

Helping Cardholders to Help Themselves: Strategies for Improving Compliance Presentation

Presented by:

Romona Campbell
Procurement Card
Program Manager



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Headline Nightmares

- Agencies Address P-Card Abuse
- Companies misuse credit of cards
- Organizations' hidden spending of taxpayer money
 - Alcohol
 - Personal travel
 - 5 star restaurants and hotels
 - Rent and down payments on SUV's
- Government Officials call for better credit card oversight



Norfolk Public Schools

Overview

- 60 schools and auxiliary facilities
- 36,000 students
- 5,435 FTE's including 3,083 teachers
- Total budget = over \$400 Million with \$15.8 Million spent on credit card purchases



Norfolk Public Schools Procurement Card Program

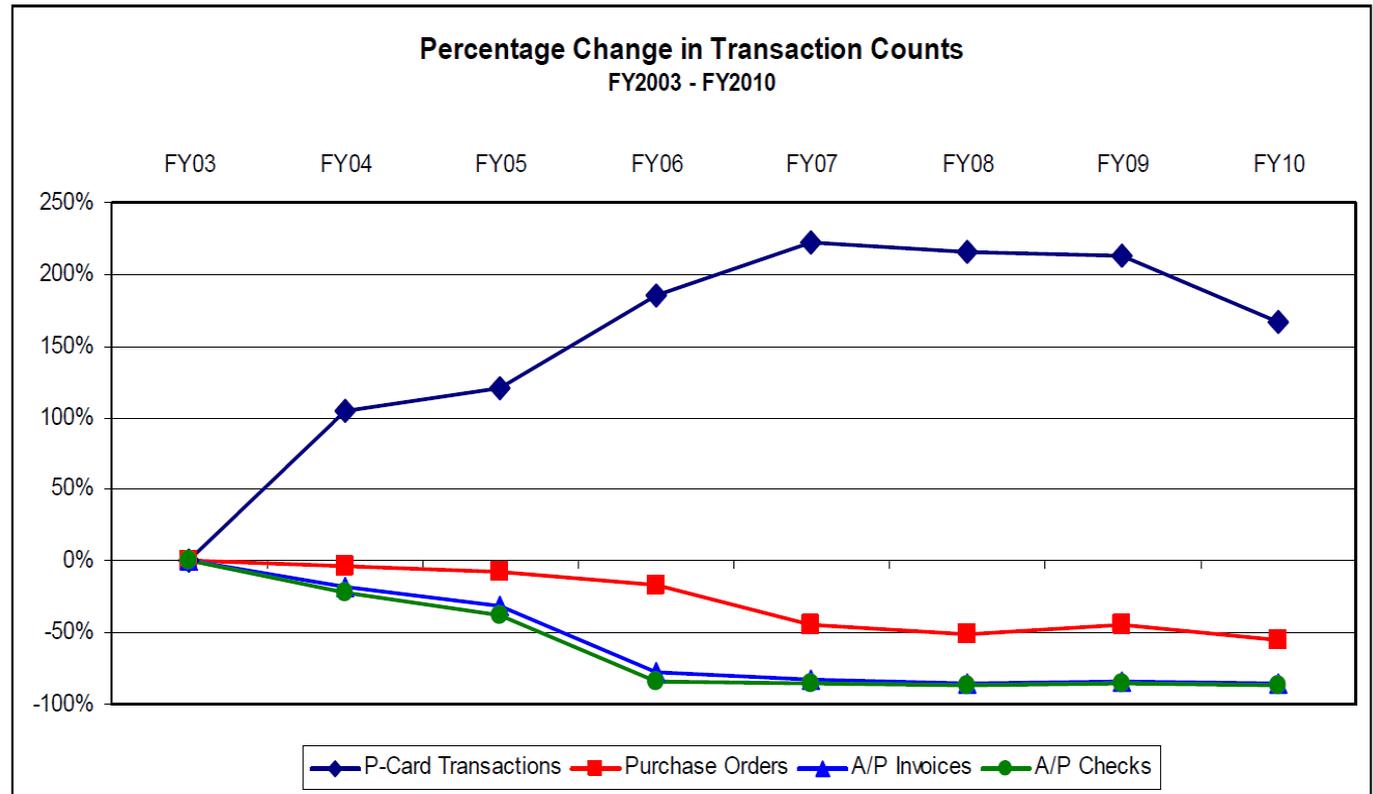
- 750 Cards
- P-Cards, C-Cards, Ghost Cards, ePayables
- 2,500 + Shopping Cards
- Special program/incentive cards (i.e. Fleet, Art awards)
- 52,000 + transactions per year
- \$15.8 Million combined card spend
- Card transactions = 19% of NPS dollars
- Card transactions = 94% of NPS purchases



Norfolk Public Schools Since P-Card Implementation



**Reduced FTEs
by 33% in both
Purchasing &
A/P**



Objectives

- How to adjust to program growth
- How to promote compliance from the start
- The importance of making your training aids and reference materials emphasize compliance
- Strategies that reinforce compliance to your card program before, during, and after card issuance
- The importance of customer-friendly follow up and effective Q&A with cardholders for speedy resolution



Adjusting to program growth

- From an 80% paper-based purchasing program to an 85% automated program.
- Included re-organization of the following departments:
 - Purchasing
 - Accounting
 - Accounts Payable
 - Warehousing



Program Management

- Program Manager
- Business Systems Auditor
- External audits
- Accounting
- Accounts Payable
- Purchasing



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Key Roles

- Cardholder responsibility
- Do's & Don'ts of the program
- Program manager responsibilities
- Approver responsibilities
- Business Systems Auditor role
- Purchasing
 - Spend Analysis
 - Establish Contracts
 - Split Purchases
 - Control Maverick Spend with 3rd party vendor



Promoting compliance from the start

- Training
 - What to cover
- Training aids & post-training resources
 - Hardcopies
 - Web-based
- All communications should emphasize compliance
- DOES IT MEET THE SCRUTINY TEST?????



Strategies that reinforce compliance

- Clearly defining violations
- Assigning appropriate corresponding consequences
- Effective use of third party software
 - MCCs
 - Profiles
 - Workflow
- Consistent follow-through
- P-Card Friendly Contracts



Violations & Consequences

- **Violation** – breaking of a law or rule, offense, wrongdoing
- **Consequence** – The effect or result of a specific occurrence



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VIOLATION	CONSEQUENCE
FRAUD	1st Offense: Card revocation. Recovery of amount of non-approved purchases from employee. Discipline in accordance with NPS policies, including unpaid suspension and/or termination.
TRANSACTION SPLITTING/UNAUTHORIZED EXCEPTION	<p>1st Offense: 60 day card suspension; mandatory re-training; card STL reduced for 6 months.</p> <p>2nd Offense: 120 day card suspension; mandatory re-training for cardholder and approver; card STL reduced for 12 months.</p> <p>3rd Offense: Revocation of card(s) and approval rights.</p> <p>4th Offense: Discipline in accordance with NPS policies, including unpaid suspension and/or termination.</p>
MISUSE/PERSONAL CHARGES	<p>1st Offense: Cardholder obtains credit from merchant or makes immediate payment to NPS by personal check/money order.</p> <p>2nd Offense: 90 day card suspension; mandatory re-training; cardholder obtains credit from merchant or makes immediate payment to NPS by personal check/money order.</p> <p>3rd Offense: Card revocation.</p>
INADEQUATE DOCUMENTATION	<p>1st Offense: Discussion with employee; follow-up audit in 60 days</p> <p>2nd Offense: 30 day card suspension; mandatory re-training; follow-up audit in 60 days</p> <p>3rd Offense: 90 day card suspension; mandatory re-training for cardholder and approver</p> <p>4th Offense: Card revocation.</p>
DELINQUENT ACCOUNT	<p>1st Suspension: Card suspended until transactions have been submitted AND approved by Manager/Reviewer/Approver.</p> <p>2nd Suspension : Mandatory re-training required before card is reinstated.</p> <p>3rd Suspension: Cardholder/Proxy AND Manager must attend re-training.</p> <p>4th Suspension: Revocation of card(s) and approval rights.</p>
SALES TAX	1st Offense: When cumulative tax per vendor exceeds \$5, cardholder obtains credit from supplier or documents attempt to obtain credit; otherwise reimburses NPS for sales tax.

Violations

- Identify violations early
- Advise cardholder of the infraction
- Re-direct cardholder to policy/procedure
- Acknowledge cardholder response
- Support cardholder in resolving infraction as quickly as possible



Consequences

- Impose consequence based on clearly-defined policy/procedure
- Include cardholders' supervisor/approver in communications as needed
- Avoid too many exceptions



Refresher Training

- Cover same topics as initial training
- Emphasize actions that caused mandatory refresher training
- Require cardholder acknowledgement of violation
- Provide training aids
- Follow up as needed



Friendly Follow-Up

- Communicate using multiple methods
- Ask very specific “detailed” questions when transactions are “flagged”
- Direct cardholders to additional resources



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Speedy Resolutions

- Follow-up routinely and consistently until adequate response is received
- Advise cardholder when the matter is resolved
- End each communication with your contact information



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Revising Reference Materials

- Use internal audits and transaction review
- Use external audit recommendations effectively
- Look for trends
- Incorporate best practices



Incorporating Audit Recommendations

- Share final audit with stakeholders
- Compare historical audit findings and recommendations
- Communicate with auditors
- Use audit report for continuous improvement



Conclusion

- Use a 3rd party software to manage and control credit card transactions
- Make sure appropriate controls and workflows are in place
- Have external audits performed voluntarily at least every two years
- Train, communicate, respond accordingly



Questions/Comments



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