

GAO Topic of the Month - January 2021

State of Arizona Purchasing Card Monitoring

INTRODUCTION

The Topic of the Month is being provided as a resource to agencies and employees to better understand the requirements, responsibilities and expectations that come with certain processes, positions, and functions. The goal is to ensure that agencies have the knowledge to consistently comply with State and Federal law, regulations and guidelines, while reducing the risk of fraud, waste and abuse. This month's topic is *Purchasing Card (P-Card) Monitoring*. If there are any topics that your agency is struggling with and/or would like additional information on, please contact your GAO Liaison. GAO is here to help!

SAAM

State of Arizona purchase card requirements can be found on the GAO website at:

<https://gao.az.gov/publications/saam>. The following SAAM sections and titles apply to State of Arizona Purchase Cards:

SAAM 4535	P-Card General Policies and Procedures
SAAM 4536	P-Card Agency Responsibilities
SAAM 4537	P-Card Cardholder Responsibilities
SAAM 4571	Reviewing P-Card Transactions
SAAM 4524	Amazon Prime

PURCHASE CARD MONITORING

The GAO Internal Audit recently developed a robust statewide process for reviewing purchase card transactions. This process allows us to review all statewide transactions and flag questionable transactions that may not be allowed per State Policy and/or otherwise identified as having a potential risk.

What are some examples of transactions not allowed per State policy?



- Amazon Prime Memberships – SAAM 4524-1.1 prohibits the use of state monies to “pay for an Amazon Prime membership for any officer, employee, contractor, volunteer, board member or any other person.”
- Cash Withdrawals – SAAM 4535-1.10.2 states, “The P-Card may not be used to withdraw cash from ATMs or other sources.”
- Traveler’s Checks or other negotiable instruments – SAAM 4535-1.10.3 states, “the P-Card may not be used to purchase or pay for traveler’s checks or other negotiable instruments.”
- Travel-related Expenses – SAAM 4535-1.14 states “except as may be otherwise specifically provided, the P-Card may not be used to purchase gasoline, airfare, train fare, hotel lodging, car rental, meals, incidentals, or other expenses related to travel.”
- Aggregate/Single Purchase Limits – SAAM 4535-1.11 states, “Dividing purchase transactions to circumvent aggregate purchase limits or single purchase limits is prohibited.”

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What are some examples of transactions that have a “potential risk?”

- Motion Picture Theatres (Movies)
- Amusement Parks, Circuses
- Music and Music Stores
- Certain Merchants – e.g. antique shops, entertainment, sporting goods, jewelry stores, etc.
- Merchant Data – GAO reviews merchant data to identify specific items purchased (e.g. Crest whitening strips, Adidas soccer ball, DVDs that do not seem to have a work-related title, etc.).



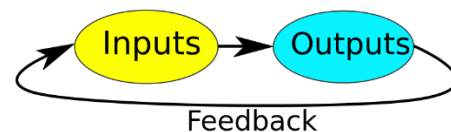
While some agencies or employees may have a legitimate business need for these types of transactions, others may not. GAO Internal Audit may follow up the agency when either types of these transactions are identified. The agency will need to confirm the transactions were approved, are for a valid state business purpose, and are in compliance with policy.



What to Expect?

GAO Internal Audit will be following up with agencies that have transactions that are not allowed per State policy and/or identified as having a potential for risk. When a transaction is flagged, GAO Internal Audit will provide a report to the agency that contains all the P-Card transactions that occurred during the period of review for that particular cardholder(s). We will also include a merchant data report that identifies specific items purchased for all participating merchants (E.g. Amazon, grocery stores, home supply stores, etc.). All transactions that occurred for that individual in the review period will be forwarded for review, not just questionable transactions.

Each agency will need to review all the transactions, along with any supporting documentation or information the agency may possess to confirm that the transactions were approved, are for valid State business purposes, and are in compliance with policy. Any transactions that were unapproved, not for valid State business purposes, and/or are not in compliance with policy must be specified within the response form returned to GAO Internal Audit.



Agency Feedback is Vital!

Through each review process, we hope to better understand the transaction data at each agency. For example, while certain transactions are a clear violation of State policy, other transactions that have a potential risk are not always as clear. Since we rely heavily on the transaction data, this review process is an excellent opportunity for GAO and the agencies to further understand the needs and uses of P-Cards at each individual agency. The agency responses allow GAO Internal Audit to better understand the data and the opportunity to continually update our methodology for flagging and following up on transactions that have a “potential risk.”

Your agency’s feedback will contribute to the efficiency and effectiveness of this statewide process for mitigating risk over State of Arizona purchase cards.