Required Practices for PCards

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Overview

PCards are the ubiquitous method of payment at the UA. The employee empowerment that comes with a PCard can lead to relaxed standards of use and oversight, resulting in the minimization of the inherent risk of their use. Numerous frauds of varying sizes have occurred at the UA and in ALVSCE.

As stewards of the public trust, it is incumbent upon us to comply with basic requirements of this valuable payment method. Noncompliance may result in the following:

- retraining and retesting, if it determined that there is a lack of understanding of policies and procedures,
- suspension of PCards, upon third violation, includes missing receipts,
- disciplinary action (up to and including termination) upon continual or severe violations

The cumulative credit limits on ALVSCE PCards at the time of publishing this report is in excess of $10 million, so PCards represent a significant responsibility for our Division. The PCard Required Practices were put together with the goals of reducing administrative overhead, enhancing oversight, and creating efficient and consistent operations for the Division.

General Compliance Requirements

Document a Comprehensive Business Purpose

All transactions must have a statement that explains: the appropriateness, reasonableness of the expense, and must justify how it supports and/or advances the goals and objectives of the University.

Business Purpose Questions

A business purpose must answer the following questions:

- **What** is being purchased?
- **Why** is the purchase necessary and is it reasonable and appropriate for the University?
- **Who** is the person that requested or needs the purchase? For events, this will include the audience or list of attendees.
- **How** does the expense benefit the University? Expenses that appear to be personal or provide a benefit to an Individual must include a written explanation of how they are business related.
- **Where** is the event/activity taking place? If travel is included, provide the benefit to the University for sending the individual(s) to the event/activity.
- **When** is the event/activity taking place? Include all dates associated with this event/activity expense, especially when including travel time.
Recommendations for Transactions
Each transaction must be treated as a stand-alone document and must provide information that allows auditors to fully understand the intent of the purchase. Approvers are responsible and accountable to determine whether expenses comply with the Business Purpose Guidelines and the expenses are necessary.
A good practice is to include the business purpose and the benefit to the university in the notes section of the eDoc, making it accessible for reviewers before the supporting documentation is attached.

Cross-Reference Your Documentation
eDoc initiators must cross reference any transaction that impacts another transaction to create an audit trail (the tracking of financial data). For example, a DI/GEC to correct an accounting line must be noted on all related documents.
All transactions must be reviewable as stand-alone documents.

Assign the Appropriate Object Codes
- **Object code guidance:** consult the FSO listing of Expenditure Object Codes to determine the most appropriate object code to assign to the purchase.
- **Non-specific object codes:** object codes that are non-specific, such as 5490 (Operating Supplies-Other) and 5780 (Miscellaneous-Other Operating) should only be used for operating costs that do not fit a specific or more appropriate category from the object code listing provided by FSO.
- **Shipping and handling:** use object code 5560 (Freight In/Out-Noncapital Related) for shipping charges so the system will not assess use tax. Use object 3880 (Shipping and Handling) for charges that combine shipping and handling as these charges are taxable.
- **Equipment:** use object code 5720 (Non-capitalized Inventoried Equipment-UA Owned) for desktops, laptops, servers and other electronic data processing equipment costing between $1,000 and $5,000; transactions assigned to object code 5720 route to UA Property Management so an N-tag is issued and the asset is entered in the UAccess Capital Asset Management (CAM) and the UA property management system for tracking purposes.

P-Card Compliance Requirements

Maintain Appropriate PCard Limits
**Higher transaction limits create a higher risk for fraud.** Addressing incidents of fraud create an additional burden on the business staff. PCard liaisons must review PCard limits annually and make adjustments to bring limits to the necessary levels. **Historical usage should be the guide for setting PCard limits:**
- Amount limits and frequency of use should be reduced to only the necessary level.
- Cards with infrequent use must be reviewed and canceled if no longer needed.
A PCard Limit Analysis dashboard has been developed by the DBS Planning, Consulting, and Data Solutions Team (DST) to help business officers compare current card limits against historical usage. Please refer to PCard Reporting Tools section for more information.

Do Not Pay Individuals with a PCard

You must follow the independent contractor protocols when making payments for services provided by individuals that do not have a valid Employer Identification Number (EIN).

Payments with a PCard for services should only be made to entities with a valid EIN. Before making payments with PCard to individuals through third party payment vendors, the business office must first request a W-9 from the individual to ensure that the vendor is operating under an EIN. You must add a note to the document indicating an EIN number has been obtained and will be sent with the receipt to FSO for scanning.

Third party payment methods include:

- PayPal
- Google Wallet
- Facebook Messenger
- Square Cash
- LevelUp
- Venmo
- eBay
- Amazon Marketplace

Ensure Separation of Duties

The separation of duties is a vital component built into the KFS system to reduce the risk of PCard fraud. Transactions must not be reconciled and approved by the same person. Those who are found to be out of compliance may be subject to disciplinary action.

To enhance separation of duties protocols, encourage cardholders to review their PCard transactional activity periodically. DST has set up agents to deliver bi-weekly a report of transactional activity to cardholders.

Include All Functional Parties for Auto Approves

Transactions that are not reconciled and approved (Auto Approves), bypass the separation of duties, and subvert the controls in place to prevent fraud.

In such cases, the reconciler and approver must fully document the transactions:

- The reconciler must add a note indicating the purchase was reviewed
- The approver must acknowledge that the purchase was reviewed
The expectation is zero auto-approvals. Repeated auto-approvals will result in retraining and retesting, and even disciplinary action.

**Be Proactive with Self-Reports**

Transactions that do not meet the policy guidelines, and personal purchases, must be promptly reported using the [Self-reporting Violation Form](#) (see [FSM 9.20 Financial Compliance Purchasing Card (PCard) Violations](#)). The documentation should clearly describe why the error occurred and the steps that will be taken to prevent reoccurrence. A third violation will result in the suspension of the PCard (this includes missing receipts).

**Add Documentation for Tax Exemptions**

Although the U of A is not a tax exempt entity, certain purchases are exempt from sales and use tax such as chemicals and equipment used solely for Research and Development (R&D). Consult the [FSO Sales and Use Tax FAQs](#) for criteria on the items that are exempt.

The Exemption Indicator box on the eDoc can be checked for these items to prevent the system from assessing use tax, and the appropriate ARS statements must be added to the notes section of the eDoc.

- **Equipment used in R&D:**
  
  *This purchase will be used for research and development purposes as that term is defined by ARS 42-5061(B)(14) and ARS 42-5159(B)(14). The exemption from sales and use tax pursuant to ARS 42-5061(B)(14) and ARS 42-5159(B)(14) is authorized by (Name of person authorizing exemption) of (Name of department authorizing exemption).*

- **Chemicals used in R&D:**
  
  *This purchase will be used for research and development purposes as that term is defined by ARS 42-5159(A)(35) and ARS 42-5061(A)(38). The exemption from sales tax pursuant to ARS 42-5061(A)(38) and from assessment of use tax under ARS 42-5159(A)(35) is authorized by (Name of researcher authorizing exemption) of (Name of department authorizing exemption).*

Use a [GEC to correct use tax](#) erroneously processed on a PCard transaction; for example, when the vendor already charged tax, the purchase is tax exempt, the payment is for services, or the transaction Auto Approved.

**Secure Sensitive Information**

*Cautions with Back-up Documentation*

Attachments to eDocs made at the unit level can be accessed by anyone with a NetID. Sensitive information, such as Social Security Numbers, credit card numbers, bank routing numbers, bank account numbers, addresses, phone numbers, email addresses, and ethnicity disclosures should **not** be attached to the eDoc by the reconciler or approver.
• Always submit original receipts and itemized receipts matching the amount charged on the eDoc.
• Review the FSO Documentation Requirements list provided in the PCard FAQs.
• Ensure also that call details are included for direct cell phone payments.

Use Box for Sharing Documentation

Units sharing responsibilities for the reconciliation and approval of transactions can establish folders in Box.com to share the information needed to complete the document in lieu of attaching backup documents to the eDoc.

How to Remove Attachments from eDocs

To have Security Sensitive Information removed from the Notes and Attachments ad-hoc the eDoc to:

<table>
<thead>
<tr>
<th>Group Namespace</th>
<th>Group Name</th>
<th>Group Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>KFS-UP</td>
<td>UA FSO Attachment Removal</td>
<td>Removal of security sensitive documents for secure storage</td>
</tr>
</tbody>
</table>

Ad-hoc example:

<table>
<thead>
<tr>
<th>AD-HOC GROUP REQUESTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>*NAMESPACE CODE</td>
</tr>
<tr>
<td>KFS-UP</td>
</tr>
</tbody>
</table>

PCard Reporting Tools

Dashboard & Recurring Emails

The DBS Planning, Consulting, and Data Solutions Team created reports to facilitate the monitoring of PCards:

<table>
<thead>
<tr>
<th>Report</th>
<th>Goals/Benefits</th>
<th>Recipient</th>
<th>Access Mode</th>
<th>Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCard Reconciliation Reminder</td>
<td>To help business officers reconcile and approve transactions in a timely manner</td>
<td>Cardholder and Fiscal Officer</td>
<td>Agent and dashboard</td>
<td>Within 6 days of reconciliation deadline</td>
</tr>
<tr>
<td>Missing Receipts and Auto-Approve Transactions</td>
<td>To help business office personnel identify exceptions</td>
<td>Cardholder and Fiscal Officer</td>
<td>Agent and dashboard</td>
<td>Monthly</td>
</tr>
<tr>
<td>Transactions by Unit and Cardholder</td>
<td>For Cardholders – To enhance separation of duty protocols</td>
<td>Cardholder</td>
<td>Agent and dashboard</td>
<td>Every two weeks</td>
</tr>
<tr>
<td>PCard Limit Analysis dashboard</td>
<td>To help PCard liaisons determine the appropriate card limits</td>
<td>Fiscal Officer</td>
<td>Agent and Dashboard</td>
<td>Annually, at the beginning of each Fiscal Year</td>
</tr>
<tr>
<td>Active Departmental Cards dashboard</td>
<td>Provides a list of active PCards and current limits</td>
<td>Fiscal Officer</td>
<td>Dashboard</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Location of Dashboards/Reports

- Reports’ section in the CBS Website: https://cals.arizona.edu/cbs/reports/business-officer
- Path: Reports >For Business Support >Business >Spending >P-Card Review

Questions/Concerns

For questions regarding compliance contact the Rates and Review Team. For questions regarding dashboards contact the Planning, Consulting and Data Solutions Team.