OJP TFSC

Organization Credit Cards
Guide Sheet

Grant Financial Management Requirement

When it comes to organization credit cards, U.S. territories' entities as well as their employees have a major responsibility adhering to the credit card policy. Unfortunately, there are times where organization credit cards are mismanaged, which can cause an increased risk for fraud. By being familiar with 2 CFR 200, Subpart E—Cost Principles (allowable costs), implementing a strong internal control plan, and having an effective credit card policy in place, entities will have better control of their spending, can reduce fraud, and process expenses more easily.

An organization credit card is issued to specific employees, allowing them to make purchases such as equipment, office supplies, software, or local per diem expenses pertaining to the grant. The organization credit card can also be used for grant-related travel to conferences, trainings, meetings, hotel, car rentals, etc.

Important Information to Know

As with any written policy, the organization credit card policy should be strictly enforced. Therefore, implementing an effective credit card policy should be a section of an organization's internal controls. Establishing a strict policy can protect the entity from inappropriate use and make sure the repercussions are clear. Financial managers should ensure that policies are communicated clearly to account holders and easily accessible (e.g., on an organization's website or in the handbook). In addition, organizations should ensure that they make training a priority for all account holders and those that oversee the organization credit card program.

How This Applies to Your Grant

As you consider developing and implementing a credit card policy, it is important to consider four key components:

- ▶ Who will get access to the organization credit cards?
- ▶ What restrictions will be in place?
- ▶ What is the expense reporting process like?
- ▶ How to avoid fraud, waste, mismanagement, and abuse?

Access to the organization credit card

It is important to ensure that each cardholder issued an organization credit card has a demonstrated and operational need to have it. Position or rank should not determine whether and employee should be issued a credit card. A credit card should only be issued to employees that will help carry out the entities' mission.

Restrictions

Employees should only be using the organization credit card for allowable purchases and they should be very familiar with 2 CFR 200, Subpart E—Cost Principles. These regulations outline what is allowable and unallowable. Each allowable cost or expense should be reasonable, allocable, and applicable. For example, paying for a grants management training class that an employee would like to take would be an allowable expense, since the class will help that employee carry out the entity's mission. An unallowable expense would be purchasing alcoholic beverages, buying flowers or other gifts, or expenses incurred by a spouse or other family member.

Using the organization credit card for personal use is strictly prohibited. Making personal purchases violates the credit card policy, which can lead to serious consequences such as repayment or termination.

Spending and credit limits should also be set. Credit card limits should align with the employee's actual spending rather than an arbitrary amount. Credit limits can be temporarily increased, if needed, but should only be increased on a case-by-case basis.

Reporting

Organization credit cards are typically issued from major retailer banks, such as Visa and Chase, who provide monthly statements itemizing all purchases made with the credit card. The entity should have an individual—usually a finance manager or accountant—reconcile the detailed account activity to the statement amounts. However, each employee assigned with a credit card should directly review the purchases made and reconcile the charges. Original documentation should be provided by vendors for each purchase. Receipts over $75 must be submitted when reconciling and processing for reimbursement to pay the credit card. For travel-related purchases, documentation is generally provided upon billing or no later than 30 days after the billing date; however, please check what your agency's internal process is. Remember, timely documentation is a good idea for all credit card purchases.

Fraud, waste, mismanagement, and abuse

As mentioned above, personal use of an organization credit card is strictly prohibited. All policies should be very specific in addressing disciplinary actions for employees who misuse an organization credit card. Swift action must take place once the mismanagement is discovered. This could be counseling, cancellation of the account, a written warning, notation in the employee's performance evaluation, reprimand, and/or suspension or termination of employment.

If an employee misuses the credit card once—such as accidentally using it to pay for gas for his or her personal vehicle—it can probably be deemed an honest mistake. However, repeat offenses should be handled immediately to avoid financial damage.

As a means of internal controls, finance managers who oversee the credit card program can utilize electronic reports to monitor and track misuse and fraud. Per gsa.gov, the following reports may be used to detect misuse and fraud within your organization:

- **Account activity report** shows all active accounts and spending for each account during a billing cycle. It provides details on each transaction, including transaction date, transaction type, merchant name, and dollar amount.
- **Declined authorizations report** identifies account holders who have attempted to use an account to buy an item that is not authorized, that exceeds their single-purchase limits, that exceeds their monthly purchase limit, or from a merchant that falls under a blocked merchant category code.
- **Dispute report** identifies date, merchant, reason code, dollar amount, and status of each dispute filed by an account holder.
- **Unusual spending activity report** is one of various reports offered by banks to identify transactions that may warrant further review.
- **Lost/Stolen account report** identifies accounts that are reported lost or stolen.
- **Master file** should be reviewed periodically to eliminate account holders who are no longer employed in the agency, correct addresses, and verify whether card limits and authorization controls are appropriate.

References

General Services Administration. (2021, April 12). *Travel charge card*. https://www.gsa.gov/travel/plan-book/travel-charge-card