




P-Cards:

**TIPS TO REDUCE
FRAUD
INTERNALLY AND
EXTERNALLY**



BS Degree in Accounting and Economics: Houston Baptist University 1992

- **Arkansas Office of State Procurement - State Credit Card Administrator- 2003 - 2011**
- **League City, Texas - Contract Administrator - 3/2011 - 10/2014**
- **Friendswood, Texas - Purchasing Coordinator - 10/2014 - present**

Goal of the class

- ▶ **To gain a better understanding of what fraud is and how to protect your entity from it**

What Has Been Your Experience With Fraud Involving P-Cards?

- ▶ Has your organization experienced fraud or abuse with the p-card?
- ▶ Do you have fraud controls in place to prevent this?
- ▶ Do you regularly audit p-card purchases for legitimacy?
- ▶ What level of audit?
 - ▶ 25%
 - ▶ 50%
 - ▶ 75%
 - ▶ 100%

Losses from Misrepresentation and Internal and External Frauds

	Employee Misrepresentation	Internal Fraud	External Fraud	Total Fraud and Misrepresentation
Median dollars per incident	\$200	\$350	\$100	\$133
Loss to organization as a percent of purchasing card spending	.004%	.001%	.002%	.007%

	Employee Misrepresentation	Internal Fraud	External Fraud	Total Fraud and Misrepresentation
Corporations	.005%	.001%	.003%	.009%
Government and Not-for-Profit Organizations	.002%	.001%	.002%	.005%

Source: RPMG Purchasing Card Benchmark Survey 2012

What Exactly Is Fraud?

- ▶ An unauthorized transaction made with a lost, stolen, compromised, or counterfeit card/card number.
- ▶ Wrongful or criminal deception intended to result in financial or personal gain.
- ▶ Use of a card for non-approved business purchases.

How Can I Control Internal Fraud?

Start Off With Strong Policies

- ▶ **Policy Manual**
- ▶ **Mandatory training**
- ▶ **Cardholder agreement form**
- ▶ **Spending limits**
- ▶ **MCC template**
- ▶ **Allowable uses of the card**
- ▶ **Disciplinary steps**
- ▶ **Only issue cards in an employee's name**





Section A – Employee Applicant Information

Last Name		First Name		Middle Initial
AASIS Personnel Number		Last 4 Digits of SS Number	Check AASIS Roles (if applicable)	
Agency Name		Z:FI0006 <input type="checkbox"/>	Z:FI0007 <input type="checkbox"/>	
Business Mailing Address		Z:FI0008 <input type="checkbox"/>	Z:FI0006 <input type="checkbox"/>	
City	State		ZIP Code	
Special Embossing on Card (if applicable)				
Email Address				
Area Code - Business Telephone		Monthly Requested Limit	Single Transaction Limit	

Section B – Employee Understanding/Signature

Employee Applicant requests that he/she be issued a U.S. Bank Visa Purchase Card. In consideration of this issuance and the use of the U.S. Bank P-Card, the Employee Applicant and State agree to be bound by the U.S. Bank Cardholder Agreement accompanying the card, as amended by U.S. Bank from time to time, for all charges incurred by the use of the card or the related account. Creditor is U.S. Bank National Association ND.

I, the undersigned employee, understand that this card is to be used for **official state purchases**, pursuant to State Purchasing Regulations found at <http://www.dfa.arkansas.gov/offices/procurement/Documents/lawsRegs.pdf>, policies found in the Purchasing Card Policy and Procedure Manual, and agency purchasing regulations. The State is liable and responsible for payment of the bill in full. As a cardholder, I agree to make no personal charges on the card. I further understand that if I abuse this privilege, my card may be cancelled by my issuing state entity or the Office of State Procurement.

 (Employee Applicant Signature/Date)

 (Approving Manager Signature/Date)

ATTENTION AGENCY LIAISONS: Please fax this application to DFA-OSP Credit Card Program Administrator at 501-324-9311. You may also scan it to OSP Credit Card Personnel or mail it to Office of State Procurement, 1509 west 7th Street – 3rd Floor, Little Rock, AR 72201-4222. **Your U.S. Bank Purchase Card will be mailed to the OSP Office within 7-10 days following the receipt of your application. You will be notified to schedule the mandatory training via email. Please bring identification when picking up the card. Cards will not be mailed to recipients.**

Section C – Agency Accounting Information

This section is to be completed by an authorized Agency Purchasing Card Program Liaison.

Name of Company Requesting Issuance of Card		
Agency Business Area	Default Cost Center	Default General Ledger 5020007000
Default Internal Order	WBS Element	Funds Res#

Section D – US Bank Information

This section is to be completed by State DFA-OSP personnel.

Processing: Agent – 4 digits	Company – 5 digits	Division (if applicable) – 5 digits
Department (if applicable) 4 digits		

**State of Arkansas
Purchasing Card Agreement Form**

Cardholder's Name: _____ **Agency:** _____
Phone number: _____ **E-Mail Address:** _____

I, as an authorized and approved Arkansas Purchasing Card Program P-Cardholder, hereby acknowledge receipt of policies and procedures manual(s) and training, fully understand and agree to the following terms and conditions regarding the use and safekeeping of the purchasing card(s) or account number(s) entrusted to me:

1. I accept full personal responsibility for the safekeeping of all P-Card(s) or account number(s) assigned to me and that absolutely no one, other than me, has authority to use the P-Card(s) or account number(s) assigned to me.
2. I will be making financial commitments on behalf of the State of Arkansas and will always endeavor to obtain fair and reasonable prices.
3. I have received training and copies of the P-Card manual(s) associated with the P-Card and agree to follow all of the procedures established for the use of the P-Card account or account number(s).
4. I will not use the P-Card or account numbers for non-state official business, unauthorized, or personal purchases. If such charges occur I may be required to reimburse the State for all incurred charges and any fees related to the collection of those charges and do all such other things to remedy the situation.
5. I will immediately report the theft or loss of the P-Card to US Bank by phone at 1-800-344-5696, my Agency Liaison, and the OSP P-Card Coordinator, (501) 371-1405. Failure to notify the appropriate authority of the theft, loss, or misplacement of the P-Card will make me personally responsible for any fraudulent or unauthorized use.
6. I will surrender my P-Card(s) upon (a) my termination of employment with the State of Arkansas, or (b) retirement, or (c) transfer to another agency within the state, or (d) my supervisor or the OSP P-Card Coordinator requests surrender of my card(s). Further, I understand that my last paycheck will be withheld until the P-Card(s) are properly surrendered as required and all payments and requirements are fulfilled.
7. I understand that any purchases made by me, with the P-Card, will be recorded and reviewed in management reports for payments, possible discrepancies and appropriateness of purchase.
8. I understand that I am personally responsible for obtaining all original receipts and submitting them in accordance with the Arkansas Purchasing Card Program's P-Card policies and procedures.
9. I understand that failure to follow any of the above listed terms and conditions or if found to have misused the P-Card in any manner may result in (a) revocations of the privilege to use the card, (b) disciplinary action, (c) termination of employment, and/or criminal charges being filed with the appropriate authority. I understand that the use of the P-Card after privileges are withdrawn is strictly prohibited. I hereby accept the above terms and conditions.

Employee printed name Employee signature Date Signed

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I, as Agency Director/Chair/Head or Chief Financial Officer (CFO), approve a P-Card account(s) in the name of the State Employee stated above to be used for all charges related to the use of the P-Card issued. The name(s) of the Agency Liaison(s) I have assigned for the above card user are:

(1) _____ and (2) _____.

Agency Director/ CFO (printed name) Agency Director/CFO Signature Date Signed

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Approved by:

Agency Liaison (printed name) Agency Liaison Signature Date Signed

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Approved by:

P-Card Coordinator (printed name) P-Card Coordinator Signature Date Signed



Purchasing Card (P-Card) Program



Policies and Procedures Manual

October 2021

Policies and guidelines will be changed to meet the needs of the Purchasing Card (P-Card) Program. For the most current guidelines, please contact the Purchasing Coordinator.

Ongoing In-House Steps To Reduce Fraud

- ▶ Keep limits low
- ▶ Provide each cardholder with a sleeve for their card
- ▶ Audit every receipts
- ▶ Question odd purchases
- ▶ New vendors showing up on receipts
- ▶ Duplicate charges
- ▶ Charges just below single limit followed by another charge
- ▶ Excessive card loss or fraud charges
- ▶ Get a report regularly from HR on employee terminations

What About External Fraud?



External Fraud (Card Not Present)

- ▶ Estimates show Card Not Present (CNP) fraud cost issuers, merchants, and acquirers around \$34.66 billion dollars.
- ▶ The most common methods involve online sales, mobile sales, telephone transactions, and skimming.
- ▶ CNP fraud can take place when the bad guy acquires some form of payment information in the form of a cc number, name, address, and even the CVV number.
- ▶ Thankfully for us, the liability for this form of fraud falls back onto the merchant.

Ways To Reduce And Prevent External Fraud

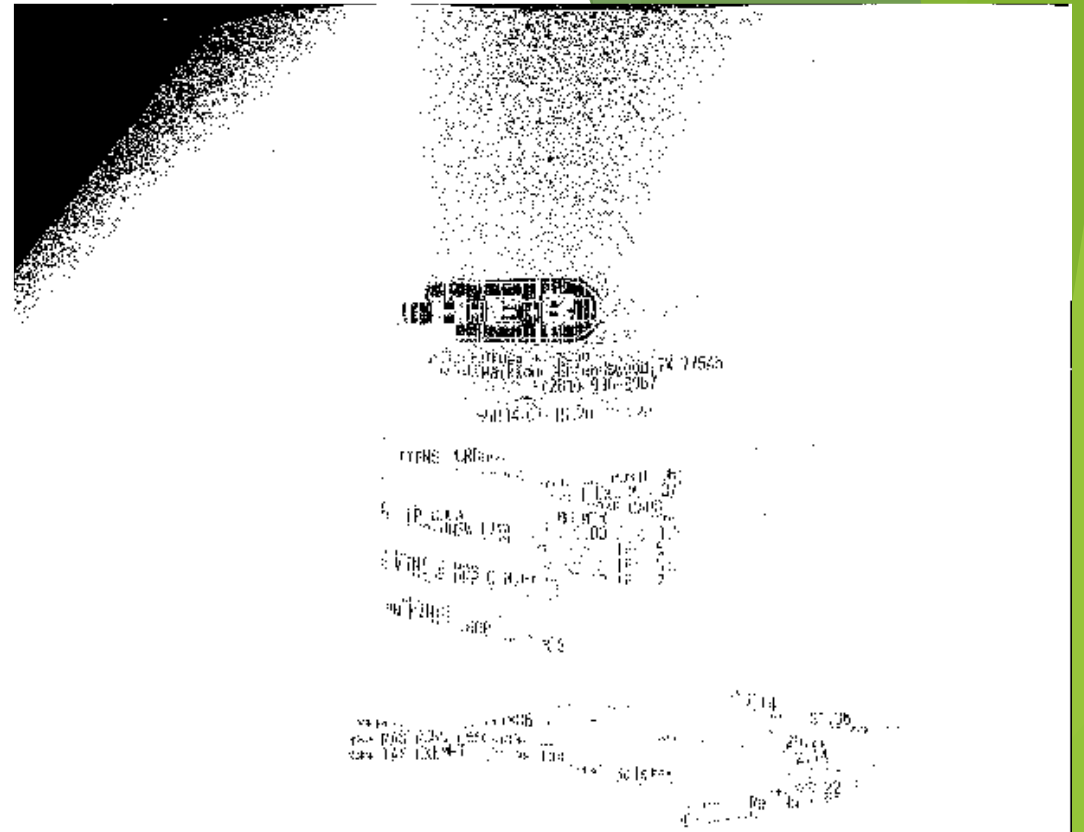
- ▶ Avoid making purchases or logging into your account while using public Wi-Fi.
- ▶ Keep your physical card in a secure place
- ▶ Don't allow vendors to store your card number
- ▶ Monitor account regularly
- ▶ Attend training on phishing
- ▶ Dispute transactions as needed
- ▶ Be sure online accounts begin with "https"

Come On Man!!!

Jeff,

I am so sorry I was so late with my p-card stuff. I was not trying to take advantage of our friendship. I just hate accounting. 😊

- Katy



Items purchased:

- 1 12 pack Diet Coke
- 1 12 pack Coke Zero
- 1 12 pack HEB Brand Sparkling Water
- 1 32 pack HEB Brand Bottled Water
- 1 6.25 oz pkg Lifesaver's Pep-O-Mint mints
- 1 50 oz pkg Lifesaver's Mint-O-Green mints

total 31.36
Tax exemption 2.14
total 29.22

Thank you!

Jeff Spears

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