

## Operational Services

### **Administrative Procedure - Controls for the Use of Cooperative Credit and Procurement Cards**

This procedure implements, and is subject to, Board policy 4:55, *Use of Credit and Procurement Cards*. The business office shall oversee the following controls:

#### **Issue Cooperative credit and/or procurement cards to only authorized individuals.**

1. Require prior authorization before issuing a card to any individual.
2. Have cardholders sign 4:55-E, *Cardholder's Statement Affirming Familiarity with Requirements for Using Cooperative Credit and/or Procurement Cards*.
3. Instruct cardholders:
  - a. In the proper use of cards, and;
  - b. How to document purchases, including the need to: (a) present an itemized receipt, (b) accompany the receipt with the appropriate form indicating the date, purpose, and nature of the charge, (c) identify the program for which or the individuals for whom expenditures were incurred, and (d) have a second party independently verify and confirm purchases with signature on receipt.

#### **Monitor that credit and/or procurement cards are being used for appropriate purchases.**

1. Prohibit the use of Cooperative credit or procurement cards for personal expenses.
2. Do not use cards that allow cash advances or cash back from purchases.
3. Establish reasonable credit limits for each purchase, transaction, and/or the balance total on each card. Reduce the limits on existing cards if necessary. Require prior authorization for purchases above these limits.
4. When a card is used for "emergency purposes," require that the user clearly document the emergency situation that justified the need.
5. Perform scheduled and random analyses of individual cardholders. This includes examining the continued need for the card and the nature of purchases being made.
6. Perform scheduled and random analyses to determine whether Board policy is being followed.

#### **Safeguard Cooperative credit and procurement cards.**

1. Keep all cards in a secure location.
2. Issue cards only for the time period that they are needed.
3. Issue cards in the names of specific individuals to help maintain accountability.
4. Prohibit a card's use by anyone other than the individual to whom a card is issued without written authorization of cardholder.
5. Develop and follow procedures to cancel cards when lost or stolen and when individuals leave employment.
6. Cancel existing cards that are not needed or accounted for.
7. Review and update master credit card lists annually.

**Monitor credit and/or procurement card statements.**

1. Review statements and watch for suspicious activity, such as, unusual destinations or items, purchases from a vendor whose reputation has not been verified, or purchases that would have been less expensive if another available payment method had been used.
2. Have billing statements broken down by individual user.
3. Have a reconciliation process and timetable. This includes:
  - a. Reconciling credit card statements to itemized receipts and invoices;
  - b. Examining the documentation supporting purchases to ensure charges are authorized and reasonable;
  - c. Delegating approval, verification, and payment of bills to different individuals; and
  - d. Requiring someone other than the cardholder or an individual supervised by the cardholder to review and approve transactions.
4. In exceptional circumstances when the Executive Director approved a charge that would otherwise be disallowed, maintain a record documenting the Executive Director's approval as well as all other pertinent information about the charge.
5. Review all uses of a card via telephone, fax, and the Internet to be sure they were approved by the Executive Director or designee.
6. Establish a way of recouping inappropriate charges.
7. Do not use automatic payment deductions to pay credit or procurement card bills.
8. Pay bills on time to avoid paying fees and late charges.
9. Appropriately follow up on any discrepancies.
10. Verify that the items purchased were actually received.
11. Account for any financial or material reward or rebate offered by the company or institution issuing the Cooperative credit or procurement card and verify that it was used for the Cooperative's benefit.

Implemented 1/2011