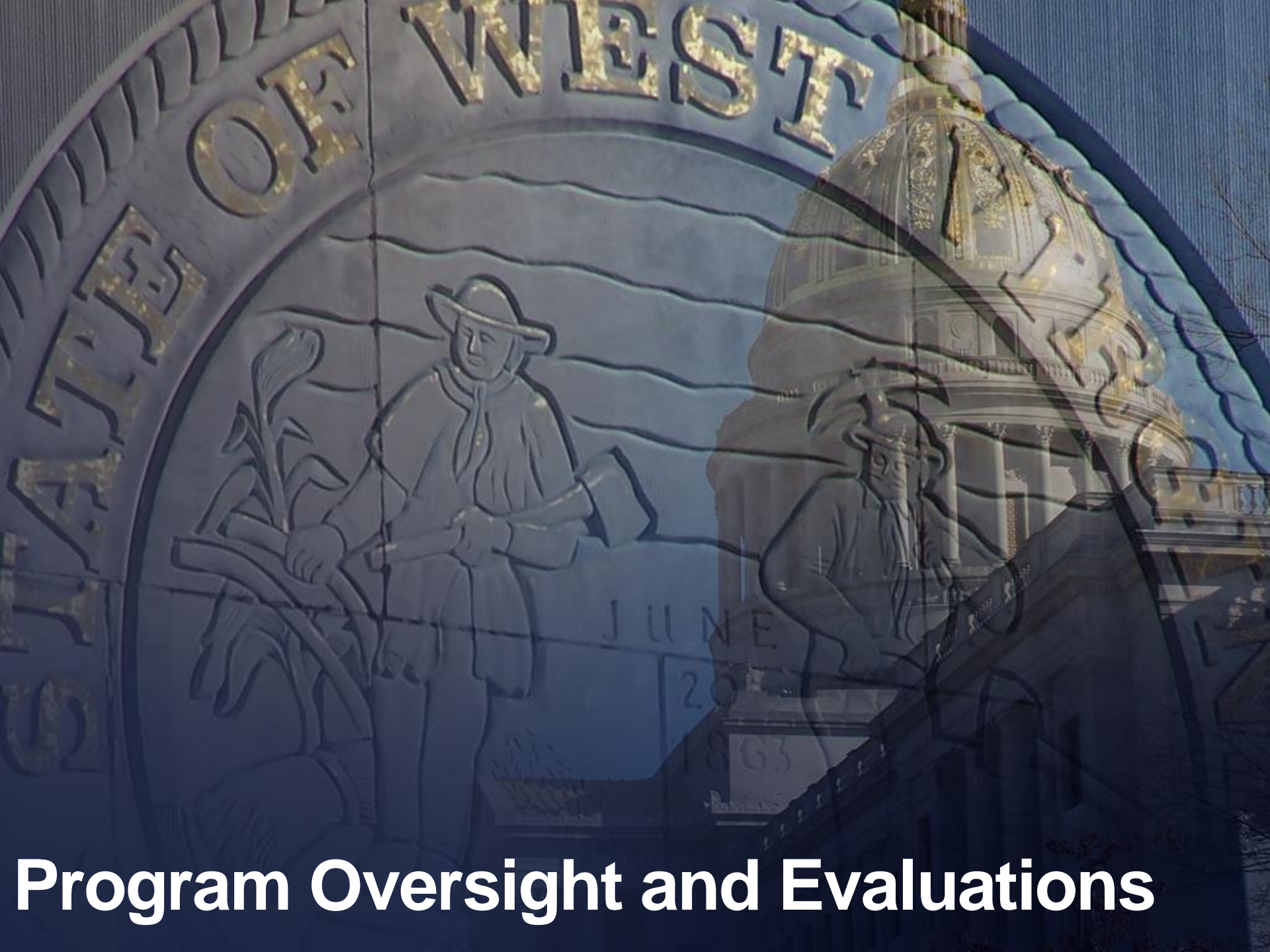
- **Coordinator duties and responsibilities**
- **Training requirements**
- **P-Card issuance and maintenance procedures**
- **P-Card usage**
 - **Allowable, restricted and prohibited purchases**
 - **Following procurement procedures**
 - **Card limits**
- **Transaction documentation and reconciliation**
- **Segregation of duties and oversight**
- **Fraud, misuse, and abuse and the consequences**
- **Program monitoring**

Internal Controls/Operating Procedures

- **It is the governing body of the agency, its coordinators' and cardholders' responsibility to be knowledgeable of and to follow all p-card policies and procedures, as well as all applicable purchasing laws and guidelines.**
- **Other members of agency staff with reviewing and approving responsibilities (agency officials, chief financial officers, department heads, directors, managers, supervisors, etc.) should also be knowledgeable of program requirements.**

Internal Controls/Operating Procedures

- **Each p-card coordinator should hold a position of knowledge and experience of the responsibilities delegated to them.**
- **Additionally, agency officials (or a representative) should designate an individual to act as a backup p-card coordinator in the event the primary coordinator is unavailable to perform his or her duties.**
- **No cardholder should be their own coordinator.**



Program Oversight and Evaluations

Program Oversight / Program Evaluations

- **The State Auditor's Office conducts program evaluations of State agency spending units. The purpose of a program evaluation is to assist our office and agency management in understanding the effectiveness of an agency's purchasing card program and whether it accomplishes objectives.**
- **Items reviewed may include:**
 - ✓ **Transaction detail**
 - ✓ **Internal controls**
 - ✓ **Operational / accounting procedures**

Program Evaluation Process

- **The Program Evaluation Section will visit your agency onsite and explain the process.**
- **Upon completion of a review, a report will be issued.**
- **The agency will have the opportunity to add comments to the report before it is finalized.**
- **A final report will then be issued.**
- **Unlike an audit, the Program Evaluation Section will then directly assist you in implementing any changes or improving your purchasing card program.**

Contact Information

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Questions?

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