

The Auditor General is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

TO OBTAIN
MORE INFORMATION

(602) 553-0333



or by visiting
our Web site at:
www.azauditor.gov

Contact person:
Rick Meyer



2009

August • Alert 09 – 02

Embezzling Public Monies with Purchasing Cards

Most governments in Arizona use purchasing cards (p-cards), a type of commercial credit card, to pay for goods and services. When used properly, these cards help streamline the traditional purchase order and payment process and reduce processing costs. However, employees can easily use p-cards to make fraudulent purchases.

For example, during an investigation of an Arizona school district, we found that two district employees improperly used their district-issued credit cards to purchase personal items totaling \$345,998. They purchased items such

as clothing, jewelry, and vehicle accessories, and paid for personal travel. In addition, they withdrew cash from various automated teller machines (ATMs), including ATMs at casinos in Las Vegas and Arizona. One of the employees also used his district credit card to improperly purchase \$28,280 worth of gift cards, claiming these cards were used to reward district employees for positive performance and to provide incentives to students. The school district paid for all of these illegal purchases and cash withdrawals because they lacked the controls necessary to prevent these fraudulent activities.

What You Can Do to Protect Your Entity

A few well-placed internal controls can help protect your entity from p-card fraud.

- Establish clear policies, procedures, and documentation requirements for p-card purchases and limit the number of cards issued.
- Require each employee issued a p-card to sign an agreement before or at the time the card is issued to acknowledge his or her responsibilities and agree to abide by

policies and procedures. The agreement should outline the consequences for misuse.

- Establish systematic controls such as single transaction limits, monthly spending limits, or category blocks, such as prohibiting purchases of alcohol or cash withdrawals.
- Perform a monthly reconciliation of posted transactions, being alert for potential fraudulent transactions.
- Promptly terminate p-cards held by employees leaving your organization.