

Louisiana Legislative Auditor

BEST PRACTICES – CARDS

The Louisiana Legislative Auditor (LLA) is providing the following best practices to help local government entities create their own written policies and procedures. Because this document may not include all legal provisions applicable to different types of local government entities, entities should consult with legal counsel when developing written policies and procedures. Also, many of the legal provisions referenced in this document may not apply to quasi-public organizations, such as non-profits. Quasi-public organizations should refer to the LLA's legal FAQs for additional guidance.

Sources:

Louisiana Legislative Auditor FAQs – <https://www.lla.la.gov/legal-faqs/>

Louisiana Public Bid Law – R.S. 38:2211, et seq.

Notification of the Legislative Auditor and District Attorney – R.S. 24:523

Louisiana Constitution Article 7, Section 14

Written policies and procedures over “cards” (including credit cards, debit cards, fuel cards, and P-cards) should include (1) **how cards are to be controlled**, (2) **allowable business uses**, (3) **documentation requirements**, (4) **required approvers of statements**, and (5) **monitoring card usage**.

- Fuel cards are subject to the same controls/best practices as other cards, except where noted below.
- Although there are no legal prohibitions against the use of debit cards for purchases, the LLA discourages their use because of the heightened risk of theft of government assets. For instance, a cash withdrawal or improper purchase immediately posts to the checking account without providing the opportunity for management to dispute the transaction in advance of the expenditure of funds.

How Cards are to be Controlled:

1. The governing board should formally approve each new card account before it is opened by management. Such accounts should be opened and cards issued in the entity's name using the entity's tax identification number and should not include accounts that require an annual fee. As a best practice, the LLA recommends that each entity restrict the number of cards to only those that are necessary to conduct business.

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2. Management should assign an employee (custodian) to prepare and maintain a master listing of cards, to include:
 - Card issuer name and telephone number
 - Account name on card
 - Card account number
 - Card expiration date (if applicable)
 - Credit limit
 - Person responsible for securing the card
 - Person(s) allowed to use the card
 - Status of the card (active or inactive)
 - Cancellation date/documentation (if applicable)

Management should update its master listing for any changes throughout the year, including any changes in authorized card holders and card holder employment terminations. At the end of each year, management should perform an inventory of its cards and investigate any differences noted between the inventory and its master listing of cards.

3. All employees should sign an annual credit card agreement outlining the terms and conditions under which cards may be used (see example *Annual Credit Card Agreement* on LLA Best Practices website). This agreement should inform the employee that any personal or unauthorized use of a credit card may result in termination of employment.
4. Fuel cards should be assigned to a vehicle, all employees should use only the card assigned to the vehicle, and employees should be required to input the correct mileage readings at the pump so that the information on the monthly billing statements is accurate.
5. Non-fuel cards should be maintained in a locked location under the control of the custodian. Employees should only be allowed to check out a card after going through the entity's normal purchasing process (e.g., approved purchase requisition and purchase order). The custodian should maintain a written log for each card to account for the issuance and return of cards, including (1) the business purpose for using the card; (2) the purchase order number; (3) a supervisor's signature approving the issuance of the card; (4) dates and times of issuance and return; and (5) signatures of both the clerk and employee upon issuance and return of the card (see example *Credit Card Issuance Log* on LLA Best Practices website). The log should clearly show who has the card at all times, and the card should be returned to the custodian as soon as practical after use.
6. Employees should be required to immediately notify appropriate management if a credit card is lost or stolen. Management is responsible for notifying the chief executive and

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immediately canceling the card. If a card is stolen, the chief executive is to notify law enforcement. The chief executive is also responsible for notifying the district attorney and the Legislative Auditor of any misappropriation of funds or assets of the entity, as required by law.

Allowable Business Uses:

1. Management's policies and procedures should clearly state that the following purchases are not allowed:
 - Any personal purchase (including purchases that are subsequently reimbursed),
 - cash advances,
 - alcohol or tobacco,
 - prescriptions and drugs, and
 - donations
2. Management should use merchant category codes, if available through the card vendor, to assist with purchase restrictions and further limit the risk of improper purchases.
3. Cards should not be used for significant routine or recurring purchases or for purchases that are subject to the requirements of the Louisiana Public Bid Law. Purchases must also not be split into multiple transactions to avoid Bid Law thresholds.
4. Personal uses of cards may constitute a violation of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of public funds.

Documentation Requirements:

1. For non-fuel cards, employees are responsible for obtaining itemized receipts and for documenting the business/public purpose of the purchase on the receipt. Receipts for meals and entertainment charges should contain the names of all persons participating and the business discussed. All documentation should be given to the card custodian upon return of the card, and the custodian should review and notify the employee if any documentation is missing.
2. If an employee loses a receipt, he or she should attempt to obtain a duplicate receipt from the vendor or otherwise demonstrate that the nature and amount of the purchase is proper. The employee's immediate supervisor should review the available documentation and approve in writing.

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3. For fuel card charges, a monthly summary report by vehicle/employee should be prepared by an employee without access to a fuel card to include (1) total gallons of fuel purchased; (2) total miles traveled based on odometer readings; and (3) calculated average number of miles driven per gallon. If any vehicles are fueled more than once per day, the business necessity of the refueling should be documented and retained with the monthly fuel statement.
4. All supporting documentation (e.g., purchase requisitions, itemized receipts, fuel card summary report) should be submitted with card statements to the required approver(s).

Required Approvers of Statements/Monitoring Card Usage:

1. Management should assign an employee with no access to a card to review and approve monthly card statements prior to payment. For a card assigned to a director or chief executive officer, the monthly statement should be reviewed and approved by a board member (Note: requiring such approval may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality and should not be implemented in those circumstances).
2. The approver should obtain supporting documentation from the custodian and compare each transaction on the statement to the related credit card log, approved purchase order, and receipts/support noted under **Documentation Requirements** above. This review should also include evaluating the reasonableness of the charges and compliance with entity policy.
3. For fuel card statements, the approver should review the statements and monthly summary reports for reasonableness, including the (1) accuracy of odometer readings input, (2) dates and times of purchases, (3) number of gallons purchased, (4) octane rating of gasoline purchased for each vehicle, (5) number of miles traveled, and (6) miles per gallon information reported on the statements. The disposition of all missing and/or erroneous odometer readings should be documented on the statements.
4. For cards used in employee travel, the approver should review any related travel reimbursements to verify that the employee did not have card charges for which the employee was also reimbursed (i.e. “double-dipping”).
5. The approver should initial and date each monthly statement upon completion of review. Also, the review and approval of card statements should be performed prior to the payment due date to prevent late payments and related finance charges/late fees.