

# Internal Controls over the Purchasing Card

Office of Financial Services  
June 30, 2017



# What are Internal Controls?

- “Internal controls are processes effected by those charged with governance, management, and other personnel designed to provide reasonable assurance about the achievement of the entity’s objectives.”

*Committee of Sponsoring Organizations (COSO) of the Treadway Commission (1994).  
Internal Control-Integrated Framework*

# Fundamental Concepts

- Internal control is a process; a series of ongoing actions and activities that occur throughout the operations.
- People are what make internal controls work.
- No matter how well designed and operated, internal controls can only provide reasonable (not absolute) assurance that District objectives are met.

# Basic Elements

- Policies and Procedures
- Segregation of duties including a system of authorization and recordkeeping procedures
- Ongoing Training
- Sound practices followed by personnel
- Quality personnel who are knowledgeable in their areas of responsibility

# Evolution of the P-Card

- Many organizations no longer accept Purchase Orders or checks
- Purchase Orders have now become an archaic method of doing business
- Society has evolved to an electronic era; credit cards have become a way of life
- Bank of America's P-Card program was selected as the state's preferred vendor

# Benefits of the P-Card

- Rebate program was established based on incremental levels of spending.

## South Carolina PCard/ePayables Rebate:

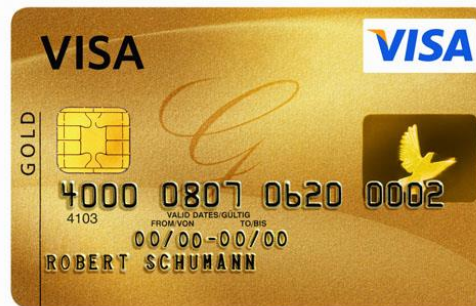
Rebate period runs August 1<sup>st</sup> through July 31<sup>st</sup>

Less than \$1MM	Do Not Qualify	Rebate Minimum
\$1MM- \$2.9MM	70 bps	\$7,000
\$3MM- \$4.9MM	90 bps	\$27,000
\$5MM-\$9.9MM	130 bps	\$65,000
\$10MM- \$14.9MM	139 bps	\$139,000
\$15MM-\$19.9MM	144 bps	\$216,000
\$20MM - \$24.9MM	149 bps	\$298,000
\$25MM - \$29.9MM	154 bps	\$385,000
\$30MM+	159 bps	\$477,000
All large ticket volume	50 bps	

# Benefits of the P-Card (Cont.)

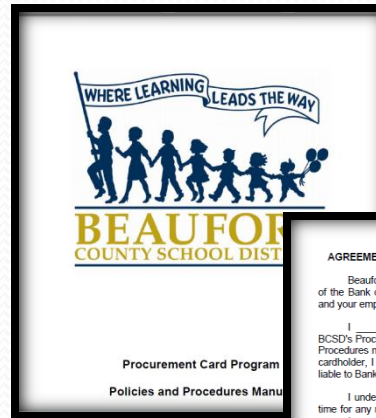
- Time savings on making purchases from the cardholder's perspective
- One electronic payment to P-Card vendor as opposed to 15,000 checks to individual vendors
- With the benefits, came a need to put certain controls in place.

# What controls do we have in place over the P-Card?



# Controls over the P-Card

- Policy & Procedures
  - Spending limits
  - Restrictions
- Rules over issuance of the cards
  - BCSD has 52 P-Cards
- Segregation of Duties
- Physical controls over the cards
- Pre-authorization of purchases
- MCC Code Blocks



BEAUFORT COUNTY SCHOOL DISTRICT  
PROCUREMENT CARDHOLDER'S AGREEMENT

AGREEMENT TO ACCEPT BEAUFORT COUNTY PROCUREMENT CARD

Beaufort County School District ("BCSD") is pleased to offer you the use of the Bank of America Procurement Card. It represents BCSD's trust in you and your empowerment as a responsible agent to safeguard BCSD's assets.

I, \_\_\_\_\_ hereby acknowledge receipt of the BCSD's Procurement Card. I have received a copy of the Program Policies and Procedures manual and confirm that I have read and understand its terms. As a cardholder, I agree to comply with said document and understand that BCSD is liable to Bank of America for all BCSD's approved purchases.

I understand that BCSD may terminate my rights as a cardholder at any time for any reason. I also agree to return the card to BCSD immediately upon request or upon termination of employment.

Purchasing parameters are assigned as follows:

1. Dollar limit per vendor per day \$2,500.00
2. Dollar limit per month \$20,000.00

CARDHOLDER

Signature \_\_\_\_\_ Date \_\_\_\_\_

PROGRAM ADMINISTRATOR

I acknowledge that the above cardholder has been issued BCSD's Procurement Card account number \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_

BEAUFORT COUNTY SCHOOL DISTRICT  
Credit Card / Purchase Order Approval Form

**Purchase Information**

This form is authorization to purchase the following item(s):

o  
o  
o  
o

Vendor: \_\_\_\_\_

Department/ Program: \_\_\_\_\_

Purpose: \_\_\_\_\_

Projected Dollar Amount: \$ \_\_\_\_\_

Account / Number: \_\_\_\_\_

**Signature**

I am aware that this form must be signed and approved of by my supervisor before the purchase card is released to me. I also understand that once in my possession that I will be the designated person responsible for the card. I must immediately return the purchase card after purchase and provide receipts of the merchandise to \_\_\_\_\_ (purchase cardholder).

Cardholder Signature \_\_\_\_\_ Date \_\_\_\_\_

Supervisor Signature \_\_\_\_\_ Date \_\_\_\_\_

# Blocked or Prohibited Purchases

- Alcohol
- Entertainment
- Clothing
- Gambling
- Gift Cards
- Personal memberships
- Jewelry
- Donations
- Hazardous or radioactive materials
- Bars and clubs
- Telephone calls
- Weapons or ammunition
- Casinos
- Cash Withdrawals

A complete list is available in the Purchasing Card Policies and Procedures Manual.

# Segregation of Duties

- The duties of making p-card purchases and reviewing/approving those purchases are segregated among the cardholder, cardholder designee and administrator
- All purchases require written approval prior to any purchase with the p-card and that documentation must be kept on file with final invoice to show accountability.



# Physical Controls



- P-card information containing account numbers and expiration dates should be safeguarded as applicable records should be maintained in a locked area under custody of the cardholder, and cardholder designees only.



- P-cards no longer in use should be forwarded to Management for proper disposal.

# Other Safe Guards for Card Usage

- Purchases must be pre-approved.
- The rules of procurement still apply.
- Documentation supporting purchases must be attached in paper or electronic form and forwarded to the Procurement Office on a monthly basis.
- P-Card may not be kept by an individual overnight.
- Bookkeepers must reconcile and monitor their purchases daily in Works to make sure proper charges and credits have been given.
- Bookkeepers must view their authorization log daily for fraudulent activity.

# Flow of P-Card Transactions

## Prior to Purchase

- BCSD Employee(s) request an item to be purchased
- BCSD Employee follows the rules of procurement and secures written pre-authorization from Principal/Department Head

## Purchase

- Either the bookkeeper or employee will make the authorized purchase and provide a receipt to the bookkeeper after the purchase
- The purchase and its information is to be documented in a log kept by the bookkeeper for the tracking of goods and services

## Reconciliation

- Bookkeeper reconciles all transactions in Works and sends a report signed by Principal/Department Head with all backup documentation to the DESC.
- The report is audited for errors and once completed, the information is imported into our financial reporting system and posted to school and departmental budgets.

# P Card Auditing

## What we look for when auditing a monthly P Card report

- There is a receipt for every transaction.
- The amount on the receipt is the amount that posted in Works.
- Is sales tax is listed on the receipt, make sure it is separated in the Sales tax field in Works.
- Account # is accurate, not too many or too few digits.
- If individual item is \$5,000 or more, make sure it is coded to an object code 55\*\*\*.
- Computer and printers, or any items associated with them, (ink for example) are coded to 544500, not 541000
- For registrations, airlines, or lodging, an approved travel request and an agenda must be attached. Out of state travel must be approved by a Chief Officer.
- Principal's travel must be approved by the Chief Instructional Officer.
- Purchases for \$2,500 or more require 3 quotes attached if not on contract or exempt from Procurement. If on contract or exempt, please write this on the documents.
- Hardware/software approvals are required for technology purchases, unless on the standard list. If on the standard list, please write "on the Standard List" on the documents.
- Food purchases should be for professional development or Title One parenting.
- Books should be coded to 420 for textbooks or 430 for library books. All others are coded to 410.
- Summary page of P-Card document should be signed by the principal or department head.

# Transaction Limits

- \$2,500 per transaction  
or
- \$2,500 per vendor per day



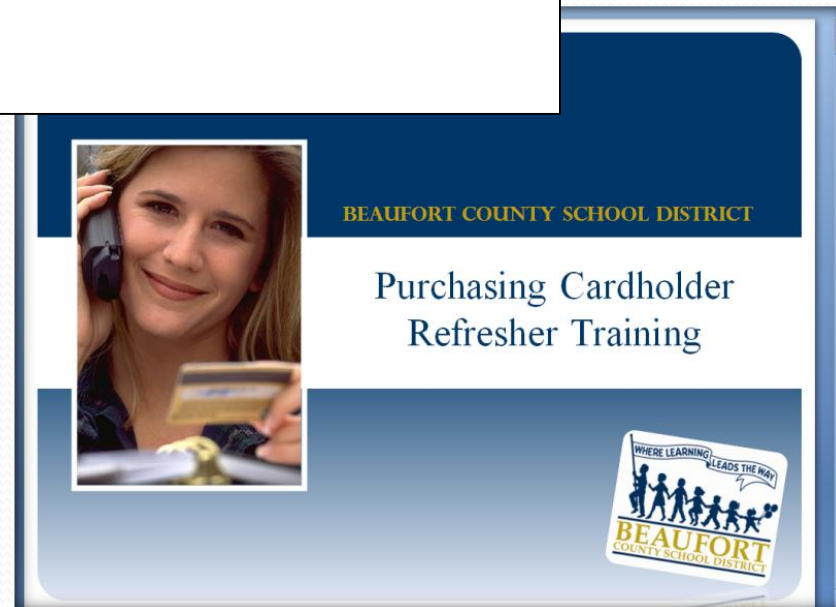
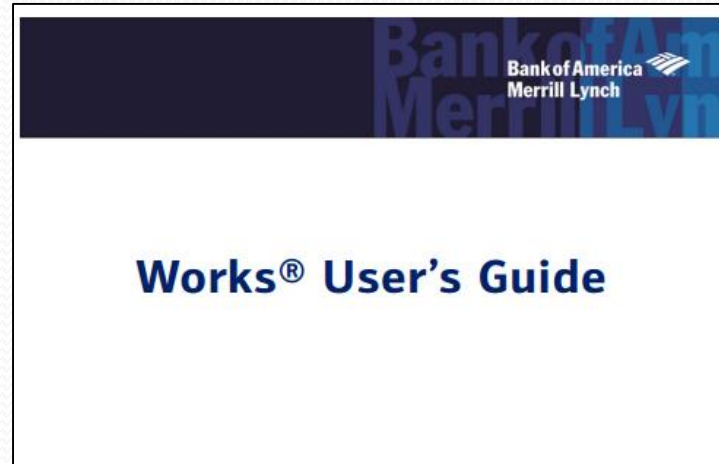
## Most Common Uses of the Card:

Computers and iPads  
Furniture for new schools  
Testing materials, books, workbooks,  
Instructional supplies  
Office Supplies  
Computers  
Utility bills



# Training

- Initial training for principals and bookkeepers
- Bookkeepers are given a P Card Manual during initial training
- Training for any new implemented practices
- Refresher training




# Monitoring

- P-Card Administrator reviews every transaction
  - Discrepancies are addressed with the cardholder
  - Violations of the P Card policy result in disciplinary action
- Review samples of transactions as a form of internal auditing
- On-site visits to inspect documentation
- External audits

# P Card Violations

- In the event of a P Card Violation a letter is sent to the Principal as notification of the violation.
- Repeated violations, dependent upon the severity of the violations, will result in suspension or revocation of card privileges for the department/school.



TO: (Principal's Name)  
Principal, (School/Department)

FROM: Reggie Murphy  
Director of Internal Controls

Date: Month, Day, Year

SUBJECT: Procurement Card Violation

This letter is sent in regard to a violation made by (School), related to procurement card policies and procedures. We are required as part of our procurement audit to identify any violations of our procurement card policies and procedures. (Description of Violation) are prohibited, and can be found on page X of the BCSD purchasing Card Policies and Procedures, under the "Prohibited Uses of the P-Card".

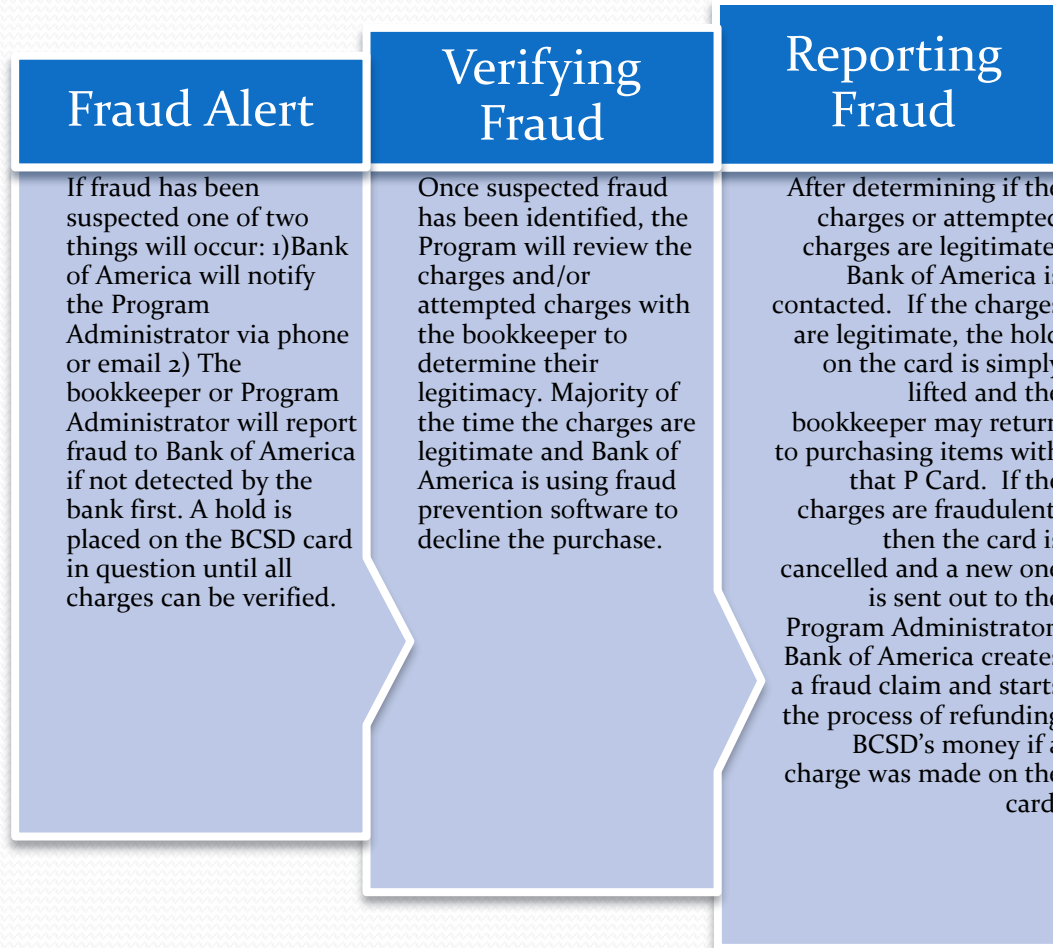
You were found in violation of these policies for the following reasons:  
(Description of Violation in detail. If Applicable Transaction number, vendor, date, and purchase amount).

All procurement card statements and receipts are audited to ensure that purchases are in compliance with District Procedures and Policies. Failure to follow the proper procedures could result in revocation of the procurement card or other appropriate disciplinary actions.

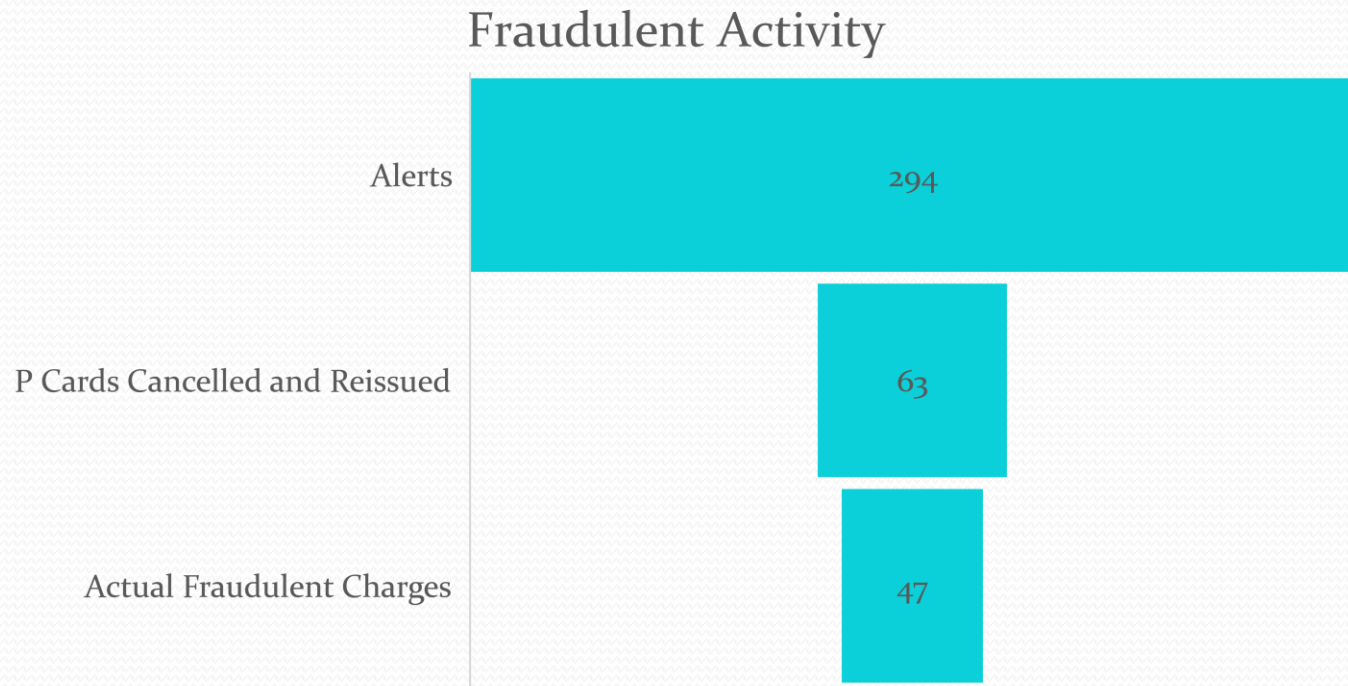
I will be happy to discuss this issue with you in order to assist in preventing any future occurrences.

Post Office Drawer 309  
Beaufort, South Carolina 29901-0309

# Fraud

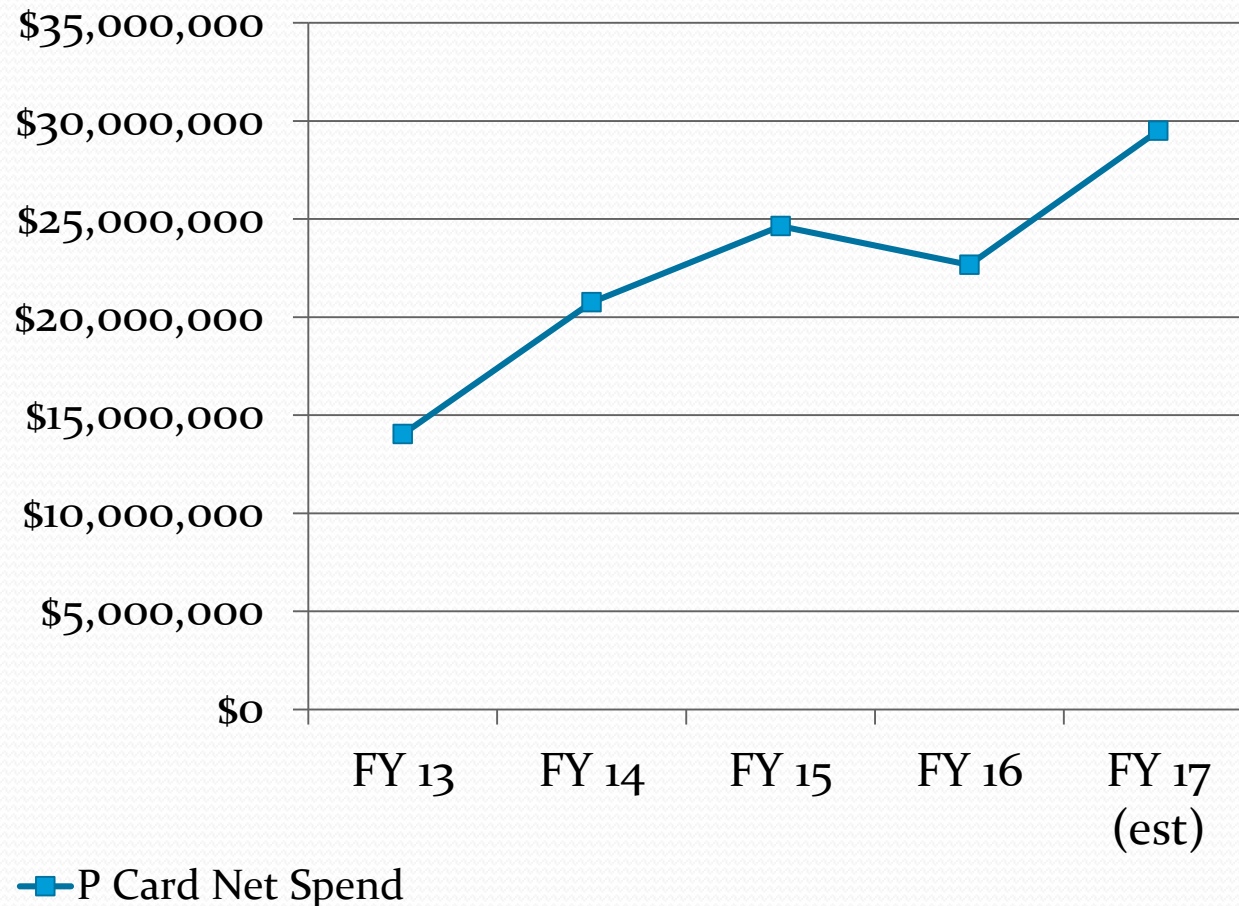


# Fraud for Fiscal Year 2017

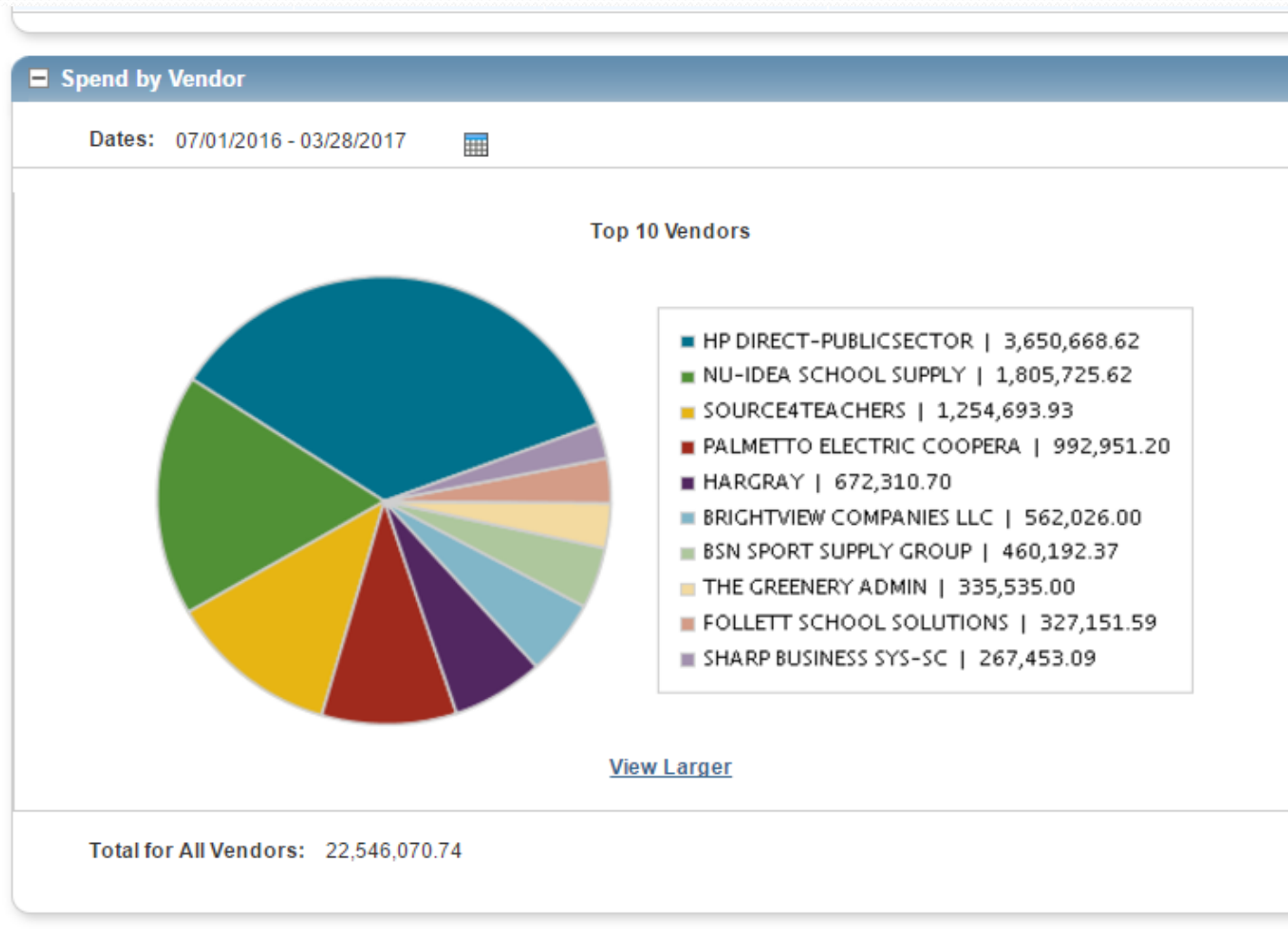


Out of 294 suspected fraud alerts on BCSD P Cards, only 47 were actual fraud charges with fraud claims and reimbursed by Bank of America. 63 Cards were cancelled and reissued due to fraudulent charges or attempts during FY 2017.

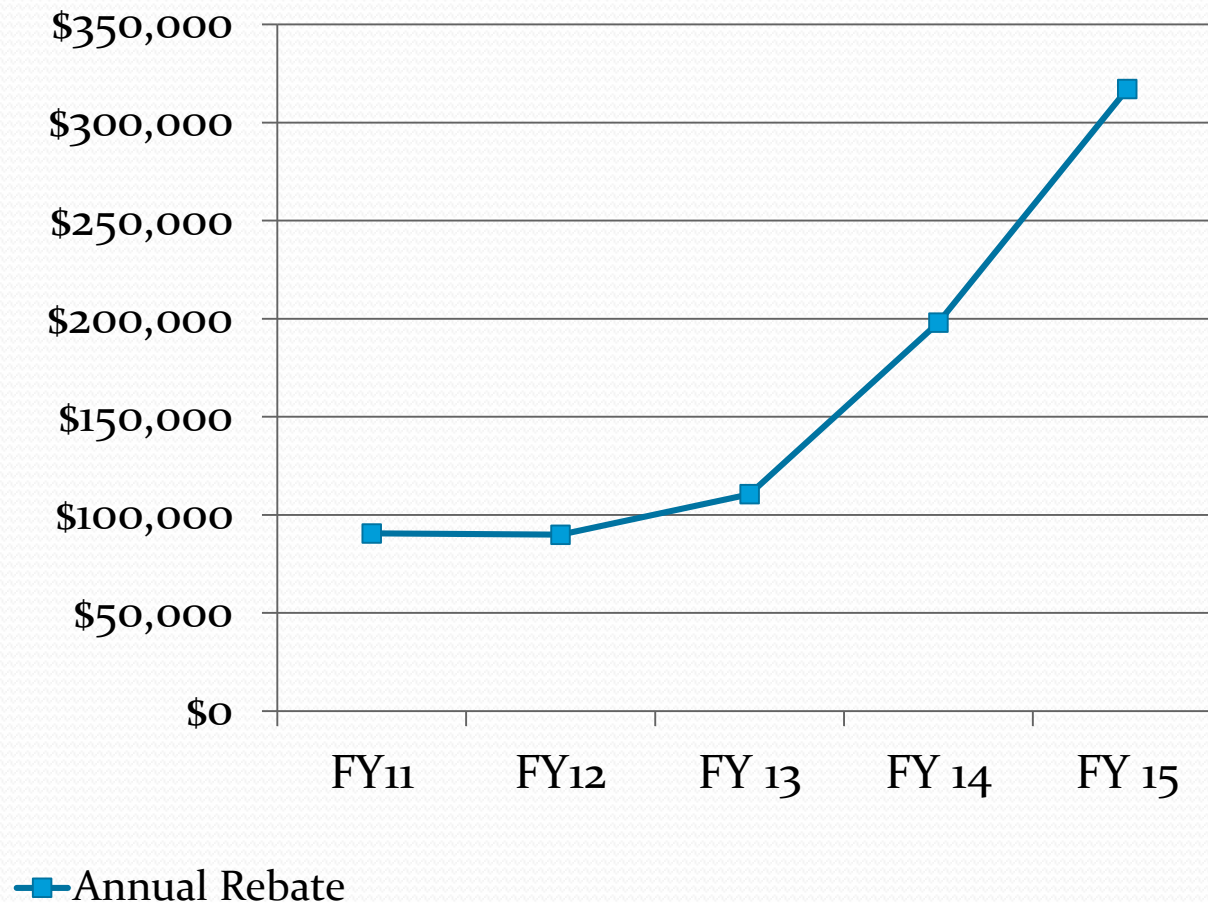
# P-Card Spending



# Top 10 Vendors



# P Card Rebates



# P-Card Rebates

Beaufort County School District P-Card Rebates			
	TOTAL SPEND		REBATE TO BCSD
<b>2011</b>	\$ 13,927,928		\$90,532
<b>2012</b>	11,983,046		89,873
<b>2013</b>	14,732,817		110,496
<b>*2014</b>	20,837,775		197,959
<b>2015</b>	24,927,972		317,763
<b>2016</b>	23,856,078		303,881
	\$110,265,615		\$1,110,503

Note: Rebates come from the State Comptroller General's office and are wired to District accounts.

# Questions ???????