

- ✓ Never allow anyone to review and approve their own transactions.
- ✓ Incorporate procedures for card cancellation of lost or stolen cards, or upon employee termination.
- ✓ Appropriately follow up on any identified discrepancies.
- ✓ Have billing statements broken down by individual user.
- ✓ Be sure to verify that the items purchased were actually received.
- ✓ Be sure to follow your policy.

**For more information on this topic, please see the following reports and publications:**

New York State Office of General Services (OGS) Procurement Services  
[www.ogs.state.ny.us/purchase/SearchBrowse.asp](http://www.ogs.state.ny.us/purchase/SearchBrowse.asp)

Accredited Standards Committee X9  
[www.x9.org/standards/](http://www.x9.org/standards/)

Kansas Legislative Division of Post Audit  
 Performance Audit Report - "School District Credit Cards: Determining Whether School Districts Exercise Adequate Oversight Over The Use of Those Cards," May 2001  
[www.kslegislature.org/postaudit/audits\\_perform/01pa21a.pdf](http://www.kslegislature.org/postaudit/audits_perform/01pa21a.pdf)

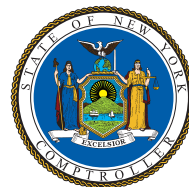
**4. What specific documentation is required to substantiate proper purchases?**

- ✓ Require itemization on receipts.
- ✓ Never pay claims without documentation.
- ✓ Reconcile credit card statements to itemized receipts and invoices.
- ✓ Document the purpose for which the card was used.
- ✓ Require the names of individuals for whom expenditures were incurred. For example, if food was supplied at a meeting, indicate who was there.

**OFFICE OF THE STATE COMPTROLLER**



**DIVISION OF  
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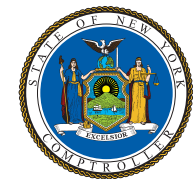


**LOCAL GOVERNMENT  
 FINANCIAL TOOLBOX**

**Credit Card  
 Accountability:**

**Minimizing the Risk of  
 Error, Misuse and Fraud**

**Many local governments and school districts use credit cards as a convenient way of procuring relatively inexpensive items. It is important that the governing board ensures that these cards are used only for approved, actual and necessary expenditures by monitoring their use.**



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This brochure is designed to serve as a quick reference for adopting a strong credit card policy and developing internal controls to prevent paying for purchases that are not authorized. It also provides specific tips for monitoring and enforcing compliance with adopted policies.

## Written Credit Card Policy

Prior to making credit cards available to employees, the board should adopt a written credit card policy. The policy should cover which employees are authorized to use credit cards, when and how they can use the cards, and specify the required documentation.

### 1. Which individuals need the credit cards, and what are their responsibilities?

- ✓ Require governing board authorization for all credit cards.
- ✓ Instruct and train staff in use of cards and have them provide written acknowledgement that they understand their responsibilities.
- ✓ Issue cards in the names of specific individuals to help maintain accountability.
- ✓ Perform periodic analysis of individual credit card users. This should examine the continued need for the card, and the nature and type of purchases being made.

- ✓ Cancel existing cards that are not needed or accounted for.
- ✓ Review and update master credit card lists annually.

### 2. What can the card be used for?

Local governments and school districts should clearly state the circumstances under which the cards can be used.

- ✓ Prohibit the use of government or school district credit cards for personal expenses. Although it may seem innocuous to allow such use pending later reimbursement, there is no guarantee that such payment will be made, and the practice would be a de facto loan available only to certain employees.
- ✓ Do not use cards that allow cash advances or cash back from purchases.
- ✓ Establish reasonable credit limits for each purchase, transaction, and/or for the total on the card. Reduce the limits on existing cards if necessary. Require prior higher authorization for purchases above these limits.
- ✓ When a card is used for “emergency purposes,” require that the user clearly document the emergency situation that justified the need.
- ✓ Block certain types of vendors or purchases using Merchant Category Codes, which categorize businesses by the products or services they provide. For example, you

could request that the card issuer prohibit charges from dry cleaners, health or beauty spas or bicycle shops. A list of these codes can be obtained from the web site of the Accredited Standards Committee X9, which promotes standards for the financial services industry ([www.x9.org/standards/](http://www.x9.org/standards/)).

- ✓ Establish guidelines for phone, fax and Internet purchases.

### 3. What specific controls are needed to safeguard the card and monitor its use?

- ✓ Keep all cards in a secure location.
- ✓ Issue cards only for the time period that they are needed.
- ✓ Issue cards in the user’s name.
- ✓ Review bills and watch for red flags such as unusual destinations or items on the card.
- ✓ Have a reconciliation process and timetable.
- ✓ Don’t use automatic payment deductions to pay credit card bills.
- ✓ Delegate approval, verification, and payment of claims to different individuals.
- ✓ Establish a way of recouping inappropriate charges.
- ✓ Pay bills on time to avoid paying fees and late charges.