



New South Wales Government

## **NSW Government Procurement Guidelines**

# **Procurement Cards & Expense Management Software**

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These guidelines were prepared by the NSW Department of Commerce for the NSW Government. They are available from the procurement process maps on

<http://www.treasury.nsw.gov.au/procurement/procure-intro.htm>.

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### Related Guidelines

[NSW Government Procurement Policy](#)

[NSW Government Code of Practice for Procurement](#)

[NSW Government Tendering Guidelines](#)

[Managing Delegation in Electronic Procurement](#)

### Related Instruments

[Public Authorities \(Financial Arrangements\) Act 1987](#)

[Public Finance and Audit Act 1983](#)

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# 1 Introduction

Procurement cards or purchasing cards (P-cards) are credit cards with additional card controls that enable them to be used by organisations to purchase high volume, low value goods and services. Card controls available with a P-card include blocking certain merchant classification categories, expenditure limits on purchases per day, restrictions on time of day and day of week, and blocking cash advances.

Linking the use of P-cards with Expense Management Software (EMS) facilitates a fully automated approval and payment cycle and provides various value-adding reports. Essentially, EMS imports data of transactions processed under the P-card (or other data sources), provides an online reconciliation and approval process and exports the data to the organisation's General Ledger. EMS streamlines the transaction approval process, eliminating the need for paper based approvals and manual entry of data. Coupled with the ability to generate exception reporting, EMS adds value to the re-engineering of the purchase to payment process.

## Applying these guidelines

These guidelines have been prepared to provide Government agencies with a broad overview of P-cards and EMS assistance in developing a good practice approach in implementing P-cards and EMS.

The guidelines are not exhaustive but provide a starting point recognising that agencies will consider and develop individual approaches to the use of P-cards and EMS.

The guidelines:

- introduce the concept of P-cards and EMS provides details of the application and structure of the guidelines
- provide details on how to assess the feasibility of implementing P-cards
- provide details on how to assess the feasibility of implementing EMS
- outline the relationship between P-cards and EMS
- provide details relating to the whole-of-government contracts available for P-cards

- outline the regulatory environment that is applicable to the use of P-cards
- provide a guide on what agencies need to consider when developing their specific policy on P-card usage and the EMS. In this section agencies will also find descriptions of the role and the P-card holder, the duties of the Approving Officer and the suggested responsibilities for the Card Program Manager
- includes a number of sample forms that agencies will find useful when implementing P-cards.

## 2 How a P-card works

The purpose of implementing P-cards is to re-engineer the existing purchase to payment process and streamline it by reducing process steps, manual entry of data and the overall number of individual payments to service providers.

The traditional purchasing process is a manual process with paper P-cards where the approval for the purchase is obtained before the order is placed. The process is suitable for transactions that are of high value, which tend to account for a small volume of transactions processed, but represent a large proportion of expenditure and are generally of higher risk.

Low value, high volume transactions, which represent a large percentage of transaction volume but a low proportion of expenditure are generally considered to be low risk and are suitable for transacting through a P-card program. By processing these high volume, low value, low risk transactions through P-cards, agencies can streamline the purchase to payment process and make only one payment to the card provider. Examples of high volume, low value transactions include:

- stationery and office supplies
- computer consumables and software
- repairs
- training, conference fees and journals
- travel and entertainment.

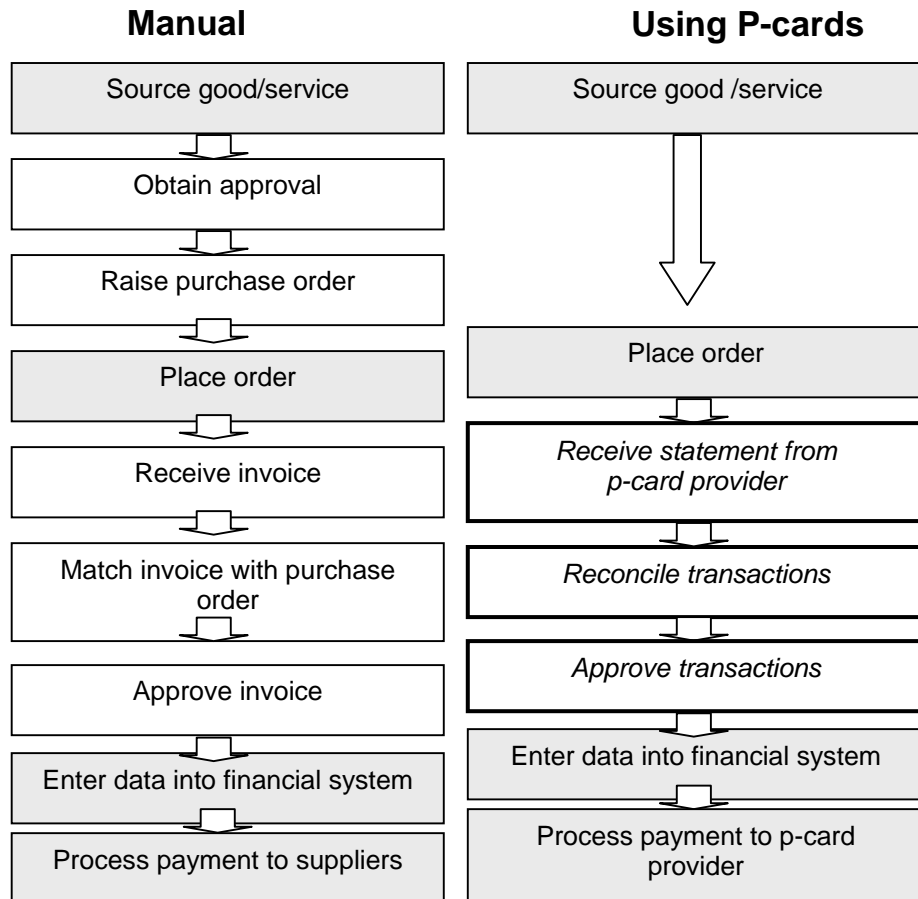
With the use of a P-card, there is no need to raise purchase orders at the time of requisition. The approval process is moved to the payment end.

Using P-cards, instead of receiving invoices from numerous suppliers, a government agency will receive a consolidated statement from the P-card provider, usually a bank. The consolidated statement can be supported by individual statements for cardholders. Each cardholder then reconciles their statements and submits them to the appropriate delegate for approval.

One payment is usually made to the P-card provider instead of individual payments to a multitude of suppliers. This reduces the cost of time-consuming paper processing involved in the accounts payable area. Figure 1 shows that the number of steps involved in

purchasing is reduced when using P-cards. The steps that are unchanged are shaded, whilst those steps that are different from a manual purchasing system are in italics.

**Figure 1. Purchasing-Payment Flow**



### P-card controls

P-cards can be embedded with controls tailored for each cardholder. The P-card controls available significantly reduce risk exposure. The P-card controls available include:

- credit limits, including those applied per month or week
- individual transaction limits, by value and number
- merchant or supplier restrictions
- cash withdrawal blocking
- overseas transactions blocking
- time of day and day of week restrictions: for example purchases permitted only Monday-Friday 9.00 am to 5.00pm

- control flexibility: for example if a cardholder is permitted to make purchases on weekdays only, the control can be set to decline transactions on weekends or they can be set to approve the transaction but have an exception report raised. This will then be dealt with by agencies according to their business rules.

## Benefits of P-cards

Recent studies indicate that low value, high volume transactions on average account for 80% of an organisation's purchasing transactions but only represent 20% of the value of total expenditure.

The cost of manually processing a transaction from purchase to payment averages \$85-110. Each transaction requires approximately the same amount of time, paperwork and effort, regardless of the purchase value, be it \$50 or \$10,000.

With low value transactions, the processing cost the transaction can often be more than the value of the purchase. Efficiencies are introduced by separating low value transactions and high value transactions; using different procedures for each.

Using P-cards can reduce processing costs to \$20 - \$30 per transaction. For example, an organisation identifies 2,000 transactions as being appropriate for using P-cards. With current processing costs of \$65 per transaction, an organisation could realise savings of \$130,000.

Using P-cards to process low value transactions can:

- Streamline the purchase to payment process by:
  - eliminating manual processes like raising local purchase orders, processing invoices and raising multiple cheques
  - eliminating manual data entry for accounts payable reducing the possibility of errors
  - reducing the procurement process cycle time
  - freeing staff for more valuable activities.
- Improve access to procurement information through:
  - the removal of 'clutter' (ie transaction trail) from the procurement/accounts payable module of an ERP system increases data integrity
  - transaction analysis reports which improve access to procurement expenditure analysis and information

enabling better planning of purchases such as improved aggregation and the reduction in levels of “maverick” buying

- Benefit suppliers by:
  - improving suppliers' cash flows as suppliers receive payment from the bank, typically within 3 days of purchase.

## Cost of using P-cards

The main costs that relate to establishing a P-card program are identified in the table below:

**Table 1 – P-card Costs**

Annual card fees <sup>1</sup>	Nil (if settlement within 1 - 10 days)
Statement fees <sup>1</sup>	\$100 per agency per month using Smart Data OnLine (SDOL) \$5.00 for each paper statement

*Notes to Table 1.*

<sup>1</sup> based on the Westpac Banking Corporation Ltd purchasing fee schedule-NSW Treasury Banking and Purchasing Card Facilities Contract 036/7285, which commenced in April 2003, provides for a credit card which can be used as a P-card.

Government agencies should contact their financial institution to confirm fees for using P-cards. The typical fees are an annual card fee and statement fees. Annual card fees can range from \$0 to \$40 per card per annum. Card statement fees depend on the number and type of statements required. There may also be a monthly fee for electronic statements.

## Matters to consider with P-cards

The following might be considered with the use of P-cards:

The use of P-cards is essentially a borrowing, and approval under the [Public Authorities \(Financial Arrangements\) Act 1987](#) (PAFA) is required. Most government agencies already have this approval for credit cards. Agencies unsure of the PAFA status of their agency in relation to credit cards should contact their Treasury agency relationship manager.

Where transactions are processed electronically, any transactions outside the control limits will be rejected. Transactions outside the control limits that are processed manually and within the merchant's

floor limit will not be rejected. The use of EMS with P-cards can notify the occurrence of such transactions.

On 1 January 2003, the Reserve Bank of Australia gave merchants the option to surcharge customers up to 4% on credit card payments. Agencies are advised to monitor if their suppliers are applying a surcharge.

## Assessing P-card feasibility

To realise the full potential of implementing a P-card program, the purchase to payment process has to be re-engineered. Simply applying the use of P-cards to the traditional practice of raising manual requisitions and obtaining approval prior to purchase limit the benefits to be realised. The re-engineering should move the approval for expenditure with P-cards to the back end of the process as described in Figure 1 above.

When assessing the feasibility of implementing P-cards, government agencies need to consider the context of their business processes and requirements, and should seek additional risk management, technology and legal advice as may be required.

The following are suggested steps and the information government agencies should collect when assessing the viability of implementing P-cards.

### **1. Review existing purchasing and payments profile**

Before embarking on implementing P-cards, agencies should examine and analyse key purchasing and payment data to determine the potential for introducing P-cards. Data to collect include:

- number of transactions
- value of transactions
- number of payments
- number of suppliers
- payment method.

When analysing the data to identify the potential volume of transactions where P-cards can be used agencies should consider:

- the number of transactions at an appropriate value threshold for using P-cards
- the number and categories of suppliers where P-cards are or can be accepted.

Appendix A provides a sample analysis of an agency's transaction data.

### **Map purchasing to payment processes and estimate process cost**

The objective of undertaking process mapping is to gain a deeper understanding of the agency's processes and improvement possible by the introduction of P-cards. This can be done by:

- Mapping current processes in the current purchase to payment cycle, including information on:
  - IT systems used, if any
  - Actual and elapsed time taken at each step in the process, not forgetting steps and time for data entry into the accounts payable system
  - Who performs each step.
- Estimating the cost of each step and the total process cost.

### **Re-engineer purchasing to payment process and estimate process cost**

The maximum benefits of introducing a P-card will only come with re-engineering the purchase to payment process. It will be ineffective to introduce the use of P-cards with a manual process design. The following should be considered:

- re-engineer purchase to payment process to reflect anticipated functionality and processes when using a P-card. Reflect the IT systems required, if any, time for each stage in the new process and who performs each step
- re-engineer purchase to payment process to reflect the approval coming at the end of the process with P-cards
- estimate the cost of each step and the total process cost.

Identify the possible scenario for using P-cards:

- threshold value where P-cards can be used
- categories of goods and services and suppliers where the card can be used
- number of staff to be issued cards.

Identify the cost of P-cards:

- annual card fees

- statement of fees
- transaction fees.

Identify suitable benchmarks or critical success factors to monitor performance. This will facilitate the review of the effectiveness of using P-cards and identify areas for improvements. Examples of benchmarks include:

- number and value of transactions using P-cards
- time and cost of purchase to payment process
- level of acceptance by suppliers
- Staff satisfaction with ease of card use.

### **Identify policy changes required to accommodate re-engineered process**

When business processes are re-engineered, the required level of accountability and probity must be maintained:

- appropriate stakeholders such as finance, audit and corporate policy to review the re-engineered processes
- identify appropriate changes or new policies in areas such as purchasing, audit, record-keeping, spending controls and accounting
- ensure that the appropriate delegation approvals are in place for the P-cards users. These will be the same as for credit cards.

The [Managing Delegation in Electronic Procurement Guideline](#) provides assistance to government agencies in managing delegations when re-engineering procurement processes for the take up of electronic procurement.

[Treasurer's Directions 205.01-205.08](#) relate to the payment of expenses by credit cards and P-cards.

### **Identify programs required to support introduction of P-card program**

As with the introduction of any corporate changes, suitable support programs must be provided. These may include:

- senior management endorsement
- potential composition of a project team
- deployment program

- staff communication
- staff training
- supplier communication and engagement.

### **Prepare financial appraisal and business case**

Government agencies will need to undertake a financial appraisal to determine the potential benefits of P-cards. This information will form part of the business case.

- Prepare a financial appraisal.

Appendix B outlines a high level financial model. Agencies can use this with their agency specific information to obtain an indication of the potential costs and benefits.

Due to the different nature of procurement expenditure and procurement methods across agencies, the figures in the model will vary.

It should be noted that the potential savings identified can come from both process efficiency and cash savings. The extent to which each can be realised is dependent on the process re-engineering undertaken.

- Prepare a business case.

A business case provides a method to assess and demonstrate the viability of proposed initiatives. Typically, a business case sets out the:

- situation addressed
- scope of the proposed initiative
- options considered and the rationale for choosing the solution proposed
- conformity with existing policies, etc
- implementation plan
- expected costs and savings
- anticipated outcomes and benefits
- expected risks associated with implementation.

Agencies planning to use EMS with P-cards should see the section on EMS to assess the viability of using EMS.

The following guidelines from NSW Treasury provide a useful starting point for undertaking financial appraisal:

- **TPP 97-2 Guidelines for Economic Appraisal**  
[http://www.treasury.nsw.gov.au/pubs/tpp97\\_2/ea-index.htm](http://www.treasury.nsw.gov.au/pubs/tpp97_2/ea-index.htm);
- **TPP 97-4 NSW Government – Financial Appraisal**  
[http://www.treasury.nsw.gov.au/pubs/tpp97\\_4/guidline.htm](http://www.treasury.nsw.gov.au/pubs/tpp97_4/guidline.htm)  
;
- **TPP 99-1 Economic Appraisal - Principles and Procedures Simplified**  
[http://www.treasury.nsw.gov.au/pubs/tpp99\\_1/prin\\_pro.htm](http://www.treasury.nsw.gov.au/pubs/tpp99_1/prin_pro.htm)

Two useful guidelines which provide a primary starting point for preparing a business case for the implementation of P-cards are:

- **Premier's Department Business Case Guidelines**  
[http://www.premiers.nsw.gov.au/our\\_library/employment\\_conditions/BCaseguidelines.pdf](http://www.premiers.nsw.gov.au/our_library/employment_conditions/BCaseguidelines.pdf)
- **Government Chief Information Office Business Case Development Guidelines**  
<http://www.oit.nsw.gov.au/content/2.3.4-Business.asp>

# 3 Expense management software

One of the central changes to the purchase to payment process with the use of P-cards is moving the approval steps from the “front end” to the “back end” of the process. With P-cards, the transactions must still be verified, coded by the cardholder, approved and entered into the financial system. In many organisations, this would still be a manual process.

Linking the use of P-cards with Expense Management Software (EMS), software to track and manage expenses, can facilitate the automation of the approval and data entry process and also introduce analytical reporting capability. The use of P-cards with EMS enables the re-engineering of the full purchase to payment process and provides for improved expense management.

## How EMS works

The EMS solution enables agencies to streamline the payment process and track overall spending by providing additional controls such as merchant, supplier and purchase type restrictions, individual transaction limits and control flexibility. Some of the features of the EMS solutions include:

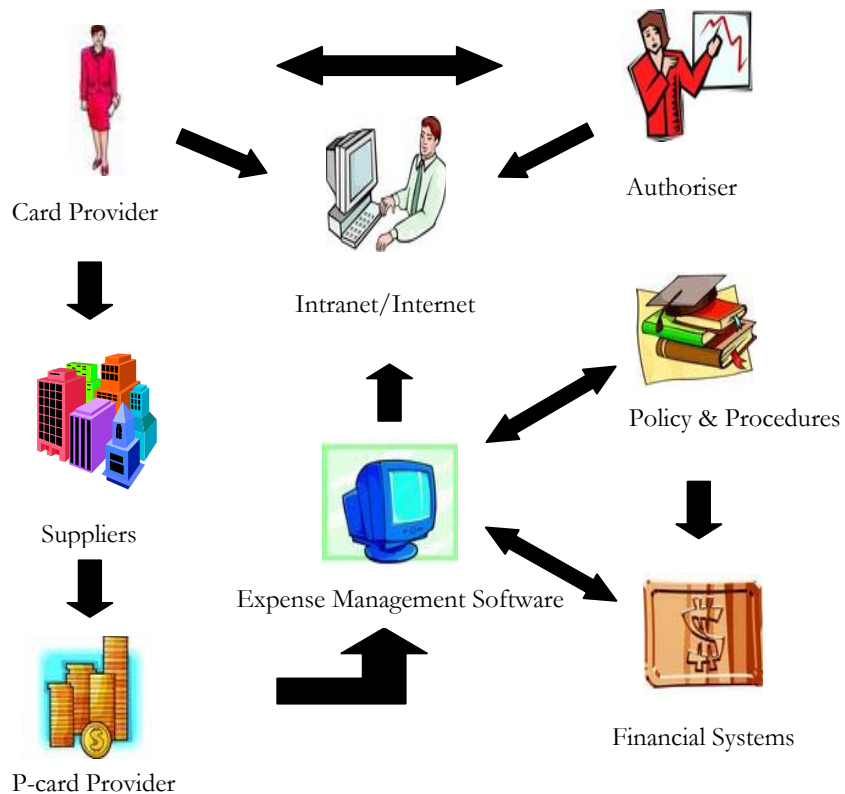
- a web based application
- automated filing, approval, payment and control processes
- scalable, ranging from simple electronic statement processing to complex expense management automation
- acceptance of multiple credit card feeds
- validates the data according to an agency’s business rules
- observes Australian tax laws
- interfaces with an agency’s financial systems
- observes audit and reporting requirements
- interfaces with the NSW Government’s electronic marketplace, smartbuy®.

The process incorporating EMS can be described as follows. The EMS system:

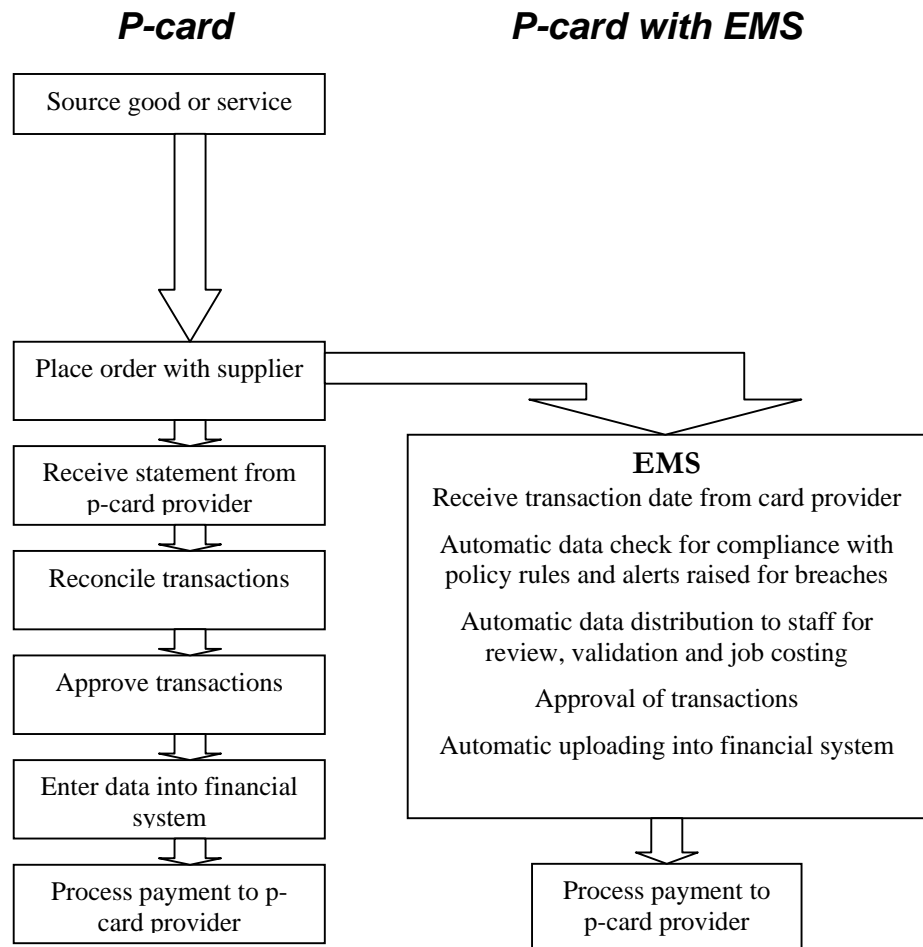
- receives the transaction data electronically from card provider on daily, weekly or monthly basis as specified
- checks data for compliance with business rules specified by agency. Alerts are raised where breaches have occurred
- distributes transaction data automatically to the employee responsible for the transaction for verification and costing to the relevant job code or general ledger
- sends transaction data automatically to appropriate approver when verified and costs allocated
- uploads approved data into financial system
- allows the cardholder, at the end of the period, to attach invoices and receipts and forward it to the accounts payable section
- produces reports as specified or as requested.

Figure 2 shows the systems flow using EMS and Figure 3 illustrates the purchase to payment workflow using P-cards and P-cards with EMS.

*Figure 2 - P-card and EMS Systems Flow*



**Figure 3 - Purchase to Payment Workflow Using P-cards with EMS**



### EMS hosting options

For government agencies wishing to use EMS, there are several hosting options:

- By the government agency in-house. The benefits:
  - control, with ownership of the security of the system and timing of upgrades
  - convenience, with help on-site.

With this hosting option, agencies must consider if they have:

- the necessary IT infrastructure to support the use of EMS
  - an IT team that is sufficiently resourced and has the necessary expertise.
- By a third party provider, e.g. the EMS provider or Application Service Provider (ASP), a telecommunications

service provider, another government agency such as through a shared service arrangement. The benefits of third party hosting include:

- the system is operated by dedicated specialists
- maintenance, backup, disaster recovery, etc. are the responsibility of the service provider
- the cost of an initial outlay on software and hardware is avoided
- the service is paid for as it is used
- the possibility to change hosting provider.

With this hosting option, government agencies must consider:

- security of agency information
- transfer of data to new EMS host
- lack of control over upgrades.

## EMS benefits

The benefits available when using EMS include:

### **Automation of workflow**

- gather and disseminate transaction information electronically, minimising manual handling and distribution of data, ie via internal intranet platform or internet, reducing paper handling delays
- online statement reconciliation and approval
- most EMS solutions can also accept data feeds from other service providers for example Cabcharge, mobile phone service providers
- fully interfaced with financial management information system (FMIS), minimising entry errors through automated manual data entry
- flexibility for customer defined business rules
- reminder notifications
- reconciliation of FBT, GST etc
- historical data available online.

### **Coding**

- with online coding of transactions, default codes can be specified for some routine transactions, for example all transactions with a particular supplier can be automatically allocated to a particular cost centre
- if wrong or non-existent codes are entered, transaction cannot be verified
- transactions can be split into multiple cost centres or codes.

### **Controls**

- specific controls and safeguards, with the controls encoded into the P-cards, can ensure an agency's business rules are not breached. For example, where an employee has split the order into two or more transactions to circumvent a transaction limit, or where divisional expenditure limits are reached
- audit trail available to ensure the integrity of the data, with every saved edit stored.

### **Reporting**

- spending trends can be identified and analysed for improvement opportunities, for forecasting, budget decisions, supplier rationalisation and consolidation of purchasing:
  - reports can be pre-defined or customized
  - transactions reports (by individual, business group, approval status, unreconciled, cash withdrawals if permitted, etc)
  - administration reports (personal details, card details, individual spending profile)
  - expenditure reports (by individual, business area spend, supplier, job codes/cost centres charged etc)
  - cardholder reports (personal details, card details, suppliers)
  - supplier reports (number of orders, amount)
  - management reports (expiration, departing employees, limits, spending patterns exceptions, audit trails where transactions have been modified or deleted)
  - GST and FBT reconciliation reports.

## Feasibility assessment of using EMS with P-cards

In addition to the section on assessing the feasibility of P-cards, the following are suggestions for agencies to consider when assessing the viability of using EMS with P-cards.

### **Identify the opportunity for process improvement using EMS**

Assess if EMS is of benefit:

- assess the functionality of EMS
- assess the functionality offered by the different EMS solutions
- review the re-engineered process to determine if EMS can improve the process.

### **Map the process using EMS**

Re-engineer the purchase to payment process to reflect anticipated functionality and processes of using EMS:

- examine the various hosting options and the relative merits
- determine the option that best suits the needs of agency
- estimate the cost of each step and the total process cost.

### **Determine the cost of using EMS**

Identify the costs associated with using EMS:

- annual license fees
- implementation fees for customization
- maintenance fees
- transaction fees.

As an estimate, indicative first year costs of an agency implementing EMS, which is hosted in-house, are around \$50,000 - \$150,000, including licence fees and implementation, depending on the level of complexity required by the client. Annual fees thereafter are in the order of \$20,000 - \$40,000.

When selecting an EMS provider, agencies will need to determine their needs. Consider the following factors which will affect the costs of implementing EMS and will assist in comparing the products offered by the providers:

- hosting arrangements
- level of customization
- number of users
- number of data feeds and data feed frequency
- additional IT hardware and software, for example a server may be required if the EMS is hosted in-house by the agency.

### **Identify suitable benchmarks**

Identify suitable benchmarks or critical success factors to monitor performance. Examples of benchmarks include:

- time of cost of purchase to payment process with EMS
- reduction in amount of manual processing, for example for data entry
- reduction in time for reconciling and approving statements
- improved procurement expenditure data and analysis.

### **Prepare cost-benefit analysis and business case**

Include in cost-benefit analysis the operational costs and savings of implementing P-cards and EMS.

### **Selecting an EMS provider/solution**

The following provides a checklist for agencies selecting a service provider for an EMS solution:

- determine your agency's business needs and requirements that relate to the use of an EMS
- understand how the various EMS packages work
- be able to differentiate between the hosting options and their relative merits
- understand what is being offered by each of the software providers
- understand the user interface of the different EMS
- know the type of data that can be uploaded into EMS
- know what functionality comes as part of the standard software and what is optional
- know what IT infrastructure is required

- know how the EMS will integrate with your financial, HR, and e-mail systems
- identify the level of expertise that staff are required to have from both a user and an administrator point of view.

Ask about:

- upgrades
- maintenance services availability and costs
- training resources and services availability and costs
- support or help desk arrangements
- systems and process security, individual business entity
- set up costs and operating costs
- pricing structure, including customisation costs
- implementation timing
- pilot program, accommodation
- identifying any implementation questions for the agency.

Reconsider your proposed procurement process in light of the information from the product demonstrations:

- speak to users and staff from areas such as IT, audit, finance and procurement and identify potential concerns
- ascertain what is absolutely necessary for your agency (price, availability, connectivity, performance, information ease of use) versus what is optional. Over specification often results in unnecessary costs
- identify the most suitable hosting option for your agency
- redesign your procurement process for using P-cards and EMS if necessary
- review your business case if necessary
- shortlist the suitable EMS providers
- compile a list of questions or clarifications required of the EMS providers

- develop test scenarios for the agency to demonstrate functionality and performance
- prepare specifications or requirements.

Selecting a system:

- revisit suitable vendors and request a demonstration
- invite representations from areas of the agency that will be involved in the implementation
- run through test scenarios
- obtain answers to questions and scenarios
- request references or visit other organisations that are currently using the EMS
- ask EMS providers for a quotation or tender for an EMS solution

# 4 Understanding the regulatory environment

Before embarking upon the establishment of a P-card and EMS program, agencies have to be aware of the regulatory environment that applies to the expenditure of public money through the use of credit cards and P-cards as specified by NSW Treasury.

## Public finance and audit act 1983 & Treasurer's directions

Enhanced accountability and the proper use of public money underpin the [Public Finance and Audit Act 1983](#).

Government agencies have a regulatory responsibility to ensure that an effective system of internal control for P-cards is implemented and operating within their organisation.

Treasurer's Directions cover accounting and related financial principles, practices and procedures to be observed by officers or authorities in the administration of the financial affairs of Government agencies. [Treasurer's Directions 205.01-205.08](#) relate to the payment of expenses by credit cards and P-cards.

As the use of P-cards is essentially a borrowing, approval under the [Public Authorities \(Financial Arrangements\) Act 1987](#) (PAFA) is required. For the majority of Government agencies, this approval is already given for credit cards and by extension the policy equally applies to P-cards. Agencies unsure of the PAFA status of their agency with regard to P-cards should contact their agency relationship manager at NSW Treasury.

Agencies are to ensure that purchases for goods and services made through P-cards are supported by the approval to incur expenditure. Payment of the P-card account is to be supported with procedures that examine, certify and authorise the payment.

## NSW Treasury best practice guide

NSW Treasury has released Best Practice Guide – Review of Credit Card Use (June 1999) that is of relevance to P-cards. The best practice guide is available at [http://www.treasury.nsw.gov.au/pubs/tpp99\\_2/credcard.html](http://www.treasury.nsw.gov.au/pubs/tpp99_2/credcard.html).

The guide should be used by agencies as a basis for developing their P-card and EMS program. It indicates the need for agencies to

develop a policy on card usage and provides clarity of process for both cardholders and administrators with particular emphasis on defining what cards may and may not be used for. Also specified is card security, purchasing with preferred suppliers, the responsibilities of delegated accounting (approving) officers, credit limits and loss or theft of a card.

Treasury's Best Practice Guide also contains a schedule that outlines a cardholder's responsibilities and a modified version of this is provided as sample form later in this document.

# 5 Developing agency P-card usage policy

The NSW Treasury Best Practice Guide on credit card use recommends that agencies develop a policy on card usage.

The following section provides an outline of how agencies may go about doing this and provides prompts as to what agencies could consider when developing their P-card usage policy.

The guide broadly covers the following areas:

- what P-cards may and may not be used for
- card security
- purchasing with preferred suppliers
- responsibilities of delegated (approving) officers
- credit limits
- procedures for loss or theft of a card.

A number of sample forms relevant to P-cards are also provided at Appendix C and these can be adapted by agencies to meet their specific requirements.

While sound business rules are necessary to ensure maximum value, over zealous controls could limit the success in the take up of the P-card and EMS program.

Business rules should therefore be balanced in a manner that allows the P-card program to flow but at the same time be rigid enough to ensure that it is not subject to abuse.

## The procurement card (P-card) and expense management software program (EMS)

### Who can use a P-card?

P-cards, are issued to staff for the purchase of goods and services that are of high volume but of low monetary value.

The P-card is a business tool and its purpose is to assist the user. P-cards are not a status symbol and the underlying message therefore is to be selective in issuing cards.

### **What can the P-Card be used for?**

The P-card can be used to purchase such things as:

- stationery and office supplies
- computer consumables and software
- repairs
- training, conference fees, journals
- travel and entertainment
- other goods or services as deemed appropriate by an agency.

Monetary limits will vary but should be appropriate to the business needs of the cardholder.

Like delegations the financial limit of a P-card should be tailored to enable the cardholder to achieve the desired outcomes.

### **How can the P-card be used?**

Similar to a credit card the P-card can be used to make purchases by telephone, in person over the counter, facsimile, over the Internet as well as purchasing through the electronic marketplace smartbuy®.

The use of the Internet to purchase goods or services can present an element of risk but some simple procedures will help minimise this.

Most merchants (especially well known suppliers) operate encrypted sites that prevent information being accessed by external parties.

Scrutinise transactions on bank statements or transaction data generated by the EMS and maintain discrete site passwords to enhance the security of business undertaken over the Internet.

### **Restrictions on use**

A P-card is a corporate liability card - this means that the agency will pay the bill at the end of each month and an employee's personal credit is not affected.

Therefore give strong consideration to prohibiting agency staff employees from using the P-card for personal purchases or for cash advances.

The P-card contract features an availability of controls that block certain merchant classification categories.

### **Misuse of P-card**

Waste, fraud and abuse of Government funds are serious offences.

Clearly state penalties and consequences associated with inappropriate behaviour prior to the issue of a P-card.

A training program and/or a Corporate Ethics policy will educate the cardholder of their responsibilities in appropriate card use, mechanisms for the reporting of lost or stolen cards or if the card has been used without the cardholder's consent.

### **Expense management software**

P-card transaction data is downloaded from the issuing card providers into the agency EMS system. The EMS tracks and manages these expenses, automates the approval and data entry process and enhances reporting functionality.

Linking P-cards with EMS fully automates the purchase to pay process.

### **Targets and goals of program**

Set targets and goals that are based upon the objectives to be achieved by implementing P-cards and EMS.

Objectives may include:

- reduce the invoice cycle time
- improve project accounting
- improved expense and job costing
- improved procurement information
- improve productivity
- improved purchasing of arranged contract
- improved aggregation of purchasing.

Once the objectives have been set communicate this information to the organisation.

Analyse results of each implemented phase and compare against initial goals to determine the success of implementation.

## Roles and responsibilities

### **Role and responsibility of the card program manager**

The P-card Program Manager is responsible for:

- card issue
- alteration to cardholder details
- cancellation of cards
- coordination of delegations
- maintaining a user register
- updating policies and procedures
- periodic assessments of credit limits and financial adjustment up or down based on cardholder activity over the period of review
- ensuring that processes are properly re-engineered to obtain full value from EMS
- coordinating the appropriate level of card controls and exception reporting requirements
- coordinating the types of management reporting required
- other functions as deemed appropriate by an agency.

A centralised point of control avoids duplication and disparate policies throughout an organisation.

### Issuing P-cards

Establish an effective approval process by which to review and approve the issue of P-cards.

A rigorous criterion that will meet the agency's outcome requirements will ensure that only appropriate officers are issued with a P-card. This process will also avoid a proliferation of cards and ensure that approvals and auditing will be manageable.

Determining eligibility for a P-card may include:

- formal application form
- position and role of prospective cardholder
- approval from an appropriately delegated manager

- business justification for the requirement of a P-card
- details of any relevant training
- understanding of and agreement to conditions of use and responsibilities by the applicant
- undertaking of training on the use of P-cards and EMS.

In determining the approval process for issuing P-cards the agency should be selective in accordance with business needs.

#### Ensuring separation of duties

The proper segregation of functional responsibilities is an internal control and audit requirement of the [Public Finance and Audit Act \(PFAA\) 1983 – Section II](#).

An officer should not buy, receive and certify funds for purchases.

Effective separation of duties will ensure that the role of a cardholder and the Approving Officer do not overlap.

Separate individuals should be assigned the important roles of authorising, approving, recording transactions, issuing or receiving assets, making payments, preparing cheques, signing cheques, certifying funds and reviewing or auditing activities.

Risk is reduced with arrangements that minimise errors, attempts at fraud, embezzlement and other unacceptable practices.

#### Auditing and reviewing

Periodic audits and regular reporting on card usage will reveal card misuse and help assess the effectiveness of the P-card and EMS program.

Ensure that adequate data relating to transactions (requisition details, purchase orders, approvals etc) are retained for an appropriate time for auditing purposes.

Other aspects of the audit and review process:

- do the right people have P-cards?
- are there enough, or too many, cards issued (too many cards increase financial exposure)?
- are cards used to purchase a variety of products?
- are financial limits appropriate?
- is expenditure data being adequately captured?

- is the EMS being fully utilised for improved reporting?
- monitoring the performance of the P-card provider and the EMS provider

### **Role and responsibility of the cardholder**

The cardholder is the officer issued with the P-card.

The cardholder has the authority to commit funds by ordering goods and services from a supplier.

The P-card holder should demonstrate and acknowledge an understanding of the responsibilities and obligations with respect to P-card usage.

The cardholder is responsible for the timely reconciliation of bank statements or transactions generated by the EMS.

The cardholder is responsible for investigating and lodging disputes.

The cardholder is responsible for ensuring goods and services have been received and are of acceptable quality.

Besides purchasing goods and services the cardholder's responsibilities are to: understand and comply with agency policy and procedures,

- accurately record expenditure
- maintain documentation and receipts
- review and endorse transaction statement
- ensure security of cards and diligently report loss or theft of cards
- avoid unauthorised transactions
- return the card if warranted by circumstances.

A schedule of cardholders' responsibilities, as specified in the NSW Treasury Best Practice Guide, is provided as a sample form.

### **Role and responsibility of the approving officer**

The Approving Officer is the person with the authority to approve the cardholder's statement (usually monthly) or transaction statement generated by the EMS.

The Approving Officer is the critical link in determining if P-card transactions are legitimate and properly documented.

Reviews undertaken by Approving Officer's that are knowledgeable in the appropriate use of the P-card and the procurement profile of the agency, will be the principal means of ensuring that transactions are valid.

The Approving Officer should be senior enough and sufficiently independent to question a cardholder about specific transactions.

### **Timely and accurate reviews**

To avoid bottlenecks and card abuse the Approving Officer is responsible to perform timely and adequate reviews of bank statements or transaction statements generated by the EMS.

Avoid the P-card process from stagnating by ensuring that Approving Officers are responsible for a limited number of cardholders.

# Appendix A

## Sample Transaction Analysis

The following is an example of Transaction analysis for period 01 January 2002 - 31 December 2002

Transaction value	# of transactions	# of transactions as %	# of transactions - cumulative	# of transaction as % - cumulative	value of transactions	value of transactions as %	value of transactions - cumulative	value of transaction as % - cumulative
< \$500	12960	16%	12960	16%	601,245	1%	601,245	1%
\$501 - \$1000	13770	17%	26730	33%	825,215	1%	1,426,460	3%
\$1001 - \$2000	12150	15%	38880	48%	956,831	2%	2,383,291	4%
\$2001 - \$3000	12960	16%	51840	64%	1,536,586	3%	3,919,877	7%
\$3001 - \$4000	12960	16%	64800	80%	3,856,834	7%	7,776,711	14%
\$4001 - \$5001	7290	9%	72090	89%	7,527,425	14%	15,304,136	28%
\$5001 - \$10000	6480	8%	78570	97%	15,358,362	28%	30,662,498	56%
>\$10000	2430	3%	81000	100%	24,352,697	44%	55,015,195	100%
<b>Totals</b>	<b>81000</b>	<b>100%</b>			<b>55,015,195</b>	<b>100%</b>		

From the above table, it can be seen that 80% of the total transactions processed accounts for 14% of the total value of the transactions.

The following is a sample table that can be used for analysis of data on payment methods

	# of payments	# of payments - \$	Value of payments	Value of payments - %
Cash				
EFT				
Credit card				
Cheque				

# Appendix B

## Sample Financial Appraisal

Note: Example based on EMS hosted within agency  
All figures are indicative only and are expected to vary across agencies  
Sensitivity analysis to be undertaken

	Year 1		Year 2		Year 3	
	Small Volume of Transactions	Large Volume of Transactions	Small Volume of Transactions	Large Volume of Transactions	Small Volume of Transactions	Large Volume of Transactions
Estimated number of transactions per annum	12,000	60,000	12,000	60,000	12,000	60,000
Proportion transactions able to be transferred to P-card	20%	20%	30%	30%	40%	40%
Number of transactions	2,400	12,000	3,600	18,000	4,800	24,000
Cost per manual transactions	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90	\$ 90
<b>Total cost of manual transactions per annum (A)</b>	<b>\$ 216,000</b>	<b>\$1,080,000</b>	<b>\$ 324,000</b>	<b>\$1,620,000</b>	<b>\$ 432,000</b>	<b>\$2,160,000</b>
Establishment hardware cost (Year 1 only) <sup>1</sup>	\$ 60,000	\$ 60,000	\$ -	\$ -	\$ -	\$ -
Establishment software cost (Year 1 only) <sup>2</sup>	\$ 35,000	\$ 35,000	\$ -	\$ -	\$ -	\$ -
Annual software licence cost <sup>3</sup>	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
<b>Total software cost per annum (B)</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>
Number of procurement cards issued <sup>4</sup>	20	100	40	200	60	300
Statement costs per card per annum <sup>4</sup>	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 60
<b>Total card statement costs (C)</b>	<b>\$ 1,200</b>	<b>\$ 6,000</b>	<b>\$ 2,400</b>	<b>\$ 12,000</b>	<b>\$ 3,600</b>	<b>\$ 18,000</b>
<b>Total cost of using P-cards per annum (D) = (B+C)</b>	<b>\$ 116,200</b>	<b>\$ 121,000</b>	<b>\$ 22,400</b>	<b>\$ 32,000</b>	<b>\$ 23,600</b>	<b>\$ 38,000</b>
Process cost per transaction using P-cards <sup>1</sup>	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
<b>Total cost per transaction using P-cards (E)</b>	<b>\$ 72,000</b>	<b>\$ 360,000</b>	<b>\$ 108,000</b>	<b>\$ 540,000</b>	<b>\$ 144,000</b>	<b>\$ 720,000</b>
<b>Potential savings (A-D-E)</b>	<b>\$ 27,800</b>	<b>\$ 599,000</b>	<b>\$ 193,600</b>	<b>\$1,048,000</b>	<b>\$ 264,400</b>	<b>\$1,402,000</b>

### Assumptions:

<sup>1</sup> Optional hardware

<sup>2</sup> Dependent on level of customisation and integration with financial system

<sup>3</sup> Licence cost based on the prices of 1 EMS provider

<sup>4</sup> Card and statements costs dependent on card provider selected

# Appendix C

## Cardholder's Responsibilities (modified from Treasury best practice guideline)

Cardholder's must ensure that:

P-cards are maintained in a secure manner and guarded against improper use. In the event that a card is lost or stolen, cardholders must report the loss immediately to the card provider regardless of whether it is a working day or weekend. The issuing department should also be advised as soon as possible (provider and departmental contact numbers should be included here);

PIN numbers, where cash advance limits are approved, are not made available to, or known by, other persons;

P-cards are used only for official business purposes;

P-cards are only used by the person whose name appears on the card;

Adequate funds are available to cover expenditure before it is incurred;

Expenditure is approved by an officer with an authority to incur expenditure (Section 12 of PAFA Act delegation). Note that officers holding delegation should not approve their own expenditure;

All documents (ie. withdrawal slips, receipts, etc.) supporting transactions on the card are retained. If no supporting documentation is available then the officer should provide a declaration detailing the nature of the expense and must sign on the statement that "All expenditure is of a business nature";

Credit limits are not exceeded (purchases must not be split to negate credit limits);

Expenses claimed at the end of statement periods are submitted promptly. These should be completed and submitted for processing within an appropriate time limit to ensure the cardholder's account can be paid by the due date but no later than thirty days after the credit card statement due date;

Cash advances are kept to a minimum amount necessary to cover necessary business expenses only. Cash should only be drawn when an expense is imminent. (Wherever possible, the card should be used for payment of all expenses);

Reimbursement of the difference between actual expenses charged to the card and the Officers entitlement is only claimed at the time of submission of their claim and is not taken as a cash advance against the card;

Deposits are not made to the card account (by the cardholder);

Cards are returned to the issuing department upon termination of employment;

P-cards are used within the guidelines set out by the Department and the provider.

Failure to comply with any of these requirements could result in the card being withdrawn from the officer. In the event of loss/theft through negligence, or non-compliance with these requirements any liability charged by the provider against the Agency may be passed onto the officer.

### Acceptance of conditions:

I acknowledge and accept the above conditions in the operation of my P-card:

Signed: \_\_\_\_\_ Date: \_\_\_/\_\_\_/\_\_\_

## New Application Cardholder Information Form

Name of Agency: \_\_\_\_\_

Cardholder Name: \_\_\_\_\_ Date: \_\_\_/\_\_\_/\_\_\_

Employee Number: \_\_\_\_\_

Business Address: \_\_\_\_\_

City/Suburb: \_\_\_\_\_ State: \_\_\_\_\_ Postcode: \_\_\_\_\_

Telephone: (\_\_\_\_) \_\_\_\_\_ Fax: (\_\_\_\_) \_\_\_\_\_

Email: \_\_\_\_\_

**CARDHOLDER PURCHASE LIMITS (To be completed by authorised officer)**

Dollar limit per transaction: \_\_\_\_\_ Dollar amount limit per billing period: \_\_\_\_\_  
 \$ \_\_\_\_\_ \$ \_\_\_\_\_

Number of transactions allowed per day: \_\_\_\_\_ No. of transactions allowed per billing period: \_\_\_\_\_  
 \_\_\_\_\_

**RESTRICTIONS (Parameters set by authorised officer)**

Vendor / Organisation	Type of Product / Service	Days / Time

**COST CENTRE DETAILS**

Account	Unit	Cost Centre	Program

Signature of Cardholder: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Authorising Officer: \_\_\_\_\_

Title of Authorising Officer: \_\_\_\_\_

Signature of Authorising Officer: \_\_\_\_\_ Date: \_\_\_\_\_

# Acknowledgment Form

Procurement / Purchasing Card User's Agreement Form

AGENCY

Card Holder's Name: \_\_\_\_\_

Position: \_\_\_\_\_ Employee Number: \_\_\_\_\_

Department: \_\_\_\_\_

Acknowledgment prior to issue of Procurement / Purchasing Card:

I will not use the Card unless authorised in writing to do so by the person authorised to issue such card in the Agency Name.

I am required at all times to take strict care of the Card.

I (as the Cardholder) will not make payment to the Card account (by the cardholder)

I acknowledge that the card to be issued under my name will not be used for any transaction other than the authorised official purposes.

I will ensure that the card is kept secure at all times and will immediately report lost or damaged cards to Procurement / Purchasing Card Program Manager.

I am only authorised to use the card to a limit of \$..... In any one transaction and a total limit of \$..... Per billing period and I must ensure that adequate funds are available to cover expenditures before it is incurred.

I am only authorised to use the card to purchase or to pay for the following goods or services:

_____	_____
_____	_____
_____	_____
_____	_____

I am to ensure that all documents (eg. Receipts) supporting all transactions on the Card are retained.

I will not use the card to withdraw cash or to purchase fuel, where a vehicle fuel card can be used.

I acknowledge that misuse of the purchasing card will result to disciplinary proceedings instituted against me.

I acknowledge that I have read and understood the relevant AGENCY'S NAME policy and the conditions set out above, which govern the issue of the Procurement / Purchasing card in my name.

Signature of Cardholder: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Authorising Officer: \_\_\_\_\_

Title of Authorising Officer: \_\_\_\_\_

Signature of Authorising Officer: \_\_\_\_\_ Date: \_\_\_\_\_

## Cardholder Information Maintenance Form

Name of Agency: \_\_\_\_\_

Cardholder Name: \_\_\_\_\_ Date: \_\_\_/\_\_\_/\_\_\_

Employee Number: \_\_\_\_\_

Business Address: \_\_\_\_\_

City/Suburb: \_\_\_\_\_ State: \_\_\_\_\_ Postcode: \_\_\_\_\_

Telephone: (\_\_\_\_) \_\_\_\_\_ Fax: (\_\_\_\_) \_\_\_\_\_

Email: \_\_\_\_\_

**CARDHOLDER PURCHASE LIMITS (To be completed by authorised officer)**

Dollar limit per transaction: \_\_\_\_\_ Dollar amount limit per billing period:

\$ \_\_\_\_\_ \$ \_\_\_\_\_

Number of transactions allowed per day: \_\_\_\_\_ No. of transactions allowed per billing period:

\_\_\_\_\_

**RESTRICTIONS (Parameters set by authorised officer)**

Vendor / Organisation	Type of Product / Service	Days / Time

**COST CENTRE DETAILS**

Account	Unit	Cost Centre	Program

**Card Termination / Re-issue**

Reason for Termination / Re-issue: \_\_\_\_\_

If Card was stolen, provide details including date and place of loss and explain circumstances: \_\_\_\_\_

Signature of Cardholder: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Authorising Officer: \_\_\_\_\_

Title of Authorising Officer: \_\_\_\_\_

Signature of Authorising Officer \_\_\_\_\_ Date: \_\_\_\_\_

## Disputed Transaction Form

AGENCY NAME

The Cardholder and the AGENCY NAME should make an effort to resolve any disputed transaction directly with the merchant first, at the earliest time possible. If no resolution is reached, the card provider may be able to help settle the claim. Please complete this form and with supporting documents mail to the card provider within *No of days* of billing cycle.

Cardholder Name: \_\_\_\_\_ Date: \_\_\_/\_\_\_/\_\_\_

Card Number: \_\_\_\_\_ Acct. No: \_\_\_\_\_

Please provide details of charge appearing on statement:

Billing close date: _____	Disputed Amount: \$ _____
Transaction date: _____	Merchant Name: _____
Reference Number: _____	Merchant Location: _____
Posted Amount: \$ _____	Merchandise description: _____

**REASON FOR DISPUTE** - (select only one of the following):

**Unauthorised transaction**

I did not authorise nor did I authorise anyone to engage in the above transaction. No goods/services were received by me or anyone representing the above transaction. My card was in my possession at the time of the transaction.

**Charge amount does not match the authorised order**

The amount charged on the card was \$ \_\_\_\_\_ as opposed to the original and unaltered sales tax invoice which is \$ \_\_\_\_\_. Enclosed is a copy of the sales tax invoice.

**Merchandise / Service not received**

I have not received the merchandise / service representing the above transaction, \_\_\_\_\_ days after the expected delivery date (\_\_\_/\_\_\_/\_\_\_) and after exhausting all efforts to contact the merchant several times. (Enclose a description of your attempts to contact resolve the matter with the merchant and the specific dates they were contacted).

**Faulty or Incorrect merchandise**

I have returned / applied for a credit for the above merchandise on (date) \_\_\_/\_\_\_/\_\_\_ because it was: \_\_\_\_\_ (provide reason and brief description if necessary). The credit of \$ \_\_\_\_\_ has not yet been received.

**Order / Hotel Reservation cancelled**

I placed an order / made a reservation for the above, but cancelled it on (date) \_\_\_/\_\_\_/\_\_\_ at \_\_\_\_\_ am/pm. I did not receive a cancellation number from merchant.

**Double / Multiple charges appearing**

My account has been charged more than what it should have. The first charge appeared on (date) \_\_\_/\_\_\_/\_\_\_, statement number \_\_\_\_\_.

**Others**

Recurring charges after cancellation

Items charged already paid by other means

(Enclosed are documents to support my claim).

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Cardholder Signature

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Name and Signature of Authorising Officer / Date