



OFFICE OF THE
UTAH STATE AUDITOR

Auditor Alert 2016-08

Date: October 27, 2016

Subject: Recommend Using Purchase Cards Rather Than Credit Cards

The Office of the State Auditor (Office) has recently investigated thefts at both the state and local government level dealing with improper credit card use. The use of credit cards can be an efficient method of making purchases, especially small dollar purchases. However, credit card purchases have a high risk of improper use because controls usually rely on post-approval rather than pre-approval.

The use of purchase cards (p-cards) as opposed to credit cards can be a more effective method of reducing the risk of improper use. P-cards provide the following benefits:

- Spending and transaction limits can be set for each cardholder – both per transaction and per month.
- Purchases can be restricted to certain types of vendors based on merchant category codes.
- Information regarding purchase histories may be more easily accessible.
- Rebates may be available from the bank based upon dollar volume of total purchases.

Distribution of cards should be limited to those employees who have a compelling business need. P-cards (and credit cards) should not be provided to employees and officers who have only an occasional or infrequent use. The Office also discourages the sharing of cards as it further weakens oversight and control.

The State Treasurer also notes that the state's Division of Purchasing has negotiated extremely competitive terms on a statewide cooperative contract for p-card services (Contract# AR1766) with excellent control and reporting capabilities. This contract, along with all best value cooperative contracts, is available to all political subdivisions of the state.

Recommendation

We recommend that government entities use p-cards rather than credit cards and limit the issuance/use of p-cards to only those with a compelling business need.