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NEWS RELEASE

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FOR RELEASE February 28, 2005

Auditor of State David A. Vaudt today released a report on the State of Iowa Procurement Card Program for the period July 1, 2000 through June 30, 2003. The review was conducted in accordance with Chapter 11 of the *Code of Iowa* to determine whether state officials have implemented effective procedures and controls to ensure (1) General Services has provided for effective administration of the procurement card program, (2) state agencies have implemented effective controls and procedures to ensure procurement cards are used in accordance with State procurement regulations, (3) employees used procurement cards in accordance with State procurement regulations and (4) the issuance of procurement cards and purchasing limits for State employees were commensurate with their assigned job responsibilities.

Between July 1, 2000 and June 30, 2004 the State of Iowa made purchases totaling \$11,367,637 using the procurement cards. As illustrated in the following table, state agencies participating in the procurement card program increased from 26 agencies in fiscal year 2001 to 46 agencies in fiscal year 2004. Procurement card purchases increased from \$535,868 in fiscal year 2001 to \$4,179,809 in fiscal year 2003, an increase of 680%. The purchases increased to \$5,351,236 in fiscal year 2004, a 28% increase over fiscal year 2003. The number of cardholders increased 66.6% from 646 at June 30, 2001 to 1,076 at June 30, 2004.

<b>Fiscal year ended June 30,</b>	<b>Annual Disbursements</b>	<b>Number of Participating Agencies</b>	<b>Number of Cardholders</b>
2001	\$ 535,868	26	646
2002	1,300,724	28	741
2003	4,179,809	42	856
2004	5,351,236	46	1,076
Total	<u>\$11,367,637</u>		

Making purchases using a procurement card may be more efficient and less costly, in certain circumstances, than the traditional method of procurement. However, procurement cards also increase the risk of fraud and misuse occurring and going undetected. The use of procurement cards has eliminated some controls over purchasing, such as segregation of duties and prior approval of purchases. Because eliminating controls increases the risk of improper purchases, an effective review and oversight process is essential to ensure procurement card purchases are necessary, proper and at the best price.

Vaudt recommended several improvements in the controls and procurement card process at General Services and the participating agencies to ensure the proper use of the cards and compliance with state guidelines. Among the findings noted during the review were:

- Controls over segregation of duties, approval of purchases and reconciliations over monthly statements and receipts need to be improved. Only five of the nine agencies tested required prior approval of purchases made with a procurement card. Also, three of the nine agencies do not consistently perform monthly reconciliations prior to payment.
- Cardholders with minimal purchasing responsibilities were identified which unnecessarily increases the State's exposure to improper charges and abuse. At the nine agencies tested, there were 643 cardholders; 512 of them had monthly credit limits of \$10,000 or more. Credit limits of the cardholders were not adjusted as a result of analyzing their actual spending.
- There are no procedures in place to ensure employees are not issued more than one procurement card. Several instances were identified where cardholders had more than one active account. In addition, Iowa Homeland Security and Emergency Management issued 192 procurement cards in the name of 81 counties and agencies rather than individuals.
- For the agencies tested, approximately 11% of the transactions reviewed were not properly supported. The transactions totaled over \$24,000.
- A small number of purchases for items listed as unallowable in the Procurement Card Program Procedures Manual were identified. The purchases included telephones, auto parts and ammunition.
- Two agencies made 42 purchases that did not comply with bidding requirements for non-State contract purchases.
- Eleven instances in which cardholders were able to circumvent the transaction limit by having the vendor split the purchase into multiple transactions were identified.
- Several purchases of discretionary items, including binoculars, digital cameras and PDAs, were identified. The purchases were not made using State contracts, when available. In addition, because they were purchased individually, quantity discounts were forgone. Prices paid for each type of item varied significantly.

The recommendations included in this report will enhance the on-going efforts to improve the procurement card program.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

**A REVIEW OF THE  
STATE OF IOWA  
PROCUREMENT CARD PROGRAM  
FOR THE PERIOD JULY 1, 2000 THROUGH JUNE 30, 2003**

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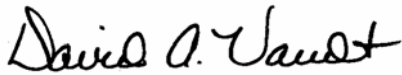
To the Governor, Members of the General Assembly  
and the Director of the Department of Administrative Services:


In accordance with Chapter 11 of the *Code of Iowa*, we have conducted a review of the State of Iowa Procurement Card Program. We reviewed selected purchases made with procurement cards for the period of July 1, 2000 through June 30, 2003 and tested compliance with state procurement regulations as defined in the Iowa Administrative Code and the Procurement Card Program Procedures Manual. In conducting our review, we performed the following procedures:

- (1) Interviewed representatives of General Services Enterprise and selected agencies to obtain an understanding of procedures and internal controls over the use of procurement cards and evaluated the adequacy of these procedures and controls.
- (2) Reviewed the contract between the State of Iowa and Commerce Bank, N.A.
- (3) Reviewed the Procurement Card Program Procedures Manual prepared by General Services Enterprise to determine the statewide policies established for the procurement card program including, but not limited to, card issuance, allowable uses, monthly reconciliations and the payment process.
- (4) Reviewed statewide procurement regulations included in Iowa Administrative Code [401] Chapter 7.
- (5) Reviewed the policies and procedures established for selected agencies for the procurement card program.
- (6) Obtained a listing of cardholders, including monthly and transaction credit limits, to determine the number and names of cardholders at each agency and evaluated the credit limits for reasonableness.
- (7) Examined supporting documentation for selected purchases made with procurement cards to determine compliance with state procurement regulations as defined in the Procurement Card Program Procedures Manual and the Iowa Administrative Code.
- (8) Examined the documentation used during reconciliations performed by selected state agencies to determine completeness.
- (9) Analyzed card activity and purchasing trends at selected state agencies.

Based on these procedures, we developed certain recommendations and other relevant information we believe should be considered by General Services Enterprise of the Department of Administrative Services, all participating state agencies, the Governor and the General Assembly.

We extend our appreciation to the personnel of the state agencies reviewed for the courtesy, cooperation and assistance provided to us during our review.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 10, 2004

## **Executive Summary**

To facilitate purchasing performed by state agencies, General Services implemented a procurement card program to purchase small dollar items and improve effectiveness and efficiency of the procurement process. General Services entered into an agreement with Commerce Bank, N.A., to provide card services. According to General Services, the program was implemented to reduce resources used in the procurement of small dollar items under \$1,000 by reducing personnel and related costs associated with processing payments through the State accounting system. With a procurement card, employees make purchases from a vendor and the vendor is paid electronically by Commerce Bank. The bank then bills each agency on a monthly basis for all charges incurred at various vendors. As a result, each agency makes a monthly payment to Commerce Bank rather than paying each vendor individually.

General Services provides limited oversight over the procurement card program. General Services monitors monthly dollar and transaction activity but does not review detailed cardholder information. General Services has developed the State of Iowa Procurement Card Program Procedures Manual to address guidelines for the program. Participating agencies determine if and how procurement cards will be used and are responsible for ensuring procurement cards are being used properly. Actual procurement card guidelines and procedures differ from agency to agency.

Making purchases using a procurement card may be more efficient and less costly than the traditional method of procurement, depending on the circumstances. However, procurement cards also increase the risk of fraud and misuse occurring and going undetected. The use of procurement cards has eliminated some controls over purchasing, such as segregating duties between the requesting, approving, purchasing and receiving functions. With a procurement card, the cardholder can decide what to purchase, make the purchase without pre-approval and receive the item. Cardholders may also make larger than necessary purchases or purchases with unnecessary features that may impact the budget available. An effective review and oversight process is essential to ensure procurement card purchases are necessary, proper and at the best price. Our review identifies concerns with current State guidelines and procedures, controls and procedures at state agencies and other common problem areas with procurement card usage.

The program was implemented in 1999 by five pilot agencies: Department of General Services – Capitol Complex Maintenance, Iowa Veterans Home, Department of Public Health, Department of Transportation and the Department of Natural Resources. At the end of the pilot program, General Services made the decision to offer the program to all agencies. However, prior to implementing the program statewide, there was no system used to evaluate whether the goals of the program were met, including whether any cost savings or process improvements were achieved.

Procurement card activity remained relatively low until fiscal year 2003, as illustrated in **Schedule 1**. This increase can be partially attributed to the change in policy to allow agencies to use the procurement card as a payment method for purchases of goods or services under all state contracts and non-state contract purchases up to \$2,500.

The use of procurement cards has increased significantly over the three year period ended June 30, 2003. In addition, fiscal year 2004 information has been included in the following table, indicating usage continues to increase. Total procurement card usage increased 680% from fiscal year 2001 to fiscal year 2003. The increase from fiscal year 2003 to fiscal year 2004 was 28%. The number of participating agencies has increased from 26 in fiscal year 2001 to 42 in fiscal year 2003. An additional 4 agencies participated in fiscal year 2004 for a total of 46 agencies. The number of cardholders has increased 32.5% from fiscal year 2001 to fiscal year 2003. Total cardholders has increased to 1,076 in fiscal year 2004, an increase of 25% over fiscal year 2003.

**A Review of the State of Iowa Procurement Card Program**

<b>Fiscal Year Ended June 30,</b>	<b>Procurement Card Purchases</b>	<b>Number of Transactions</b>	<b>Number of Cardholders</b>	<b>Number of Participating Agencies</b>	<b>Average Transaction Amount</b>
2001	\$ 535,868	7,668	646	26	\$ 69.88
2002	1,300,724	13,808	741	28	94.20
2003	4,179,809	23,917	856	42	174.76
2004	5,351,236	27,756	1,076	46	192.80
<b>Total</b>	<b>\$ 11,367,637</b>				

Source: Commerce Bank

The extent to which procurement cards are used varies among state agencies. Some state agencies issue cards to employees in the purchasing or accounts payable areas only, while others have issued cards to many employees with minimal purchasing responsibilities. There were only five state agencies with more than \$100,000 of procurement card purchases during fiscal year 2003. However, the level of activity is likely to increase as state agencies continue to increase the number of employees using procurement cards and increase the types of expenditures for which procurement cards are used.

The average transaction amount remains very low, especially given the established limits on the cards. The standard transaction limit of \$1,000 and the monthly credit limit of \$10,000 are currently higher than necessary for the current usage. The average transaction amount in fiscal year 2003 was only \$174.76, an increase of 150% from fiscal year 2001. The average transaction amount for fiscal year 2004 increased only slightly to \$192.80. Since the State is ultimately liable for all purchases on the procurement cards, these limits expose the State to unnecessary risk.

The majority of procurement card purchases were for supplies and materials, as shown in the table below. Approximately 86% of the purchases for the three year period reviewed were for supplies and materials and 11% were for non-inventory equipment and repairs.

<b>Description</b>	<b>Fiscal Year Ended June 30,</b>			<b>Total</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	
Travel and subsistence	\$ 1,653	3,874	9,188	14,715
Supplies and materials	493,972	1,189,676	3,534,067	5,217,715
Contractual services	17,216	43,909	78,507	139,632
Equipment and repairs	31,041	74,084	586,751	691,876
Claims and miscellaneous	1,033	1,672	7,280	9,985
Licenses, permits and refunds	-	4,623	60	4,683
State aid and credits	823	3,336	3,801	7,960
Plant improvement and additions	-	-	358	358
<b>Total</b>	<b>\$ 545,738</b>	<b>1,321,174</b>	<b>4,220,012</b>	<b>6,086,924</b>

Source: IFAS

For our detailed testing, we selected the five state agencies with the highest procurement card activity during the three fiscal years ended June 30, 2003. We also judgmentally selected four additional agencies for testing. The procurement card purchases of the nine agencies selected for testing comprise 85% of the State's total procurement card purchases for the three year period. The procurement card activity for the nine agencies selected for testing is summarized in the following table.



**A Review of the State of Iowa Procurement Card Program**

<b>Agency</b>	<b>Fiscal Year Ended June 30,</b>			<b>Total</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	
Natural Resources	\$ 194,516	603,813	983,995	\$1,782,324
Iowa Veterans Home	128,289	116,631	1,027,454	1,272,374
Public Defense	24,972	298,118	601,767	924,857
Fort Dodge Correctional Facility	15,317	50,227	503,099	568,643
Public Health	10,633	14,726	340,545	365,904
Public Safety	15,775	14,959	45,356	76,090
Vocational Rehabilitation Services	-	-	58,995	58,995
Woodward State Resource Center	1,873	6,606	41,920	50,399
Information Technology	9,364	17,902	22,731	49,997
<b>Total</b>	<b>\$ 400,739</b>	<b>1,122,982</b>	<b>3,625,862</b>	<b>\$5,149,583</b>

Source: Commerce Bank

As a result of our review, we identified several findings and recommendations to enhance the on-going efforts to improve the procurement card program. Among the findings noted during our review were:

- Controls over segregation of duties, approval of purchases and reconciliations over monthly statements and receipts need to be improved. Only five of the nine agencies tested required prior approval of purchases made with a procurement card. Also, three of the nine agencies do not consistently perform monthly reconciliations prior to payment to Commerce Bank.
- Cardholders with minimal purchasing responsibilities were identified which unnecessarily increases the State's exposure to improper charges and abuse. At the nine agencies tested, there were 643 cardholders; 512 of them had monthly credit limits of \$10,000 or more. Credit limits of the cardholders were not adjusted as a result of analyzing their actual spending.
- There are no procedures in place to ensure employees are not issued more than one procurement card. Several instances were identified where cardholders had more than one active account. In addition, Iowa Homeland Security and Emergency Management issued 192 procurement cards in the name of 81 counties and agencies rather than individuals.
- For the agencies tested, approximately 11% of the transactions reviewed were not properly supported. The transactions totaled over \$24,000.
- A small number of purchases for items identified as unallowable in the Procurement Card Program Procedures Manual were identified. The purchases included telephones, auto parts and ammunition.
- Two agencies made 42 purchases that did not comply with bidding requirements for non-State contract purchases.
- Eleven instances in which cardholders were able to circumvent the transaction limit by having the vendor split the purchase into multiple transactions were identified.
- Several purchases of discretionary items, including binoculars, digital cameras and PDAs, were identified. The purchases were not made using State contracts, when available. In addition, because the items were purchased individually, the State did not have an opportunity to obtain quantity discounts. In addition, it cannot be determined if the best price was obtained.

In addition, the report includes a recommendation to enhance General Services' role in the administration of the procurement card program.

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## A Review of the State of Iowa Procurement Card Program

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A summary of all findings is included below. More detail regarding each of the findings is included in the Findings and Recommendations section of this report.

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## **Background**

Prior to July 1, 2003, Chapter 18 of the *Code of Iowa* required the Department of General Services to provide a system of uniform standards and specifications for the purchasing process used by state government. State agencies not specifically exempted by law were required to purchase all items of general use through General Services. The Department of General Services is now the General Services Enterprise within the Department of Administrative Services and guidance is now found in Chapter 8 of the *Code of Iowa*. To facilitate purchasing performed by state agencies, General Services implemented a procurement card program to purchase small dollar items and improve effectiveness and efficiency of the procurement process. In addition to negotiating the agreement for card services, General Services issues program guidelines, establishes initial card limits and provides technical assistance to state agencies.

The Board of Regents' institutions are not included in this report. The Board's purchasing policy specifically authorizes the institutions, including the three State Universities, to use procurement cards for low dollar transactions. However, the procurement cards used by the Board of Regents' institutions are not included in the procurement card program established with Commerce Bank by General Services. We reviewed and tested selected procurement card purchase transactions and related activity from fiscal years 2002 and 2003 at each University to determine whether the procurement cards were appropriately used by cardholders and whether the Universities administered the program appropriately and effectively. The results of this review will be issued in a separate report titled "Board of Regent Universities – A Review of Procurement Card Programs".

According to a representative of General Services, the initial goals of the program were to:

1. Provide a user-friendly process that offers convenience.
2. Provide process simplification.
3. Provide for consolidation of payments.
4. Provide a process with better cash management.
5. Provide for direct contact with local suppliers.
6. Provide reduced purchasing and accounting process cycle time.
7. Provide better utilization of people resources and time
8. Provide a simple solution to a complicated problem.
9. Reduce inventories through quicker deliveries.
10. Save \$25 in transaction costs on every purchase.
11. More businesses take credit cards than are willing to process purchase orders.
12. Possible price discounts on purchases made with a credit card.
13. More control with a card than a purchase order.
14. It is possible to remit electronic payment, eliminate the invoice and put information about the charges directly into the accounting system.
15. Enable buyers to spend more time on value added activities.

After completing our review of procurement card procedures and related activity at General Services and each agency selected for review, we analyzed the above goals and have included our results in a later section of this report.

On behalf of the State of Iowa, General Services entered into an agreement with Commerce Bank, N.A., to provide card services. The agreement was effective for one year, beginning June 7, 1999, and contained an option to renew annually. The last of the annual extensions expired June 6, 2004, at which time the agreement was extended to December 31, 2004. The agreement has now been extended to March 31, 2005. It will be re-bid at the end of March.

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## A Review of the State of Iowa Procurement Card Program

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The program was implemented in 1999 by five pilot agencies: Department of General Services – Capitol Complex Maintenance, Iowa Veterans Home, Department of Public Health, Department of Transportation and the Department of Natural Resources. At the end of the pilot program, General Services made the decision to offer the program to all agencies. However, prior to implementing the program statewide, there was no system used to evaluate whether the goals of the program were met, including whether any cost savings or process improvements were achieved.

Under the traditional purchasing process, state employees making a purchase would obtain supervisory approval, prepare a purchase order and then purchase the items from a vendor. After the purchase was made and the item was received, the vendor would bill the agency for the purchase. A warrant would then be issued to the vendor after the approved purchase order and the receipt for the purchase were submitted and matched.

With a procurement card, employees make purchases from a vendor, with or without prior supervisory approval, and the vendor is paid electronically by Commerce Bank. The bank, in turn, sends each participating agency a single statement for all procurement card charges incurred at various vendors during the current billing cycle. As a result, the agency makes just one payment to Commerce Bank, rather than paying each vendor individually.

Under the traditional purchasing method, controls were established to prevent improper purchases from being made. Because prior authorization is now no longer required for purchases, controls are needed to detect improper purchases prior to payment being made to Commerce Bank.

General Services has developed a Procurement Card Program Procedures Manual (procedures manual) which establishes standard program policies and procedures and initial single and monthly transaction limits for cardholders. Each agency participating in the procurement card program is responsible for following the guidelines established by General Services.

General Services has also identified a “State of Iowa Procurement Card Program Administrator” (state administrator) to oversee the procurement card program and provide technical assistance to agencies and cardholders. General Services receives a monthly report from Commerce Bank detailing the number and total amount of transactions by each agency. The State Administrator reviews this report for any unusual activity but does not receive or review detailed transaction information.

While General Services has overall responsibility for the administration of the program, each agency electing to participate in the program designates an Agency Procurement Card Company Administrator/Coordinator (agency coordinator). Each agency determines if and how procurement cards will be used within the guidelines established by General Services. General Services notifies Commerce Bank of the name(s) of the designated representative(s) for the state agencies participating in the procurement card program.

The agency coordinator administers the procurement card program for their agency and is expected to be familiar with all aspects of the procurement card program, including, but not limited to, policies and procedures, number and names of procurement cardholders, employment status of cardholders and status of delinquent charges. Other responsibilities include working with Commerce Bank for the issuance of new cards, collecting receipts from employees and reconciling receipts to monthly statements. The agency coordinator is also responsible for notifying Commerce Bank of employee terminations to ensure cancellation of cards and for the retrieval of the cards from the cardholder.

As illustrated by **Table 1**, the amount of purchases made with procurement cards has increased significantly each fiscal year from July 1, 2000 through June 30, 2003. The number of state agencies using procurement cards increased from 26 to 42 for the same time period. There were 856 cardholders in fiscal year 2003, an increase of 32.5% over fiscal year 2001. Fiscal year 2004 was not included in the scope of our testing, but has been included in the **Table** for informational purposes. Procurement card purchases increased 28% from fiscal year 2003 to 2004.

**A Review of the State of Iowa Procurement Card Program**

**Table 1**

<b>Fiscal Year Ended June 30,</b>	<b>Procurement Card Purchases</b>	<b>Number of Transactions</b>	<b>Number of Cardholders</b>	<b>Number of Participating Agencies</b>	<b>Average Transaction Amount</b>
2001	\$ 535,868	7,668	646	26	\$ 69.88
2002	1,300,724	13,808	741	28	94.20
2003	4,179,809	23,917	856	42	174.76
2004	5,351,236	27,756	1,076	46	192.80
Total	\$ 11,367,637				

Source: Commerce Bank

The extent to which procurement cards are used varies among state agencies. Some state agencies issue cards to employees in the purchasing or accounts payable areas only, while others have issued cards to many employees with minimal purchasing responsibilities. There were only five state agencies with more than \$100,000 of procurement card purchases during fiscal year 2003. However, the level of activity is likely to increase as state agencies continue to increase the number of employees using procurement cards and increase the types of expenditures for which procurement cards are used. The average transaction amount remains very low; especially given the established limits on the cards. The average transaction amount in fiscal year 2003 was only \$174.76, an increase of 150% from fiscal year 2001.

**Table 2** identifies the types of items purchased using procurement cards. Approximately 86% of the procurement card purchases were for supplies and materials and 11% were for non-inventory equipment and repairs.

**Table 2**

<b>Description</b>	<b>Fiscal Year Ended June 30,</b>			<b>Total</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	
Travel and subsistence	\$ 1,653	3,874	9,188	14,715
Supplies and materials	493,972	1,189,676	3,534,067	5,217,715
Contractual services	17,216	43,909	78,507	139,632
Equipment and repairs	31,041	74,084	586,751	691,876
Claims and miscellaneous	1,033	1,672	7,280	9,985
Licenses, permits and refunds	-	4,623	60	4,683
State aid and credits	823	3,336	3,801	7,960
Plant improvement and additions	-	-	358	358
Total	\$ 545,738	1,321,174	4,220,012	6,086,924

Source: IFAS

## **Report Overview**

Making purchases using a procurement card may be more efficient and less costly than the traditional method of procurement, depending on the circumstances. However, procurement cards also increase the risk of fraud and misuse occurring and going undetected. The use of procurement cards has eliminated some controls over purchasing, such as segregating duties between the requesting, approving, purchasing and receiving functions. With a procurement card, the cardholder can decide what to purchase, make the purchase without pre-approval and receive the item.

Because eliminating controls increases the risk of improper purchases, an effective review and oversight process is essential to ensure procurement card purchases are necessary, proper and at the best price. Our review identifies concerns with current State procurement card guidelines and procedures, controls and procedures at selected state agencies and other common problem areas with procurement card usage. The recommendations included in this report will enhance the on-going efforts to improve the procurement card program within State government. The remainder of this report is organized as presented in **Table 3**.

**Table 3**

<b>Report Section</b>	<b>Description</b>
Objectives, Scope and Methodology	Summary of the review's focus, scope and methodology.
Procurement Card Process	Summary of procurement card issuance, controls, limits and use. Also information about the billing and payment process, Smart Data Online software, administrative fees, rebates from using the card and the goals and benefits of the program.
Findings and Recommendations	Summary and detailed examples of findings and related recommendations for improvements.
State Agencies Selected for Testing:	Natural Resources Iowa Veterans Home Public Defense Fort Dodge Correctional Facility Public Health Public Safety Vocational Rehabilitation Services Woodward State Resource Center Information Technology
Schedules	Summaries of cardholder activities by agency and fiscal year.

The 2003 Regular Session of the 80th General Assembly of the State of Iowa enacted House File 534 which provided for the reorganization of certain State agencies by establishing a Department of Administrative Services. Effective July 1, 2003, several agencies were renamed as a result of the reorganization. The Department of General Services and the Information Technology Department were included as part of the reorganization and have been renamed the General Services Enterprise and the Information Technology Enterprise within the Department of Administrative Services.

## **Objectives, Scope and Methodology**

### **Objectives**

Our review was conducted to determine whether:

- General Services has effectively administered the procurement card program, provided necessary guidance to state agencies and ensured compliance with relevant policies and procedures.
- State agencies have implemented effective procedures and controls to ensure employees used procurement cards in accordance with State purchasing requirements as established by General Services in Iowa Administrative Code [401] Chapter 7 and the State of Iowa Procurement Card Program Procedures Manual. Purchasing requirements are now found in Iowa Administrative Code [11] Chapter 105.
- Procurement cards were issued to employees in accordance with their assigned job responsibilities and the purchasing limits established for the employees were appropriate.
- Procurement cards were used by cardholders in accordance with State requirements.

### **Scope and Methodology**

To gain an understanding of the procurement card program, we:

- reviewed the contract with Commerce Bank,
- interviewed staff from General Services and selected state agencies,
- reviewed the procedures and requirements for the procurement card program,
- reviewed selected agency policies and procedures for procurement cards,
- obtained the number, names, limits and duties of cardholders from selected state agencies
- examined supporting documentation for selected procurement card purchases and
- reviewed card usage and analyzed purchasing trends to the extent possible.

To analyze procurement card transactions, we obtained statewide procurement card expenditure data from the State of Iowa Financial Accounting System (IFAS) for July 1, 2000 through June 30, 2003. This data detailed procurement activity by agency, account, date and amount. In addition, we obtained monthly transaction detail from Commerce Bank. This information included the agency, date and amounts but did not include cardholder detail. **Schedule 1** summarizes procurement card purchases by agency for the three years.

To conduct a detailed review of card use, we obtained the Commerce Bank monthly statements. We examined the transaction information for selected state agencies and judgmentally selected specific transactions to test. We examined supporting documentation for each selected transaction to determine compliance with State purchasing policies, General Services' procurement card guidelines and the agency's own procurement card policies.

For our detailed testing, we selected the five state agencies with the highest procurement card activity during the three fiscal years ended June 30, 2003. We also judgmentally selected four additional agencies for testing. The procurement card purchases of the nine agencies selected for testing comprise 85% of the State's total procurement card

**A Review of the State of Iowa Procurement Card Program**

purchases for the three year period. The procurement card activity for the nine agencies selected for testing is summarized in **Table 4**.

**Table 4**

Agency	Fiscal Year Ended June 30,			Total
	2001	2002	2003	
Natural Resources	\$ 194,516	603,813	983,995	1,782,324
Iowa Veterans Home	128,289	116,631	1,027,454	1,272,374
Public Defense	24,972	298,118	601,767	924,857
Fort Dodge Correctional Facility	15,317	50,227	503,099	568,643
Public Health	10,633	14,726	340,545	365,904
Public Safety	15,775	14,959	45,356	76,090
Vocational Rehabilitation Services	-	-	58,995	58,995
Woodward State Resource Center	1,873	6,606	41,920	50,399
Information Technology	9,364	17,902	22,731	49,997
Total	\$ 400,739	1,122,982	3,625,862	5,149,583

Source: Commerce Bank

We also evaluated controls, the reconciliation process and documentation requirements at each of the selected state agencies. While we found few improper purchases, we did identify weaknesses with the controls and oversight over the procurement card process that unnecessarily exposes the State to potential abuse of the card.

Detailed transaction activity by cardholder is not received by General Services, nor were we able to obtain it for the time period tested from Commerce Bank. Individual cardholder information is only available from the state agencies using the Smart Data Online system. In addition, we were not able to obtain information by vendor or changes made to the blocked merchant category codes applied to the cards.

We also attempted to review the number of purchases under \$1,000 made through the traditional procurement method that could have possibly been made with a procurement card. Due to the volume of transactions under \$1,000 recorded on IFAS, we were not able to efficiently review this activity.

As illustrated by **Table 5**, the amount of activity recorded on the Iowa Financial Accounting System (IFAS) varies from the activity reported by Commerce Bank. The information obtained from IFAS represents payments made by the State of Iowa to Commerce Bank. The activity reported by Commerce Bank is based on the actual date of the procurement card purchase and cuts off on the last day of the billing cycle. Most agencies accrue the purchases between the statement date and June 30.

**Table 5**

Fiscal Year	IFAS	Commerce Bank	Difference
2001	\$ 545,738	535,868	9,870
2002	1,321,174	1,300,724	20,450
2003	4,220,012	4,179,809	40,203
Total	\$ 6,086,924	6,016,401	70,523

The differences between IFAS and Commerce Bank are largely the result of amounts accrued on IFAS, finance charges and late fees. The Commerce Bank amounts include actual purchases only and do not include finance charges and late fees.



## Procurement Card Process

### Card Issuance

State employees may become cardholders after approval by the appropriate officials in their agency and upon completion of the “Procurement Card Agreement Cardholder Account Setup Form”. The agreement must be signed by the appropriate agency officials and submitted to the agency coordinator. Once a potential cardholder is approved, the agency coordinator sends a copy of the agreement to Commerce Bank. Once the request is received by Commerce Bank, a card is issued and sent to the agency coordinator. The card is not valid until the agency coordinator has called Commerce Bank to activate the card. Each agency may develop policies regarding potential cardholders and how the internal request and authorization process is carried out.

The State’s procurement card program does not limit the number of employees that may be issued procurement cards. General Services does not provide guidance or criteria related to the number or job responsibilities of employees who should have procurement cards. Currently, the issuance of cards is not necessarily based on job responsibilities and their need to make purchases. Discretion is left to individual agency administrators to determine if an employee is issued a procurement card. The individual agency sections of this report include tables illustrating cardholders by job title and credit limits.

**Schedules 2 through 4** detail the number of cards issued for all participating agencies for the three years ended June 30, 2003. **Table 6** shows the number of cards issued at the nine agencies selected for testing as a % of full-time employees. One out of every two employees at DNR has been issued a procurement card, while no other agency tested has issued cards to over 10% of its employees.

Agency	Number of Cards Issued	Number of Full Time Employees at June 30, 2003	% of Cardholders to Employees
Natural Resources	476	894	53.2%
Iowa Veterans Home	63	736	8.6%
Public Defense	32	328	9.8%
Fort Dodge Correctional Facility	5	368	1.4%
Public Health	7	397	1.8%
Public Safety	32	862	3.7%
Vocational Rehabilitation Services	16	357	4.5%
Woodward State Resource Center	4	643	0.6%
Information Technology	8	115	7.0%

Source: Number of full time employees was obtained from Centralized Payroll at June 19, 2003.

We found no documentation at any of the nine state agencies tested that officials analyzed employee purchasing patterns or needs to determine who should receive cards. When cards are issued to employees with limited purchasing responsibilities and, in some cases, when purchases are made without pre-approval, it becomes very difficult to effectively control and manage the use of the cards.

As shown in **Table 6**, DNR had issued 476 procurement cards at June 30, 2003, which represents 53% of its employees. DNR has delegated more purchasing authority than the other state agencies tested. DNR issued cards to 71 biologists, 79 park managers

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and rangers, 92 conservation officers and 118 natural resources technicians. DNR has issued cards to field staff with limited purchasing responsibilities.

It may be more efficient and less time-consuming for a few staff to have procurement cards and coordinate purchases for other employees or field office staff instead of having so many employees making purchases.

### **Card Controls and Limits**

The State of Iowa holds each individual cardholder accountable for his or her card. Cardholders and their agencies are responsible for ensuring every transaction meets the State's guidelines and has proper supporting documentation. Procurement cards are to be used for business expenditures only and should not be used by anyone other than the assigned cardholder. Several controls and procedures, such as single transaction and monthly limits, acceptable Merchant Category Codes (MCC) and supporting documentation, are required to reduce the risk of unallowable purchases and the State's exposure in cases of card misuse.

**Controls on Cards** - The State is able to electronically block procurement cards from being used at certain categories of merchants or transaction types. Merchant Category Codes is a system used throughout the credit card industry categorizing vendors by the type of products or services they provide. For example, travel expenses are not allowable purchases with the procurement card. The MCC for hotels/motels could be blocked on the procurement card. If a cardholder attempted to use the card at a motel, the purchase would not be able to be processed. **Appendix A** is a list of the MCCs initially blocked on all procurement cards when issued. Each agency is able to open blocked MCCs or block additional codes, as deemed necessary. Per the procedures manual, changes to MCCs are to be communicated in writing to the state administrator. Of the nine agencies tested, six agencies indicated they made changes to the MCCs. All six of these agencies made the changes by contacting Commerce Bank directly, with only three agencies also notifying General Services of the change. According to the state administrator, notification to General Services was usually via e-mail. Documentation of the notifications was not readily available from General Services, nor were changes to the MCCs available from Commerce Bank.

There are potential problems with the MCC system because codes may not exist for every combination of vendor types or a code may include such a wide variety of vendor types that the effectiveness is limited. For example, alcoholic beverages and pharmaceuticals are not allowable purchases with the procurement card. Procurement cards can block codes for liquor stores and pharmacies. However, many supermarkets and large retail stores, such as Target and Wal-Mart, also carry these items. Large retail stores are convenient and carry many of the items cardholders need to purchase. Therefore, it is not realistic to block the MCC for these types of vendors.

The initial monthly purchase limit is \$10,000 with a single transaction limit of \$1,000. This limit may be adjusted by the state administrator depending on the particular situation and needs of an agency and the cardholder. The monthly and single transaction limits are not based on cardholder duties or expected purchases. Neither General Services nor the agencies adjust limits as a result of an analysis of spending patterns of cardholders. The procedures manual states the "credit limits will be reviewed periodically and may be adjusted by the State of Iowa Procurement Card Program Administrator." General Services has not reviewed or adjusted the credit limits to date. At the nine agencies tested, eight indicated they made changes to monthly and single transaction limits. Only three of these agencies indicated they notified General Services when making the changes.

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**Table 7** summarizes the number of cardholders for certain ranges of monthly card limits at June 30, 2003. As illustrated by the **Table**, 591 cardholders still have the initial limit of \$10,000 on their procurement cards. The last range of \$100,000 to \$200,000 limits is comprised of nine cardholders with a \$100,000 limit, two cardholders with a \$150,000 limit and one cardholder with a \$200,000 limit.

**Table 7**

<b>Number of Cardholders</b>	<b>Monthly Credit Limits</b>
88	\$1 to \$2,000
23	\$2,500 to \$4,500
112	\$5,000 to \$7,500
591	\$10,000
22	\$15,000 to \$35,000
8	\$50,000 to \$70,000
12	\$100,000 to \$200,000
<hr/> 856 <hr/>	

For the nine agencies selected for testing, there were 25 cardholders with monthly credit limits over the standard limit of \$10,000. Agency officials indicated the higher limits were necessary for emergency purposes and for purchasing agents who make purchases to support the daily operations of the agency.

For the cardholders at the nine agencies tested with limits over \$10,000, **Schedule 5** identifies their actual averages for the most recent time period available. As shown in the **Schedule**, none of the 26 cardholders tested had an average actual monthly purchase amount near their monthly credit limit. Only two cardholders averaged monthly purchases exceeding 50% of their monthly credit limit. Of the cardholders tested, the highest average monthly purchase amount was \$59,029 for a cardholder with a \$200,000 monthly credit limit. The lowest average monthly purchase amount was \$0 for a cardholder with a \$100,000 monthly limit.

Actual average transaction amounts were also significantly lower than established transaction limits. None of the 26 cardholders tested had an average transaction amount within 50% of their transaction limits. There were only two cardholders with average transaction amounts over \$1,000 and both of these cardholders had transaction limits of \$100,000.

In addition, based on our observations of activity for cardholders with the standard limits of \$10,000 per month and \$1,000 per transaction, most cardholders averaged significantly less than their established limits. The higher credit limits unnecessarily expose the State to additional risk. The card limits are currently not determined or adjusted based on actual spending patterns.

We also identified instances in which cardholders were able to circumvent their card's transaction limit by having the vendor split the purchase into multiple transactions. The transactions are summarized in **Schedule 6**. In addition, in some of these instances, the splitting of the transactions may have also allowed the cardholder to circumvent bidding requirements.

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## A Review of the State of Iowa Procurement Card Program

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**Unallowable Uses** - General Services has established a list of items not allowed to be purchased with the State's procurement card. The procedures manual identifies the following unallowable items:

Alcoholic beverages*	Hospitality/Entertainment*
Animals	Interdepartmental expenses
Automotive repairs and parts (except for DOT)	Leases
Association dues and membership fees	Personal items
Business cards	Printing
Capital equipment	Rental of large equipment on long term basis
Cash advances	Telephones, equipment/expenses
Conference registrations	Travel, travel related expenses
Controlled substances	Weapons, ammunition
1099 Reportable purchases	

\* Except for the Iowa Veterans Home

The procedures manual includes exceptions to certain unallowable items for specific agencies. For example, the Iowa Veterans Home is allowed to purchase alcoholic beverages and certain entertainment expenses for its residents. Per the State Administrator, there are also other exceptions allowed on an agency basis dependent upon the agency's needs and services it provides. For example, the Department of Natural Resource allows ammunition to be purchased by its law enforcement officers for required firearms training. The procedures manual does not address a process for obtaining exceptions to the unallowable items, nor was there documentation at General Services or the state agencies to show General Services' approval of any exceptions.

The procurement card program has been expanded to allow purchases from General Services' statewide contracts, non-state contract purchases up to \$2,500 and all Certified Targeted Small Business purchases up to \$5,000. For any of these purchases exceeding \$500, agencies are required to acquire three informal bids and must include documentation of the bids in their files.

All purchases on a State of Iowa procurement card are to be sales tax exempt. The State of Iowa is exempt from paying sales tax under *Code of Iowa* Chapter 422.45. Cardholders have the responsibility to ensure sales tax is not charged at the point of sale. In an effort to eliminate the charging of sales tax, the cards have "Sales Tax Exempted" printed on the face of the cards. General Services' procedures state if a vendor does charge sales tax, agency personnel must try to have the sales tax reversed. However, for sales tax amounts that are de minimis (so small as to make accounting for it unreasonable or administratively impractical), agency personnel are to make a good faith effort to have the sales tax reversed, but if unsuccessful, should document the effort made and explain further effort will not be made due to the small amount involved.

**Agency Controls** – General Services' procedures require all purchases be supported by a vendor's original receipt. An acceptable receipt must include vendor name, amount, date and itemized description of item(s) purchased. If a purchase is made by telephone, a detailed itemized packing slip with dollar amounts may be used when this is the only receipt available. When vendor's receipts do not contain all the required information or a receipt is not available, the cardholder should include the packing slip with detailed information and also note the items purchased. A "Purchase Documentation Form", which is included in Appendix D of the procedures manual, may be used for documentation of items purchased when a detailed receipt is not available. General Services "highly recommends", but does not require, the Purchase Documentation Form for all purchases and/or the use of a monthly transaction log. The log is a method to organize purchases made with the card. Of the nine state agencies selected for testing, six indicated they do not use or require the transaction log, one indicated staff are instructed to use the log, but usage is not verified, and two state agencies require the log.

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Agency officials are responsible for establishing and implementing controls over procurement cards at their respective agencies. These controls should include:

- Segregation of duties,
- Appropriate card limits that are not excessive based on employee’s responsibilities,
- Adequate training for employees regarding card policies and procedures,
- Reconciliation of receipts to monthly statements,
- Proper authorization of purchases.

Segregation of duties among employees is important to prevent an individual employee from handling duties which are incompatible. At four of the nine agencies tested, the agency coordinators are also cardholders. Because some agency coordinators issue and approve procurement cards, oversee or perform the reconciliation process and have the authority to change limits and blocked MCCs, the risk of misuse increases when coordinators also possess or use the cards. **Table 8** identifies the number of agency coordinators that also have a procurement card for the agencies tested.

**Table 8**

<b>Agency</b>	<b>Number of Agency Coordinators</b>	<b>Number of Coordinators with a Procurement Card</b>
Natural Resources	4	1
Iowa Veterans Home	2	2
Public Defense	2	-
Fort Dodge Correctional Facility	2	-
Public Health	2	2
Public Safety	1	-
Vocational Rehabilitation Services	1	-
Woodward State Resource Center	2	2
Information Technology	2	-

Of the 42 agencies active in the procurement program at June 30, 2003, 32 agencies had agency coordinators that also had been issued procurement cards.

**Card Use**

**Schedules 2** through **4** summarize the total disbursements, number of transactions and average transaction amounts for each agency for fiscal years 2001 through 2003. Forty-two agencies participated in the procurement card program during fiscal year 2003. As illustrated by the **Schedules**, the total disbursements increased from \$535,868 in fiscal year 2001 to \$4,179,809 in fiscal year 2003. As illustrated by **Table 2**, the primary use of the procurement cards has been for supplies and materials.

**Table 9** identifies the three agencies with the largest dollar volume of procurement card transactions for fiscal year 2003. As illustrated by the **Table**, the average dollar amount per transaction for all agencies has increased from \$69.88 in 2001 to \$174.76 in 2003. While this is a 150% increase, the \$175 average transaction is still well below the \$1,000 transaction limit initially established on the cards. It is not possible to readily determine the number of purchases that occurred through the traditional procurement method that could have been made with a procurement card.

**Table 9** also illustrates a large increase between fiscal years 2002 and 2003 for the Iowa Veterans Home in the dollar volume of procurement card purchases, the number of transactions and the average transaction amount. This occurred with only two additional cards. While the number of transactions increased 154% and the average transaction amount increased 248%, the dollar volume of purchases made with the procurement card increased 781%. With only three additional cards between fiscal years 2002 and 2003, Public Defense doubled the dollar volume of purchases made with procurement cards and the number of transactions.

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**Table 9**

	<b>Iowa Veterans Home</b>	<b>Natural Resources</b>	<b>Public Defense</b>	<b>Total for all Agencies</b>
<b>Dollar Volume:</b>				
2001	\$ 128,289	194,516	24,972	535,868
2002	116,631	603,813	298,118	1,300,724
2003	1,027,454	983,995	601,767	4,179,809
<b>Number of Cards:</b>				
2001	59	400	9	646
2002	61	441	29	741
2003	63	476	32	856
<b>Number of Transactions:</b>				
2001	1,520	3,624	83	7,668
2002	1,307	8,506	1,006	13,808
2003	3,319	11,222	2,073	23,917
<b>Average Transaction Amount:</b>				
2001	\$ 84.40	53.67	300.87	69.88
2002	89.24	70.99	296.34	94.20
2003	309.57	87.68	290.29	174.76

Source: Commerce Bank. The number of cards was estimated by Commerce Bank because historical data was not available.

During our review, we identified several purchases made with procurement cards that did not comply with the standards established by General Services. These items included purchases of telephone equipment, copying services and meal reimbursements. In addition, we identified instances in which it appears cardholders split purchases to avoid transaction limits. Additional detail on these items can be found in the Findings and Recommendations section of the report.

The convenience of the procurement cards makes it more likely traditional purchasing methods and policies will not consistently be followed. When purchasing is decentralized, it is more difficult to determine if the good/service is really necessary and if it is obtained at the best price. Since the cardholders often are making the decision on whether to make the purchase, what vendor to use and how much to spend, there is additional risk the State will pay for items that are not needed or were not purchased at the best price.

In a decentralized purchasing environment, it is also difficult to ensure State contracts are used when they are available. Per the Iowa Administrative Code, [11] Chapter 105.15(4), "An agency may purchase a comparable good or service of general use available on a master agreement from a different vendor if the quantity required or an emergency or immediate need makes it cost-effective to purchase from a non-master agreement vendor." If such a case arises, the reason for the use of the alternate vendor should be documented and attached to supporting documentation.

In addition, when purchasing is decentralized, it is more difficult for agencies to control the amount of purchasing. With the use of procurement cards, discretionary or convenience spending may increase because prior approval of purchases is not always required. This may lead to spending more dollars than budgeted for items such as supplies. It also allows an employee to purchase items in larger quantities than may actually be needed or with unnecessary features.

## **Billing and Payment Process**

Commerce Bank generates billing statements monthly which are mailed to the applicable state agencies. All amounts owed on the procurement cards are due and payable in full twenty-five (25) days after the date of the statement. Commerce Bank also mails a monthly “memo statement” to the cardholders. This statement details charges billed for the individual cardholder and contains transaction date, supplier/vendor name and dollar value charged. The cardholder is responsible for reviewing the memo statement and reconciling the charges to receipts retained from purchases. The cardholder is responsible for resolving any errors or discrepancies on this statement per the procedures manual.

The statement and all supporting documentation should be sent to the cardholder’s supervisor for approval and “spot audit”. General Services does not provide any further guidance on the “spot audit” process referred to in the procedures manual. The approved statement and support is then sent to the Accounting/Accounts Payable Section. The agency coordinator or other accounting personnel receives a master statement/invoice from Commerce Bank for all cardholders which is compared and reconciled to the supporting documentation prior to payment. The actual process for each agency tested is included in the individual agency sections later in the report.

The procedures manual states “the DRF may review agency’s controls in regards to the process involved in the payment of the credit card balance. This may be a specific review or may be done during the post-audit process.” DRF is now the State Accounting Enterprise within the Department of Administrative Services. State Accounting Enterprise staff indicated they do not perform any specific reviews of procurement card transactions. Procurement card transactions are only reviewed if selected during the post-audit process, but this does not include reviewing supporting documentation at the agency.

## **Smart Data**

From January 2000 to May 2001, Commerce Bank provided agency coordinators the capability to electronically request and review procurement card transaction activity. Agency coordinators had the ability to obtain reports using a software package called Smart Data. According to the original contract with Commerce Bank, the State of Iowa received one copy of the Smart Data software. The contract also allowed additional copies to be obtained at an annual cost of \$250 each, although according to a Commerce Bank representative, they did not charge for the software at that time.

The reports were developed to provide complete procurement card data and information to properly enter the cost into the agencies’ accounting records. The reports included information such as the individual transactions for each card (vendor, date of transaction, amount of transaction, any credits or adjustments to the account) and the account code to which each transaction is to be posted (based on the merchant category code).

After adding cost center information, the agency coordinators could edit the data into formats used to process claims. The data could also be used to track purchase information prior to receipt of the monthly billing statements. In addition, it could be used to assist with reconciliations and to review activity by cardholder. However, not all participating agencies used the report available from the Smart Data software.

Beginning in May of 2001, Commerce Bank provided agencies with an updated version of the software, Smart Data Online (SDOL). SDOL enables users to access transaction or card information and obtain standard or customized reports using an internet connection. Agency coordinators and individual cardholders (at the discretion of the agency coordinator) are assigned an identification and password to access SDOL.

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The cost center information previously added by agency personnel is now automatically included in the SDOL reports. The information can still be edited and formatted for use in processing claims, reconciling activity and reviewing activity by cardholder. Detailed transaction history up to 16 months old is available at any given time, not to precede the date the agency coordinator obtained access to SDOL. Not all agencies participating in the procurement card program use SDOL. Of the nine agencies selected for our testing, six were using SDOL at the time of our review.

**Administrative Fee**

Prior to July 1, 2004, General Services assessed a 1.0% administrative fee on the amounts paid to Commerce Bank. General Services' policy was to charge a 1.0% fee on all purchases made by agencies under General Services' negotiated contracts as a method of recovering the costs of negotiating the contract. All purchases on the procurement card were charged the administrative fee since General Services negotiated the procurement card contract with Commerce Bank. We were not able to determine the administrative fee received from just procurement card purchases from IFAS. The administrative fee on IFAS is the total received for all purchases on state contracts. Therefore, we have calculated the administrative fee based on total payments to Commerce Bank less purchases by exempt agencies and procurement card purchases not properly coded. When using the procurement card, agencies are to use "CT" as the first two digits in the document number. We identified a few agencies that did not always code transactions in this manner and these are deducted from the total in our calculation. As illustrated in **Table 10**, the estimated amount of administrative fee collected by General Services as a result of procurement card purchases in the last three fiscal years is \$58,303.

	<b>Fiscal Year</b>			
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>Total</b>
Total payments to Commerce Bank per IFAS	\$ 545,738	1,321,174	4,220,012	6,086,924
Less amounts not properly coded or exempted from administrative fee	(63,608)	(81,327)	(111,658)	(256,593)
Adjusted Total	\$ 482,130	1,239,847	4,108,354	5,830,331
1.0% administrative fee	\$ 4,821	12,398	41,084	58,303

General Services considers certain entities exempt from the administrative fee since they have been given their own purchasing authority by the *Code of Iowa*. **Table 11** identifies the entities and the *Code* section providing the exemption. As illustrated by the **Table**, we were unable to locate a provision in the *Code* exempting the Iowa Communications Network (ICN) from General Services' purchasing provisions. While section 751 of the Iowa Administrative Code includes ICN's own purchasing policies, section 8D.3 (1) of the *Code* states "the commission is subject to the general operations practices and procedures which are generally applicable to other state agencies."

<b>Agency</b>	<b>Code Section</b>	<b>Agency</b>	<b>Code Section</b>
Judicial Branch	18.3	Iowa Communications Network	--
Legislative Branch	18.3	Iowa Lottery Authority	99E.9
Department for the Blind	18.3	Iowa Prison Industries	904.813
Board of Regents Institutions	18.3	Department of Transportation	18.3



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While the *Code of Iowa* exempts these agencies from General Services' purchasing rules, it does not prohibit them from utilizing statewide negotiated contracts. When the agencies choose to use a contract negotiated by General Services, they are not charged the administrative fee. Several of the exempt agencies do use the procurement card, but they are not required to pay the 1.0% administrative fee or a card issuance fee.

Beginning July 1, 2004, General Services revised the method used for assessing the administrative fee. A flat fee, now called a subscription fee, will be billed each month to agencies that paid the administrative fee in the past. The subscription fee is based on the average administrative fees paid by each agency during fiscal years 2001 through 2003 plus an additional 19%.

**Rebates from Card Usage**

The agreement with Commerce Bank provides for a rebate to the State of Iowa based on dollar volume of card use. The rebate is calculated based upon the following factors: a 30-day billing cycle and a 25-day grace period for payment, the net purchase volume (gross purchases less credits and cash advances) and a minimum average monthly transaction amount of \$150 (gross purchases divided by gross transactions). The original contract with Commerce Bank established the rebate schedule shown in **Table 12**.

**Table 12**

<b>Monthly Net Purchase Volume</b>	<b>Rebate on Net Purchase Volume</b>
< \$500,000.00	None
\$500,000 to \$749,999.99	.20%
\$750,000 to \$999,999.99	.25%
\$1,000,000 to \$1,249,999.99	.30%
> \$1,250,000.00	.35%

Prior to April 2003, the State of Iowa had not exceeded \$500,000 in monthly activity. Therefore, a new rebate schedule was negotiated, effective April 25, 2003 through the end of the agreement with Commerce Bank. The new schedule is shown in **Table 13**.

**Table 13**

<b>Monthly Net Purchase Volume</b>	<b>Rebate on Net Purchase Volume</b>
< \$350,000.00	None
\$350,000 to \$399,999.99	.10%
\$400,000 to \$749,999.99	.20%
\$750,000 to \$999,999.99	.25%
\$1,000,000 to \$1,249,999.99	.30%
> \$1,250,000.00	.35%

With the new negotiated rebate schedule, \$1,855.77 was received from April through June 2003. **Table 14** illustrates the amount received each month. The rebate is deposited to General Services' centralized purchasing revolving fund which is used to account for the expenses related to the purchasing department.

**Table 14**

<b>Month</b>	<b>Monthly Activity</b>	<b>Rate</b>	<b>Amount Received</b>
April 2003	\$ 415,577.95	.20%	\$ 831.16
May 2003	336,422.46	None	-
June 2003	512,305.51	.20%	1,024.61
Total			<u>\$ 1,855.77</u>

**Goals/Benefits of the Program**

General Services identified 15 goals of the procurement card program. The goals are listed on page 9 of this report. Several of the goals related to reducing administrative costs by streamlining the purchasing process. Specifically, General Services anticipated the procurement card program would simplify the purchasing process and reduce accounting process cycle time. In addition, the program would provide better use of personnel resources and time and enable buyers to spend more time on value-added activities.

We interviewed purchasing/accounting officials at the state agencies selected for testing and asked whether the procurement card process reduced or increased the accounting/administrative time at their agency. In addition, we asked about their expectations for staff time as procurement card usage increases. Based on the responses from agency officials, we can not determine whether the procurement card program has actually resulted in lower administrative costs or time. Three agencies indicated the process was faster and reduced overall processing and administrative time. Some agency officials believe the procurement card saves time for their purchasing staff, while increasing time for others involved in the review and reconciling processes, with little change overall. Other state agencies indicated they have not experienced a decrease in their administrative workload. In fact, two state agencies with a high volume of card activity have actually experienced an increase in time necessary to process card payments as a result of additional review and reconciliation procedures. None of the agencies tested were able to identify any reductions in staff.

Several of the remaining goals could not be verified, including the savings of \$25 in transaction costs on every purchase and possible price discounts on purchases made with credit cards. General Services has not performed a formal analysis to determine if the goals of the program were realistic or have been achieved.

**State Agencies Selected for Testing**

We have summarized the procurement card procedures, controls and activity for the nine state agencies selected for review on pages 40 through 68 of this report.

## Findings and Recommendations

As a result of our review, we identified the following findings and recommendations that should be considered by General Services Enterprise of the Department of Administrative Services, the Governor and the General Assembly. While some of our findings result from testing at specific state agencies, we believe the Department of Administrative Services and all state agencies using procurement cards should consider these findings when developing and implementing controls over purchases made with the procurement cards.

**FINDING 1 – Segregation of Duties** – During our testing at selected agencies, we reviewed the procedures for using procurement cards, performing monthly reconciliations and processing payments to Commerce Bank. An important aspect of internal control is to establish procedures providing accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check of those of another and provide a level of assurance that errors or irregularities will be noted within a reasonable time during the course of normal operations.

Based on our findings and observations, we determined several agencies had agency coordinators who were also cardholders that could approve an expenditure request, purchase the item, code it in the accounting system, then review and approve the purchase when the monthly bill was processed for payment. In addition, the agency administrators also have the capability to change controls placed on their cards, such as credit limits and blocked MCC codes.

While Smart Data Online has both a “cardholder reviewed” box and a “supervisor reviewed box”, we observed a cardholder check off both boxes, bypassing the controls established by the system.

**Recommendation** – To ensure procurement card purchases are proper, supported and any changes to card controls are appropriate, the duties of purchasing, payment approval, monthly reconciliations and authority to make changes to the card should be properly segregated. Specifically, agency coordinators should not have a procurement card assigned to them if they have any of these duties.

In addition, agencies should implement procedures to ensure only authorized employees can access certain areas of Smart Data Online.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 2 – Approval of Procurement Card Purchases** – The Procurement Card Program Procedures Manual prepared by General Services does not require purchases made with procurement cards to have prior approval. Purchases made using traditional purchasing processes require the use of purchase requisitions, purchase orders and receiving reports that must be approved by a supervisory individual. With procurement cards, cardholders can purchase and receive items without supervisory review.

In addition, General Services has not provided guidance to assist agencies in establishing preventative controls to have in place prior to purchases. As a result, some agencies have relied on reviews occurring at the time of payment to determine allowability of purchases. The risk of unacceptable transactions occurring and going unnoticed greatly increases without prior approval of purchases. Also, since pre-approval is not required, there is no opportunity for effective supervisory review of the budget impact of the purchases.

Only five of the nine agencies tested required pre-approval of procurement card purchases. The remaining agencies allow purchases to be made without requiring approval before purchases are completed and rely on after-the-fact review and approval of transactions.

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**Recommendation** – Agencies should require prior approval of purchases exceeding an established dollar amount. In addition, agencies should develop and implement procedures to ensure procurement card transactions are properly reviewed and approved prior to payment. The process should include procedures to:

- Verify purchases made on procurement cards are proper, in accordance with State policies and are for State business.
- Ensure supporting documentation is obtained, retained and in proper order.
- Verify the cardholder has reconciled card activity to the monthly statement.
- Document the review and approval.

**Response** - General Services provides agencies with policies and training regarding the use of procurement cards. If additional training is needed, GSE will be available for assistance, and has a staff person dedicated to the procurement card program.

Agencies make the determinations about the number of codes, and dollar amounts available on the procurement card that a particular employee receives. It would be difficult for GSE to provide oversight to this process, as the actual managers have the best understanding of what type of authority their employees should have regarding decisions about purchases.

**Conclusion** – Agencies should require prior approval of individual purchases exceeding an established dollar amount. The credit limit or transaction limit established for individual cardholders should not be viewed as a preapproval process.

While we did not recommend General Services be directly involved in determining the “number of codes and dollar amounts available on the procurement card for particular employees,” General Services, as administrator of the procurement card program, should provide guidance to the agencies in establishing appropriate controls, such as prior approval of purchases.

**FINDING 3 – Reconciliation of the Monthly Statements and Receipts** – Reconciling receipts to monthly procurement card statements is necessary to ensure state agencies are charged only for items the cardholders purchased. A monthly reconciliation should be performed by the cardholder or agency coordinator before payment. In addition, the reconciliation and the receipts should be provided to the supervisor or agency coordinator for an independent review and approval to ensure all purchases are appropriate.

The Departments of Natural Resources, Public Defense and Public Safety do not consistently perform monthly reconciliations prior to payment to Commerce Bank.

**Recommendation** – Agencies should establish procedures to ensure a monthly reconciliation is performed by each cardholder. The reconciliation and related receipts should be reviewed by an independent party, such as the agency coordinator, to ensure all purchases are appropriate prior to payment.

In addition, General Services should clarify requirements established in the Procurement Card Program Procedures Manual to ensure the reconciliation is performed prior to payment to Commerce Bank.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 4 – Merchant Category Codes (MCC)** – Merchant Category Codes are used throughout the credit card industry to categorize vendors by the type of products or services provided. General Services has identified MCC restrictions to be placed on all procurement cards issued. The blocked MCCs are vendors associated with the type of

items not allowed to be purchased with procurement cards. If an exception to the blocked MCCs is needed, the Procurement Card Program Procedures Manual requires agencies to communicate this, in writing, to General Services.

However, in practice, agencies are able to add or delete MCCs from the blocked list without contacting General Services. According to the state administrator, notification to General Services was usually via e-mail. Neither General Services nor Commerce Bank were able to provide documentation of the notifications or a list of changes made to the blocked MCCs. Of the nine agencies tested, six indicated they made changes to MCCs by contacting Commerce Bank directly. Only three of these agencies indicated notification was also made to General Services.

While there are potential problems with the MCC system because codes may not exist for every combination of vendor types or a code may include such a wide variety of vendor types that effectiveness is limited, it still is a control mechanism that helps prevent abuse of the card.

**Recommendation** - All MCC changes should be requested, in writing, to General Services. General Services should review the need for the change and, if warranted, contact Commerce Bank to authorize the change. Documentation of all changes should be maintained by General Services.

**Response** - GSE agrees that all MCC changes should be requested, in writing to General Services. Additionally, we will contact Commerce Bank to reiterate to them that MCC changes should be made by their contact person at GSE.

**Conclusion** - Response accepted.

**FINDING 5 – Cardholders and Credit Limits** – There are no limitations on the number of cardholders or which employees are eligible to be cardholders. In addition, General Services has not developed guidance or criteria to help state agencies determine which employees should have cards. Nor has guidance been provided to the agencies regarding the types of job duties and responsibilities of employees who should be eligible to obtain a procurement card. As a result, each agency determines who will have a card. Limiting the number of procurement cards is an important factor in effectively managing the risk associated with the procurement card program and minimizing the financial exposure of the State. Cardholders without purchasing responsibilities unnecessarily increase the State's exposure to improper charges and abuse.

For the agencies tested, we identified a number of cards issued to employees with minimal purchasing responsibilities and several cards with little or no usage. As illustrated by **Schedule 5**, five employees of the Department of Public Health with transaction limits of \$100,000 had average transaction amounts ranging from \$301.65 to \$4,407.69 for the period ended June 30, 2004. Two employees of the Fort Dodge Correctional Facility also had transaction limits of \$100,000 and had average transaction amounts of \$207.24 and \$204.27, respectively.

The average transaction amount of procurement card purchases was \$174.79 and \$192.80 for fiscal years 2003 and 2004, respectively. The number of small purchases may indicate purchases are not well-planned or coordinated with others with similar purchasing needs.

Nine employees at the agencies tested had monthly credit limits over \$100,000. Actual average purchases for these cardholders ranged from \$0 to \$59,029.

While there may be some benefits to employees being able to make immediate purchases with a procurement card, there are also added risks and possible inefficiencies with so many employees being able to make purchases. Agencies may forgo quantity discounts and, as a result, not receive the best value.

Although General Services has established standard credit limits of \$1,000 per transaction and \$10,000 per month for each new cardholder, the credit limits can be changed by the

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agency coordinator(s) at each agency without outside authorization or explanation of need. We identified the following for the agencies selected for testing:

Department	Number of Cardholders	Cardholders with Monthly Credit Limits of:		
		Less than \$10,000	\$10,000	More than \$10,000
Natural Resources	476	2	472	2
Iowa Veterans Home	63	59	1	3
Public Defense	32	11	10	11
Fort Dodge Correctional Facility	5	-	3	2
Public Health	7	4	-	3
Public Safety	32	32	-	-
Vocational Rehabilitation Services	16	15	1	-
Woodward Resource Center	4	-	-	4
Information Technology	8	8	-	-
<b>Totals</b>	<b>643</b>	<b>131</b>	<b>487</b>	<b>25</b>

Unnecessarily high credit limits increase the State’s exposure to improper charges and abuse. Neither General Services nor the state agencies tested adjust limits as a result of an analysis of actual spending of cardholders. The Procurement Card Program Procedures Manual states “credit limits will be reviewed periodically and may be adjusted by the State of Iowa Procurement Card Program Administrator.”

**Recommendation** – Procurement cards should be held only by employees with appropriate job duties and purchasing responsibilities. Cards should not be issued only because it is more convenient for the employees. It may not be appropriate and necessary for an employee who makes limited purchases to have a procurement card.

In addition, credit limits should be based on previous activity levels or anticipated needs appropriate for the cardholder. If necessary, credit limits should be increased only temporarily for emergency situations. The approval and necessity of all credit limit increases should be adequately documented.

Agency officials should periodically review the number of issued cards and to whom they were issued to ensure all cardholders actually need the cards issued to them and the credit limits have been established appropriately.

General Services should implement procedures to review credit limits periodically and recommend adjustments, as appropriate.

**Response** - GSE relies on the agencies to properly manage and monitor their employees’ abilities to use the procurement cards. The agencies are in a better position than GSE to evaluate their employees’ job functions and abilities to determine whether a particular purchase is appropriate.

**Conclusion** – We concur the agencies should have procedures in place and operating to properly manage and regularly monitor its employees’ use of procurement cards. In addition, we recommend General Services provide higher-level oversight by periodically reviewing credit limits of active cards and working with the agencies to ensure the credit limits are appropriate or are properly modified.

**FINDING 6 - Cardholder Endorsement** – The Procurement Card Program Procedures Manual instructs cardholders to sign the back of the procurement card once the card is received. A card that does not have the cardholder’s signature in the signature block is technically an invalid card. In the event the card were to become lost or stolen and fraudulent charges were posted to the account, Commerce Bank and/or the vendors to which the fraudulent charges were made have the right to refuse to reimburse the account for any disputed fraudulent charges.

The Department of Public Defense has developed a Departmental purchasing card manual. The manual instructs cardholders to write "Photo I.D. Required" in the signature block of their card.

**Recommendation** – All cardholders should sign their name in the signature block on the back of their procurement card as required by the Procurement Card Program Procedures Manual.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 7 – Iowa Homeland Security and Emergency Management** – At June 30, 2003, the Department of Public Defense held 32 procurement cards. By September 30, 2004, the number of cards issued to Public Defense employees had increased to 227. Of the 195 cards issued during this period, 192 were for Iowa Homeland Security and Emergency Management (HLSEM). Rather than individuals, the cards were assigned to 81 counties and agencies awarded grants by the Office of Domestic Preparedness (ODP). Each grantee was assigned two cards for equipment purchases made under Parts I and II of the grant, respectively. The grant funds awarded to the counties and agencies are administered by HLSEM. The cards were established to enable HLSEM to make one payment per month for equipment purchases made by the grantees, yet track the purchases on a grantee basis.

The cards have monthly credit limits ranging from \$19,483 to \$930,000 and no transaction limits. Credit limits are initially established at the amount awarded to each grantee and adjusted to the remaining amount of the grant after each purchase. All cards are maintained and secured at one location within HLSEM. Three individuals have access to the cards, but four HLSEM employees are authorized to use the cards to purchase equipment for the grantees.

Requests are submitted by grantees and approved by OPD before equipment is purchased. Once bidding procedures are completed and the equipment is delivered, HLSEM personnel authorize payment to the vendor using the appropriate procurement card. Procurement cards assigned to grantees were used to purchase \$77,790 and \$52,280 of equipment during August 2004 and September 2004, respectively.

The manner in which HLSEM has established the administration of the grant has increased the State's risk exposure. Because the cards have not been assigned to specific individuals and several employees have access to them, the potential for misuse is higher than for cards issued in compliance with the Procurement Card Program Procedures Manual. In addition, because the credit limits are established at the grant amount, they are significantly greater than the amount necessary for purchases in any given month. Also, the procurement cards are used exclusively for equipment purchases, which is not allowable in accordance with the procedures manual.

In addition, because of the manner in which the procurement cards have been used as a tracking mechanism for the grants, additional time is necessary to continually make adjustments to the credit limits of individual cards. By making purchases with a traditional State warrant or with one procurement card and recording the purchases to cost centers established for each grantee, HLSEM could track grant expenditures in a more efficient manner.

**Recommendation** – HLSEM should modify its method of administration of this grant by making purchases with a traditional State warrant or a single procurement card and recording the purchase to the appropriate cost center. In addition, HLSEM should implement procedures to ensure all procurement cards are used in compliance with requirements established by the procedures manual.

**Response** - GSE assisted Homeland Security and Emergency Management in setting up this process. The process is based on sound business practices which supports the

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vendor community by insuring prompt payment, allows the various counties to track purchases that are funded by a specific amount of grant money given to the counties, and eases the demands of accounting processes. GSE believes this process implements checks and balances because each procurement card has a limit of the amount of the grant money given to the county, and if purchases are not proper under the provisions of the grant, the remaining money is taken back.

**Conclusion** – We disagree with General Services’ response. The procurement card program should not be used to track purchases for each of the grants awarded to counties. The procurement card is a payment method, not an accounting system. The State’s accounting system should be used to track purchases for specific grants, programs and cost centers.

Having 192 procurement cards stored in one location, each having credit limits ranging from \$19,483 to \$930,000, exposes the State to more risk than would be present if the purchases were made with procurement cards that were issued and held in accordance with procedures established by the State of Iowa Procurement Card Program Procedures Manual.

Each card is issued to the same individual, is accessible by three people and four people are authorized to use it. In accordance with the “Card Security” section of the State of Iowa Procurement Card Program Procedures Manual, “each procurement card is issued in an employee’s name and is to be used for business expenditures only; it must not be used by anyone other than the assigned cardholder.”

Based on recent discussion with staff from HLSEM, they agree with our recommendation and plan to eliminate the cards and identify alternative tracking methods.

**FINDING 8 – Multiple Cards / Cancellation Procedures** – In order to decrease the State’s exposure to fraud and misuse of procurement cards, no employee should be issued more than one procurement card. We identified the following instances where a cardholder had more than one card or a card was not canceled in accordance with the procedures manual.

### **Natural Resources**

- One employee left employment with the agency on December 20, 2002. However, her card was not cancelled until October 7, 2004. There were no purchases made with her card between December 20, 2002 and October 7, 2004.
- Two employees were issued cards on March 29, 2000 and then issued a second card on April 27, 2000. The first cards were not cancelled until May 30, 2003 when this was brought to the agency’s attention.
- Two cardholders were issued second cards in April 2002. While the employees destroyed their original cards, which were issued in March and August 2001, these cards have not been cancelled and remain active as of the date of our report.

### **Iowa Finance Authority**

- One cardholder has been issued three procurement cards. The cardholder was issued a different card for each account to which purchases were to be charged.

### **Mount Pleasant Mental Health Institute / Correctional Facility**

- Five cardholders have been issued two cards each, one for the Mental Health Institute and the other for the Correctional Facility. Both agencies have their own appropriation and budget, yet some staff are shared between the two agencies and are issued a card for each agency.



## **Public Defense**

- One employee has been issued two cards because he charges purchases to two different cost centers.

While issuing more than one card to an employee may be helpful in separating purchases to be charged to different programs and/or cost centers, it also increases the State's exposure and risk of misuse.

**Recommendation** – General Services and participating agencies should implement procedures to ensure employees are not issued more than one procurement card. In addition, cards should be immediately cancelled when a cardholder's employment status changes or a card is lost.

Agencies should periodically review an active cardholder list from Commerce Bank to ensure it is correct.

**Response** - GSE believes that issuing more than one card for different accounts is a good business practice, and allows the agency to charge items to appropriate accounts, instead of requiring agencies to review each purchase, and find the appropriate fund from which to pay.

**Conclusion** – As stated in **Finding 7**, we disagree with General Services' response. Issuing more than one card per cardholder is not a good business practice. It is important that independent staff members from each agency review each purchase to ensure they are proper and paid with appropriate funds. Regardless of the payment method, all purchases should be reviewed. While multiple cards provide a more streamlined payment process, they also provide for less effective controls.

**FINDING 9 – Use of Procurement Card by Non-cardholder** - The Procurement Card Program Procedures Manual states "(cards)...must not be used by anyone other than the assigned cardholder."

During our discussions with agency coordinators, two of the nine agencies selected for testing occasionally allowed procurement cards to be used by non-cardholders in order to make necessary purchases. One agency allows field office secretaries to lend their cards to field officers to make purchases. Another agency coordinator indicated there were a few instances where a cardholder loaned their card to another employee even though it was not in accordance with Department policies. The cardholders have been reminded of the policy.

While the actual purchases may be appropriate, the employee using the card is not the authorized user of the card and it is not in compliance with the procedures manual.

**Recommendation** – Procurement cards should not be used by anyone other than the cardholder as required by the procedures manual. The authorized cardholder can make purchases for other employees, but should not "loan" their card to anyone.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 10 – Cardholder Employment** – All cardholders are required to be State of Iowa employees as implied in the Procurement Card Program Procedures Manual. At two of the agencies tested (Natural Resources and Public Defense), we identified two cardholders who were not employees of the State. Both cardholders were hired under contract through Merit Resources.

**Recommendation** – Agencies should implement procedures to ensure all cardholders are employees of the State. General Services should clarify this in the procedures manual to ensure agencies are aware of the requirement.

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**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 11 – Unsupported Transactions** – In accordance with the Procurement Card Program Procedures Manual prepared by General Services, each purchase made with a procurement card must be supported by the vendor’s original receipt or itemized packing slip. An acceptable receipt should include vendor name, amount of purchase, date and itemized description of item(s) purchased. If an itemized receipt can not be obtained, a description of the item(s) purchased should be included with the supporting documentation.

For the agencies tested, we identified 71 transactions that were not supported by appropriate documentation. We also identified 58 transactions supported by documentation that did not include an itemized description of the purchase. All 129 purchases, totaling \$24,066.78, were approved for payment without proper documentation verifying the purchase was appropriate for State business. The following table summarizes the transactions identified by agency.

<b>Agency</b>	<b>Number of Transactions Tested</b>	<b>No Supporting Documentation</b>	<b>No Itemized Description</b>	<b>Amount</b>
Natural Resources	527	6	24	\$ 7,028.67
Iowa Veterans Home	168	-	2	49.20
Public Defense	84	1	6	6,869.62
Fort Dodge Correctional Facility	72	-	-	-
Public Health	60	-	-	-
Public Safety	76	57	4	5,078.68
Vocational Rehabilitation	50	-	21	4,613.00
Woodward State Resource Center	43	-	1	39.40
Information Technology	92	7	-	388.21
<b>Total</b>	<b>1,172</b>	<b>71</b>	<b>58</b>	<b>\$ 24,066.78</b>

General Services recommends cardholders use a monthly transaction log which includes the following information for each purchase:

- Transaction number
- Goods/services description
- Quantity
- Merchant/supplier’s name, address & telephone number
- Total price
- Date ordered
- Date received
- Statement date
- Comment/credit

Currently, only a few cardholders use a transaction log. The log would be helpful to the cardholder during the monthly reconciliation process and would assist an independent reviewer during the payment approval process.

**Recommendation** – All procurement card purchases should be supported by a detailed receipt or other supporting documentation as required by the Procurement Card Program Procedures Manual. Purchases made with procurement cards should not be approved for payment until proper documentation is received from the cardholder. If a detailed receipt is not available from the vendor, cardholders should complete a Purchase Documentation Form, which is included in the procedures manual. In addition, agencies should consider requiring a monthly transaction log be maintained by each cardholder.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 12 – Unallowable Purchases** – The Procurement Card Program Procedures Manual includes a list of items not to be purchased with a procurement card. The list includes travel, weapons and ammunition, telephone equipment and expenses, printing and conference registrations. The procedures manual also includes exceptions to certain unallowable items for specific agencies. According to the program’s state administrator, other exceptions have been allowed on an agency basis, dependent upon the agency’s needs and the services it provides.

The procedures manual does not address a process for obtaining exceptions to the unallowable items, nor was there any documentation at General Services or the agencies to show approval for any exceptions not included in the procedures manual.

We identified unallowable purchases made by seven of the nine agencies tested. The following table summarizes the number of unallowable purchases identified at each of the agencies, the amount of the purchases and examples of some of the unallowable items purchased.

Agency	Number of Transactions Tested	Number of Unallowable Purchases	Amount	Examples
Natural Resources	527	9	\$ 2,942.46	Ammunition, cellular phone & accessories, printing, copies, gun parts/cases
Iowa Veterans Home	168	4	97.97	Tires, staff meals
Public Defense	84	-	-	None
Fort Dodge Correctional Facility	72	1	91.69	Cordless telephones
Public Health	60	-	-	None
Public Safety	76	3	200.00	Auto parts
Vocational Rehabilitation Services	50	3	111.44	Phone cord, telephone, answering machine
Woodward State Resource Center	43	1	194.94	Cordless telephones
Information Technology	92	5	576.49	Phone accessories, cordless phone, audio conference phone
Total	1,172	26	\$ 4,214.99	

During our testing, we also identified other items not allowed to be purchased with a procurement card per the procedures manual. In these instances, the agency coordinators identified the purchase and requested reimbursement from the cardholder.

**Recommendation** – Agencies should establish procedures to ensure procurement cards are used in accordance with the procedures manual. Any exceptions to procedures established by the manual should receive prior approval of General Services.

General Services should adopt a process for granting and documenting exceptions to the list of items not allowed to be purchased by the procedures manual. If General Services has verbally approved permanent exceptions to agencies other than those listed in the procedures manual, the manual should be revised to include these.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 13 - Non-Compliance with Bidding Requirements** - The Procurement Card Program Procedures Manual requires cardholders to obtain three informal bids for all non-State contract purchases between \$500 and \$2,500. In addition, documentation of the informal bids is to be included with support for the purchase. The following instances of non-compliance were identified:

**Department of Natural Resources** - There was no documentation on file of informal bids being obtained for twenty-one non-State contract purchases exceeding \$500. The purchases were for items such as equipment repairs, pumps, equipment parts and parkas. In addition, one of the twenty-one purchases exceeded \$2,500. The procedures manual only allows use of the procurement card for non-State contract purchases under \$2,500.

**Department of Public Defense** - There was no documentation on file of informal bids being obtained for twenty-one non-State contract purchases exceeding \$500. The purchases were for items such as equipment parts, fans, washer/dryer, cabinets, propane and televisions.

**Recommendation** – Agencies should comply with the procedures manual requirement on informal bids for non-State contract purchases between \$500 and \$2,500. The quotes obtained should be documented and included with supporting documentation for the purchase. If it is not possible to obtain bids from three vendors, the reason should be documented and included with the supporting documentation.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 14 – Split Purchases** – Each procurement card issued has a single transaction and monthly purchase limit established upon issuance. The single transaction limit restricts the amount of any single purchase the cardholder can make. A single purchase represents the total purchased at a vendor location and can consist of multiple items.

We identified eleven instances in which cardholders were able to circumvent the transaction limit by having the vendor split the purchase into multiple transactions. The transactions are summarized in **Schedule 6**. In addition, in some of these instances, the splitting of the transactions may have also allowed the cardholder to circumvent bidding requirements.

**Recommendation** – Agencies should make cardholders aware it is not allowable to split transactions. In addition, agencies should develop procedures as part of their monthly review of statements to identify when cardholders circumvent limits established on the cards. Violations should be subject to review and the agency should consider if it is appropriate to cancel the card.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 15 – Other Purchasing Concerns** – The convenience of procurement cards makes it more likely traditional purchasing methods and policies will not consistently be followed. Controls are often lost when individuals are allowed to purchase items usually purchased for the employees by the Purchasing Section of an agency. Several of the agencies we reviewed have allowed employees outside the Purchasing Section to perform at least a portion of the agency’s purchasing. As a result, additional risks are assumed because traditional purchasing methods and policies are less likely to be consistently followed.

- a) **Discretionary Purchases** – The use of procurement cards by employees outside the Purchasing Section precludes the agency from negotiating possible quantity discounts and permits inconsistencies in prices paid. It also allows employees to make purchases in larger quantities than may actually be needed or purchase

items with unnecessary features. The risk of excessive or unnecessary purchases increases with procurement cards, especially if an agency does not require pre-approval of the purchase by someone with an understanding of what the cardholder needs for performing his or her job.

- b) **State Contracts** – In addition, when employees outside the Purchasing Section use procurement cards to make purchases, it is difficult to ensure State contract vendors are used when available. Per Iowa Administrative Code [11] section 105.15(1), an agency may purchase non-State contract goods up to \$5,000 in a competitive manner. The Procurement Card Program Procedures Manual further restricts the use of procurement cards by allowing non-State contract purchases up to \$2,500. Iowa Administrative Code [11] section 105.15(4) also allows an agency to purchase from a non-State contract if the quantity required or an emergency or immediate need makes it cost effective. In these instances, the reason for the use of an alternate vendor must be documented and attached to the supporting documentation for the purchase.

For the transactions tested at the nine agencies reviewed, we identified instances where items were purchased from a non-State contract vendor with no documentation as to why or if the item was purchased at a lower cost than available on a State contract. For example, purchases of items such as computers and accessories, ink cartridges and other supplies were purchased from non-State contract vendors, including Best Buy, Wal Mart and Scheels.

While most of the purchases tested did have a valid business purpose, there were instances where it appeared the number of items purchased may have been excessive since so many individuals were purchasing the same item separately and because some cardholders purchased the item with additional features that may have been unnecessary. In addition, these items may have been able to be purchased together from one vendor with a quantity discount.

By testing only a limited number of purchases at the nine agencies reviewed, we identified the following concerns:

- DNR purchased 13 pairs of binoculars for approximately \$5,900. The price per pair ranged from \$422 to \$500. They were purchased from 4 different vendors.
- DNR purchased 19 digital cameras, ranging in price from \$303 to \$800. The purchases identified totaled over \$8,800 and were purchased from 7 different vendors.
- DNR purchased 18 GPS devices costing approximately \$7,300. They ranged in price from \$326 to \$500 and were purchased from 4 different vendors, none of which were on State contract.
- ITD purchased 3 personal digital assistants (PDAs) costing \$1,423. They ranged in price from \$119 to \$776 and were purchased from 3 different vendors, one of which was on State contract.

**Recommendation** – Agencies should implement procedures to ensure:

- all purchases are necessary and reasonable,
- quantity discounts are obtained when appropriate and
- compliance with State purchasing rules.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

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**FINDING 16 - Proper Coding** – Agencies use the statewide accounting system to record all expenditures. When a disbursement is made, specific information must be entered into the accounting system, including an expenditure code and cost center. This allows expenditures to be tracked by program and expenditure category. For the nine agencies tested, we identified the following:

Agency	Number of Improperly Coded Purchases
Natural Resources	11
Iowa Veterans Home	4
Public Safety	8
Woodward State Resource Center	2
Information Technology	2
Total	<u>27</u>

We also identified personnel from Public Safety coded the vast majority of purchases made with procurement cards to “other supplies and materials.” In addition, as previously reported, many of Public Safety’s transactions were not supported by appropriate documentation. As a result, we were unable to determine if the purchases were properly coded. Of the transactions that were supported, we identified eight purchases that were not properly coded.

In addition, as one of the charter agencies, DNR has authority to use a simplified procurement card “coding” system that does not require purchases to be coded at a detailed expenditure level when the bill is paid. According to DNR personnel we spoke with, the designation of charter agency has not altered their methods of reviewing or coding procurement card usage.

**Recommendation** – Agencies should implement procedures to ensure all purchases made with procurement cards are properly coded in the accounting system. The use of the monthly transaction log to track usage, as recommended by the Procurement Card Program Procedures Manual, or the utilization of Smart Data Online may aid agencies in reviewing account codes.

**Response** – We did not receive a response from General Services or request one from the agencies selected for testing.

**FINDING 17 – Role of General Services** – To aid in administering the program, General Services has developed a Procurement Card Program Procedures Manual. The procedures manual includes how to obtain a procurement card, types of purchases that can and cannot be made on the card, records that must be maintained and reconciled on a monthly basis and card security. The manual also requires potential cardholders to read the manual and complete a “Procurement Card Agreement Cardholder Account Setup Form.” However, General Services does not monitor the agencies’ or cardholders’ compliance with the requirements established in the procedures manual.

While General Services has established certain requirements for the use of the cards, each agency participating in the program must establish its own specific policies and procedures for purchases and payment of resulting charges to ensure compliance with those procedures. As a result, the procedures performed by the agencies are not consistent and, in some cases, are inadequate. The inconsistencies among agencies and the inadequate controls identified during our testing of selected agencies have been included in the **Findings 1** through **16**.

In addition, not all agencies are using the information available from Smart Data Online to efficiently sort and code purchases made with the procurement cards. According to agency personnel we spoke with, not all agencies were aware of the availability of Smart Data Online and its capabilities.

**Recommendation** – To reduce the risk of improper use of procurement cards, General Services should implement procedures to ensure the program is properly administered by participating agencies. Specifically, General Services should:

- Develop and update policies included in recommendations to previous findings.
- Provide training for all cardholders, approvers and agency administrators.
- Develop guidelines to assist agencies with implementing effective controls.
- Require explanations and General Services’ approval for all requests for MCC modifications and credit limit increases.
- Train agency administrators on the capabilities of Smart Data Online to aid in the reconciliation and accounting processes.
- Periodically review transaction data on a statewide and agency basis to aid in oversight of the program and identify cards with little or no activity for proper resolution.
- Establish a system to periodically evaluate the cost effectiveness and process efficiencies of the program as well as any other relevant goals.

**Response** - GSE has a staff person who is responsible for the procurement card program who recently completed training on the procurement card over the ICN. We will schedule additional training for agencies if requested. GSE submits it is more appropriate to have the various agencies and departments provide oversight of their employees, and use of the procurement cards.

We do and will continue to provide assistance to departments in the proper usage of the cards through our designated staff person. We have also provided a manual to departments and agencies that participate in the program, and will work on updating the manual.

**Conclusion** – Response accepted.

**FINDING 18 – Administrative Fee** – Prior to July 1, 2004, General Services assessed a 1.0% administrative fee on all purchases made by agencies using a State contract established by General Services as a method of recovering the costs of negotiating the contract. The fee applied to all purchases made by agencies using a procurement card because General Services negotiated the procurement card contract with Commerce Bank.

Beginning July 1, 2004, General Services revised the method used for assessing the administrative fee. A flat fee, now called a subscription fee, is billed each month to agencies that paid the administrative fee in the past. The subscription fee is based on the average administrative fees paid by each agency during fiscal years 2001 through 2003, plus an additional 19%.

Neither the administrative fee nor the subscription fee has been charged to entities given their own purchasing authority by the *Code of Iowa*, even though they have chosen to use the contracts established by General Services. Several of these agencies also use procurement cards but are not charged the administrative fee or a card issuance fee. (See **Table 11** for a list of the entities.)

While the *Code* exempts these agencies from General Services’ purchasing rules, it does not prohibit them from utilizing statewide negotiated contracts. These agencies have been allowed to obtain goods and services at the contract price established by General Services without incurring the additional fees. As a result, the cost of negotiating and administering the contracts are paid only by the agencies without separate purchasing authority.

## **A Review of the State of Iowa Procurement Card Program**

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**Recommendation** – General Services should consider charging the agencies granted their own purchasing authority fees similar to that charged other agencies when purchases are made on procurement cards or using a State contract. In addition, General Services also should consider what impact, if any, rebates received from Commerce Bank have on offsetting costs of administering the program.

**Response** - GSE will consider implementing a charge to agencies and will consider what rebates, if any received from Commerce Bank, or the vendor who supports this program may have on offsetting the costs of administering this program.

**Conclusion** – Response accepted.



**State Agencies Selected for Testing**

## **Department of Natural Resources**

### **Background**

The Iowa Department of Natural Resources (DNR) is the government agency that leads Iowans in caring for their natural resources. DNR is responsible for maintaining state parks and forests, protecting the environment, and managing energy, fish, wildlife, and land and water resources in Iowa.

DNR began using procurement cards in November 1999 with 24 cards being issued. The number of cardholders increased to 476 by June 30, 2003. DNR has designated four individuals as agency coordinators. One of the coordinators holds a procurement card and can make large or emergency purchases for the Department. However, she does not have any other administrative duties for the program. One of the agency coordinators is a supervisory position only. The program's administrative duties are segregated between the remaining two coordinators. All four agency coordinators have the authority to open and close accounts, change blocked MCCs and adjust credit limits. DNR's procurement card activity for fiscal years 2001 through 2003 is summarized in the following table.

<b>Fiscal Year</b>	<b>Number of cardholders</b>	<b>Total Purchases</b>	<b>Number of Transactions</b>	<b>Average Transaction Amount</b>
2001	400	\$ 194,516	3,624	\$ 53.67
2002	441	603,813	8,506	70.99
2003	476	983,995	11,222	87.68

### **Card Issuance**

- Employees who wish to obtain a procurement card must first obtain the approval of their supervisor. The approval of the supervisor is to be e-mailed to one of the agency coordinators.
- The employee must complete and sign the procurement card agreement form/application. It is also signed by the supervisory agency coordinator.
- An agency coordinator submits the agreement to Commerce Bank for processing and card issuance.
- DNR does not provide formal training for potential cardholders.
- When an employee receives a card, it is designated as pertaining to a specific cost center (i.e., forestry, parks and preserves, fish and wildlife or environmental protection). Purchases made with a given card are allocated to the appropriate cost center.

### **Cardholders and Dollar Limits**

- Each card has initial limits of \$1,000 per transaction and \$10,000 per month, unless otherwise approved.
- The limits can be adjusted higher or lower depending on the circumstances and the supervisor's recommendation. If an increase is only necessary for a certain purchase, the original limit will be reinstated after the purchase is made.
- If a higher limit is necessary, the cardholder is to contact an agency coordinator who will consult with the budget and finance bureau chief for authorization. If authorized, the agency coordinator notifies Commerce Bank of the change.

**A Review of the State of Iowa Procurement Card Program**

The following table identifies DNR's cardholders by job title and credit limits. With 476 cardholders, DNR has issued more procurement cards to employees than any other state agency. All but four cardholders have the initial \$10,000 monthly procurement card limit. At June 30, 2003, two cardholders had monthly limits of \$150,000. According to one of the agency coordinators, the administrative assistant 2 has higher limits for emergency purposes. For the most recent twelve months, this cardholder had an average transaction size of \$381 and average monthly purchases of \$159, well below the established limits. The executive officer 2 is no longer employed by DNR. DNR has temporarily increased the limits of other cardholders when the need arises but does not document the approval of these changes.

<b>Job Title</b>	<b>Number of Cardholders</b>	<b>Monthly Credit Limit</b>	<b>Single Transaction Limit</b>
Administrative assistant 2	1	\$150,000	10,000
Executive officer 2	1	150,000	1,000
Administrative assistant 1 & 2	3	10,000	1,000
Assistant survey party chief	1	10,000	1,000
Carpenter 2	1	10,000	1,000
Clerk-specialist	1	10,000	1,000
Conservation officer	92	10,000	1,000
Construction technician	1	10,000	1,000
Custodial leader	1	10,000	1,000
Custodial worker	1	10,000	1,000
Environmental engineer senior	1	10,000	1,000
Environmental program supervisor	2	10,000	1,000
Environmental specialist/ Sr. spec.	5	10,000	1,000
Executive officer 1 & 2	5	10,000	1,000-3,000
Facilities Engineer 1 & 2	4	10,000	1,000
Forester 2 & 3	23	10,000	1,000
Information specialist 2, 4 & 5	3	10,000	1,000
Maintenance repairer	2	10,000	1,000
Museum technician	1	10,000	1,000
Natural resources aide	3	10,000	1,000
Natural resources biologist	71	10,000	1,000-4,000
Natural resources technician 1 & 2	118	10,000	1,000-3,000
Park manager	43	10,000	1,000-3,000
Park ranger	36	10,000	1,000-10,000
Program planner 3	1	10,000	1,000
Public service executive 2, 3, & 4	33	10,000	1,000-3,000
Right of way agent	2	10,000	1,000
Secretary 2	14	10,000	1,000-3,000
Storekeeper 2	1	10,000	1,000
Training specialist 1 & 2	3	10,000	1,000
Natural resources technician 1	1	5,000	1,000
Natural resources aide	1	1,000	1,000
<b>Total</b>	<b>476</b>		

**A Review of the State of Iowa Procurement Card Program**

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**Card Usage**

- The cards may be used by field and central office employees to make small purchases such as office supplies, miscellaneous supplies, lumber, uniforms and postage.
- Pre-approval is not required for purchases made with the procurement card except in the Law Enforcement Bureau. In the Law Enforcement Bureau, all purchases must be pre-approved by the cardholder's supervisor and the agency coordinator.
- Cardholders are responsible for ensuring proper bidding requirements are met and purchases made with procurement cards comply with procurement card guidelines and State purchasing rules.
- DNR allows ammunition to be purchased with procurement cards. This is an exception to the guidelines established by General Services.

The following table summarizes DNR's payments made to Commerce Bank by the type of item purchased. Approximately 95% of DNR's purchases for the three year period ended June 30, 2003 were for supplies and materials.

<b>Description</b>	<b>Fiscal Year Ended June 30,</b>			<b>Total</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	
Supplies and materials:				
Office supplies	\$ 13,506	23,402	59,842	96,750
Facility maintenance supplies	37,425	121,812	231,585	390,822
Equipment maintenance supplies	46,338	70,611	132,741	249,690
Agriculture, conservation and horticulture supplies	1,104	5,704	22,415	29,223
Other supplies	63,026	143,548	259,274	465,848
Uniforms and related items	10,901	158,756	170,685	340,342
Postage	16,402	45,091	62,024	123,517
Contractual services:				
Communications	2,660	1,937	5,583	10,180
Rentals	206	1,903	1,696	3,805
Utilities	-	215	94	309
Outside services	7,757	16,689	9,738	34,184
Advertising and publicity	-	110	34	144
Equipment – non-inventory	598	14,671	32,464	47,733
Total	\$199,923	604,449	988,175	1,792,547

Source: IFAS

**Reconciliation and Review Process**

- Each purchase must be supported by a receipt or other supporting documentation.
- Each cardholder receives a monthly memo billing statement detailing their purchases. Each cardholder is to reconcile the statement to their supporting documentation and submit the reconciliation and supporting documents to Accounting.
- The purchases and the reconciliation are not reviewed or approved by the cardholder's supervisors.

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## **A Review of the State of Iowa Procurement Card Program**

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- Accounting has two employees who pre-audit the cardholder's reconciliation to verify proper documentation is included. The Accounting staff also reviews for compliance with bidding requirements, allowability of purchases and accuracy of accounting codes.
- If any problems are identified, the cardholder is notified to resolve the situation.
- One of the agency coordinators obtains a detailed listing of transactions monthly from Commerce Bank using the Smart Data Online system. Five DNR employees have access to this system. Only the two agency coordinators with administrative duties have access rights to modify information.
- Information is downloaded from Smart Data Online into an electronic spreadsheet and sorted by cardholder. The spreadsheet is used by accounting staff to ensure all appropriate information is received and reconciled prior to payment to Commerce Bank.
- Payment is made to Commerce Bank via an electronic funds transfer.

### **Recent Developments**

Effective July 1, 2003, DNR was designated as a charter agency under the authority of Chapter 7J of the *Code of Iowa*. The purpose of designating a charter agency is to grant the agency additional authority while reducing the total appropriations to the agency. The original designation of being a charter agency will last for a period of five years under the current legislation. The Governor enters into an annual performance agreement with the Directors of the charter agencies.

One of the terms in DNR's charter agency agreement is the use of a simplified procurement card "coding" system that does not require coding of purchases at the detailed expenditure level when the bill is paid. Upon inquiry of DNR personnel, the designation of charter agency has not altered its methods of reviewing or coding procurement card usage.

## **Iowa Veterans Home**

### **Background**

The Iowa Veterans Home (IVH) provides individualized quality health care in a home-like atmosphere. Professionally trained staff provides a variety of modern preventive and rehabilitative services while encouraging residents' self-choice and dignity.

The Iowa Veterans Home began participating in the State procurement card program in September 1999. IVH has two agency coordinators responsible for the proper administration of the program. One coordinator is primarily responsible for opening and closing accounts while the other coordinator is primarily responsible for reconciling and processing payments. Both agency coordinators are also cardholders. IVH procurement card activity for fiscal years 2001 through 2003 is summarized in the following table.

<b>Fiscal Year</b>	<b>Number of cardholders</b>	<b>Total Purchases</b>	<b>Number of Transactions</b>	<b>Average Transaction Amount</b>
2001	59	\$ 128,289	1,520	\$ 84.40
2002	61	116,631	1,307	89.24
2003	63	1,027,454	3,319	309.57

### **Card Issuance**

- Employees wishing to obtain a procurement card must first obtain their supervisor's approval. The approval is verbal and not documented.
- If the designated agency coordinator and the IVH Business Manager agree the employee should receive a card, the prospective cardholder completes an in-house agreement indicating they have read and understand the State's and IVH's procurement card policies. The agreement is signed by the cardholder and an agency coordinator.
- The employee must also complete and sign the Procurement Card Agreement Cardholder Account Setup Form. An agency coordinator signs the agreement and submits it to Commerce Bank for processing and card issuance.
- There is no formal training for potential cardholders.

### **Cardholders and Dollar Limits**

- Procurement cards are initially established with credit limits of \$500 per transaction and \$5,000 per month.
- If the standard credit limits are not sufficient, the cardholder, their supervisor, the designated agency coordinator and the IVH Business Manager meet to determine an appropriate amount. The agency coordinator e-mails or faxes the revised credit limits to Commerce Bank. A copy of the change is also provided to a representative of General Services.

The following table identifies IVH's cardholders by job title and credit limits. One cardholder had a monthly credit limit of \$1,000 and four cardholders had monthly credit limits of \$10,000 or greater. Each of the remaining cardholders had monthly credit limits of \$5,000. The purchasing agent with the \$200,000 credit limit makes purchases to support IVH daily operations and uses the procurement card whenever possible. The actual average monthly purchase amount for this cardholder was \$59,029 and the average transaction amount was \$463.

**A Review of the State of Iowa Procurement Card Program**

<b>Job Title</b>	<b>Number of Cardholders</b>	<b>Monthly Credit Limit</b>	<b>Single Transaction Limit</b>
Purchasing agent 2	1	\$ 200,000	20,000
Storekeeper 3	1	30,000	2,000
Purchasing agent 1	1	20,000	5,000
Food services assistant director	1	10,000	2,000
Activities assistant/ specialist	16	5,000	500-2,000
Activities specialist supervisor	2	5,000	500
Air conditioning mechanic	2	5,000	500
Canteen operator 1	1	5,000	500
Carpenter 1 & 2	3	5,000	500
Central supply worker	1	5,000	500
Electrician	4	5,000	500
Energy management technician	1	5,000	500
Executive officer 1	1	5,000	500
Food services director 3	1	5,000	500
Food services assistant director	1	5,000	500
Information technology specialist 2, 3 & 4	4	5,000	500
Library resources technician	1	5,000	500
Maintenance repairer	4	5,000	500
Medical technologist	1	5,000	500
Nurse supervisor 2	1	5,000	500
Nursery worker 2	1	5,000	500
Occupational therapy assistant	1	5,000	500
Painter 2	1	5,000	500
Pharmacy supervisor	1	5,000	500
Plumber 1 & 2	3	5,000	500
Program planner 2	1	5,000	500
Power plant engineer 4	1	5,000	500
Public service supervisor 3	1	5,000	1,000
Secretary 1 & 2	2	5,000	1,000
Storekeeper 2	1	5,000	500
Training specialist 1	1	5,000	500
Activities specialist 1	1	1,000	500
<b>Total</b>	<b>63</b>		

**Card Usage**

- The cards may be used to make purchases for supplies, resident activities, maintenance and other small purchases.
- IVH uses the procurement card for hospitality and entertainment purchases, including alcoholic beverages. IVH has an exemption for these types of purchases in the procedures manual.
- Cardholders must obtain approval from their supervisor prior to making a procurement card purchases.

IVH is the only agency allowed to charge entertainment expenses on their procurement cards. The entertainment expenses are for resident activities which are to be paid from donations made for residents' activities or accounts established by the residents with their personal funds. The cardholder will charge the expense on the procurement card and then completes a "check request" indicating the account(s) to pay for the charges.

## A Review of the State of Iowa Procurement Card Program

The following table summarizes IVH's payments made to Commerce Bank by the type of item purchased. Approximately 88% of Iowa Veteran's Home's purchases for the three year period ended June 30, 2003 were for supplies and materials. An additional 10% of the purchases were for non-inventory data processing and equipment. IVH's procurement card purchases increased 808% from fiscal year 2002 to fiscal year 2003. According to an agency coordinator, through fiscal year 2002, the procurement cards were used only for purchases made locally. Beginning in fiscal year 2003, the procurement cards were also used to purchase items on State contracts.

Description	Fiscal Year Ended June 30,			Total
	2001	2002	2003	
In-state travel	\$ -	-	124	124
Supplies and materials:				
Office supplies	7,329	3,726	35,327	46,382
Facility maintenance supplies	19,628	14,750	107,792	142,170
Equipment maintenance supplies	3,161	5,855	61,220	70,236
Professional and scientific supplies	9,942	8,955	397,994	416,891
Highway maintenance supplies	-	-	85	85
Housing and subsistence supplies	4,651	1,658	94,048	100,357
Agriculture, conservation and horticulture supplies	283	47	1,439	1,769
Other supplies	51,580	37,872	144,533	233,985
Drugs and biologicals	435	578	18,677	19,690
Food	26,429	26,668	53,411	106,508
Uniforms and related items	402	747	6,618	7,767
Contractual services:				
Communications	30	24	5,453	5,507
Rentals	225	737	366	1,328
Professional and scientific services	134	-	15	149
Advertising and publicity	-	-	1,495	1,495
Outside repairs and services	266	1,802	1,312	3,380
Equipment:				
Equipment – non-inventory	235	1,369	75,857	77,461
Data processing – non-inventory	4,840	9,507	45,327	59,674
Claims and miscellaneous:				
Claims	-	-	1,149	1,149
Other expenses and obligations	1,022	1,680	519	3,221
Total	\$ 130,592	115,975	1,052,761	1,299,328

Source: IFAS

A procurement card is not allowed to be used for travel expenses. The in-state travel shown above was a registration fee for a conference call. It should have been paid by the employee and then reimbursed to the employee on a travel reimbursement claim.

### Reconciliation and Review Process

- Each purchase must be supported by a receipt, packing slip and/or other appropriate documentation.



## **A Review of the State of Iowa Procurement Card Program**

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- Monthly memo billings are received from Commerce Bank and distributed to the cardholders.
- The cardholders review and sign the statements and attach supporting documentation.
- Each department within IVH has established policies to review procurement card purchases. Some supervisors review and approve all purchases while others review only purchases exceeding a certain threshold.
- After supervisory review and approval, the statement and supporting documentation are sent to Accounting. Accounting staff reconciles the supporting documentation to the information from Smart Data Online and verifies the accounting codes are correct.
- The designated agency coordinator verifies all purchases have the required supporting documentation prior to payment to Commerce Bank.
- If any problems are identified during the review and reconciliation process, the designated agency coordinator contacts the cardholder's supervisor who resolves the issue with the cardholder.
- Payment is made to Commerce Bank via an electronic funds transfer.

## **Department of Public Defense**

### **Background**

The Department of Public Defense provides protection of life and property and preserves peace, order and public safety of the citizens of Iowa under the orders of the Governor. The Department is comprised of two Divisions, the Military Division and the Emergency Management Division.

The Department began using procurement cards in September 2000 with three cardholders. The number of cardholders increased to 32 by June 30, 2003. The Department has two agency coordinators responsible for the proper administration of the program. Neither agency coordinator holds a procurement card. Public Defense's procurement card activity for fiscal years 2001 through 2003 is summarized in the following table.

<b>Fiscal Year</b>	<b>Number of cardholders</b>	<b>Total Purchases</b>	<b>Number of Transactions</b>	<b>Average Transaction Amount</b>
2001	9	\$ 24,972	83	\$ 300.87
2002	29	298,118	1,006	296.34
2003	32	601,767	2,073	290.29

### **Card Issuance (Military Division Only)**

- When a supervisor deems it necessary for one of their employees to have a procurement card, he or she will contact an agency coordinator.
- An application is then filled out by the employee and signed by their supervisor.
- The agency coordinator reviews and submits the cardholder's application to Commerce Bank.
- Once the card is issued by Commerce Bank, the new cardholder will receive a packet containing a copy of the Public Defense purchasing card manual and a listing of accounting codes to be used for their purchases. The cardholders are instructed to write "Photo ID Required" on the signature block on the back of the card.
- There is no formal training for potential cardholders.

### **Cardholders and Dollar Limits (Military Division Only)**

- The single transaction and monthly limits of a card are determined by the supervisor based on the cardholder's needs.
- If credit limits are not sufficient for a cardholder, their supervisor determines the appropriate limit and submits a written request to an agency coordinator who contacts Commerce Bank.
- An agency coordinator can change limits or cancel a card with a written request, often in the form of a fax, to Commerce Bank.

The following table identifies the Department of Public Defense's cardholders by job title and credit limits. Public Defense has eleven cardholders with monthly limits higher than \$10,000. The highest monthly limit of \$70,000 is for a supply manager who makes purchases to support Public Defense's daily operations. This cardholder had average monthly purchases of \$19,805 and an average transaction amount of \$333.

**A Review of the State of Iowa Procurement Card Program**

<b>Job Title</b>	<b>Number of Cardholders</b>	<b>Monthly Credit Limit</b>	<b>Single Transaction Limit</b>
Supply manager	1	\$ 70,000	2,500
Administrative assistant 2	1	35,000	35,000
Airport assistant fire chief	1	30,000	3,500
Facilities manager	2	30,000	2,500
Fire chief	1	30,000	2,500
Hazardous material specialist	1	30,000	2,500
Management analyst 2	1	20,000	2,500
Airport firefighter	3	15,000	5,500
Accountant 2	1	10,000	2,500
Executive officer 2	1	10,000	2,500
Maintenance repairer	1	10,000	2,500
Power plant engineer 4	1	10,000	2,500
Production controller	1	10,000	2,500
Public service executive 3	1	10,000	4,000
Public service executive 2	1	10,000	2,500
Purchasing agent 3	1	10,000	2,500
Support services specialist	1	10,000	2,500
Tools and parts specialist	1	10,000	2,500
Administrative assistant 2	1	5,000	1,000
Information technology administrator 2	1	5,000	1,000
Telecommunications specialist senior	1	3,000	2,500
Armory maintenance controller	1	2,500	500
Division director	1	2,000	500
Administrative Secretary	1	2,000	500
Public service executive 3	2	2,000	500
Information technology specialist 5	1	2,000	500
Facilities engineer 2	1	1,000	250
Facilities engineer 2	1	200	200
Total	32		

**Card Usage (Military Division Only)**

- The procurement cards are primarily used for maintenance supplies, other supplies and purchases via the internet. The purchasing agent will also use the procurement card to make purchases of routine business items, such as office supplies, for employees
- Purchasing agents securing goods or services with a procurement card obtain approval prior to the purchase, in the same manner as purchases made using the traditional method. However, other employees, such as maintenance workers who need supplies to complete a project, do not obtain prior approval.

The following table summarizes Public Defense's payments made to Commerce Bank by the type of item purchased. Approximately 83% of Public Defense's purchases for the three year period were for supplies and materials. Another 9% and 6% were for contractual services and equipment, respectively. The number of cards held by Public Defense employees increased significantly between fiscal years 2001 and 2002.

**A Review of the State of Iowa Procurement Card Program**

Description	Fiscal Year Ended June 30,			Total
	2001	2002	2003	
State vehicle operation	\$ -	72	6	78
Supplies and materials:				
Office supplies	8,831	10,729	27,698	47,258
Facility maintenance supplies	177	194,848	374,831	569,856
Equipment maintenance supplies	-	28,386	48,792	77,178
Professional and scientific supplies	4,548	701	415	5,664
Highway maintenance supplies	-	-	201	201
Housing and subsistence supplies	-	80	339	419
Agriculture, conservation and horticulture supplies	-	2,222	20,766	22,988
Other supplies	52	1,209	8,179	9,440
Printing and binding	-	-	328	328
Food	6,218	142	16	6,376
Uniforms and related items	1,706	7,694	16,361	25,761
Contractual services:				
Communications	-	14	126	140
Rentals	-	5,485	10,065	15,550
Utilities	-	6,006	10,752	16,758
Professional and scientific services	-	7,212	13,082	20,294
Outside services	-	7,519	14,382	21,901
Advertising and publicity	-	-	110	110
Outside repairs and services	-	9,073	14,462	23,535
Equipment:				
Equipment	-	384	-	384
Office equipment	-	-	49	49
Equipment – non-inventory	1,336	14,284	36,675	52,295
Data processing, inventory	-	-	238	238
Data processing – non-inventory	2,104	2,005	2,182	6,291
Other expenses and obligations	-	58	171	229
Licenses	-	-	260	260
Administrative fee	-	-	1,604	1,604
<b>Total</b>	<b>\$ 24,972</b>	<b>298,123</b>	<b>602,090</b>	<b>925,185</b>

Source: IFAS

**Reconciliation and Review Process (Military Division only)**

- Each purchase must be supported by a receipt or other supporting documentation. A monthly transaction log is required to be used by each cardholder to track usage.
- Each cardholder receives a monthly memo billing statement detailing their purchases. Each cardholder is responsible for reconciling their supporting documentation to the statement.

## **A Review of the State of Iowa Procurement Card Program**

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- Cardholders also assign accounting codes to their purchases.
- At the time of our fieldwork, Public Defense did not use the Smart Data software.
- All supporting documentation, including receipts, invoices and accounting codes, is forwarded to the agency coordinator who reconciles the support with the master statement from Commerce Bank.
- The agency coordinator scans the lists of transactions and supporting documentation for items to be tagged as state property and also reviews for unallowable purchases.
- If insufficient support or unallowable items are identified, the agency coordinator will contact the cardholder directly to obtain the needed information and correct the problem.
- The agency coordinator prepares and pre-audits the payment voucher for the month's transactions. To ensure the monthly bill is paid within the specified time frame (25 days of the statement date), the payment to Commerce Bank is made before the reconciliation between the statement and the supporting documentation is performed. If improper charges are later discovered, the cardholder is responsible for contacting the vendor to obtain a credit or otherwise satisfy the obligation.
- Cardholders are responsible for contacting vendors when there are incorrect charges. If complete supporting documentation is not forwarded to the agency coordinator, she will contact the cardholder to resolve.
- Payment is made to Commerce Bank via an electronic funds transfer.

## **Fort Dodge Correctional Facility**

### **Background**

Fort Dodge Correctional Facility (FDCF) is a division of the Iowa Department of Corrections. The facility was originally designed as a 763 bed, double occupancy celled environment. The facility opened on April 28, 1998. The facility's occupancy has since expanded to 1,162 beds.

FDCF began using procurement cards in July 2000. There were five cardholders at FDCF during each of the three fiscal years ended June 30, 2003. FDCF has two agency coordinators responsible for the proper administration of the program. One agency coordinator reconciles the Commerce Bank statements to Smart Data Online. The other agency coordinator is the associate warden and approves new cards and all purchases prior to payment. Neither agency coordinator holds a procurement card. The card activity for fiscal years 2001 through 2003 is summarized in the following table.

<b>Fiscal Year</b>	<b>Number of cardholders</b>	<b>Total Purchases</b>	<b>Number of Transactions</b>	<b>Average Transaction Amount</b>
2001	5	\$ 15,317	131	\$ 116.92
2002	5	50,227	275	182.64
2003	5	503,099	1,647	305.46

### **Card Issuance**

- For a card to be issued, a procurement card agreement form is completed by an employee and approved by the associate warden.
- The agency coordinator faxes the forms to Commerce Bank for processing and card issuance.
- The procurement cards are kept in the business office vault when not in use. The agency coordinator retrieves the card for the cardholder when needed for a purchase.
- There is no formal training for potential cardholders.

### **Cardholders and Dollar Limits**

- As part of the pilot project, initial limits were established at \$100,000. These limits still exist for two cardholders. Procurement cards are now initially established with the standard limits of \$1,000 per transaction and \$10,000 per month.
- Requests for increases to credit limits are reviewed by the agency coordinator and approved by the business manager.

The following table identifies FDCF's cardholders by job title and credit limits. FDCF had five cardholders at June 30, 2003. The two cardholders with monthly credit limits of \$100,000 are responsible for purchasing items needed for daily operations of the facility. According to a representative of the facility, the \$100,000 credit limits were based on estimated need and could probably be reduced based on actual usage. The two cardholders with monthly and transaction limits of \$100,000 had actual average monthly purchases of \$11,951 and \$10,854 and average transaction amounts of \$207 and \$204, respectively.

<b>Job Title</b>	<b>Number of Cardholders</b>	<b>Monthly Credit Limit</b>	<b>Single Transaction Limit</b>
Purchasing agent 1	1	\$ 100,000	100,000
Purchasing assistant	1	100,000	100,000
Correctional trades leader	1	10,000	1,000
Storekeeper 2	1	10,000	1,000
Accounting clerk 2	1	10,000	1,000
Total	5		

## A Review of the State of Iowa Procurement Card Program

### Card Usage

- The procurement cards are used primarily by the purchasing agents for normal daily purchases. The remaining three cardholders periodically use the cards for purchases at local merchants. The purchases are typically minimal in nature and needed quickly.
- The associate warden approves all purchases before they are made by signing a requisition form. In emergency situations when the associate warden is not readily available, a verbal approval is given and the requisition is signed later.
- All purchases are supported by the vendor's receipt or packing slip which are given to the agency coordinator.

The following table summarizes FDCF's payments to Commerce Bank by the type of item purchased. Approximately 93% of the purchases for the three year period ended June 30, 2003 were for supplies and materials. The purchases included items such as maintenance supplies, uniforms and food for the cafeteria.

Description	Fiscal Year Ended June 30,			Total
	2001	2002	2003	
State vehicle operation	\$ -	207	259	466
Supplies and materials:				
Office supplies	286	8,764	16,107	25,157
Facility maintenance supplies	816	10,867	111,283	122,966
Equipment maintenance supplies	-	3,625	49,631	53,256
Professional and scientific supplies	747	5,157	80,724	86,628
Housing and subsistence supplies	643	6,701	51,067	58,411
Agriculture, conservation and horticulture supplies	-	322	1,289	1,611
Other supplies	11,130	4,591	31,151	46,872
Drugs and biologicals	-	-	1,901	1,901
Food	24	8,915	36,749	45,688
Uniforms and related items	17	16,295	83,581	99,893
Contractual services:				
Outside services	5	507	5,902	6,414
Outside repairs and services	-	42	988	1,030
Equipment:				
Equipment – non-inventory	1,622	924	17,822	20,368
Data processing – non-inventory	34	-	6,081	6,115
Licenses	-	4,623	-	4,623
<b>Total</b>	<b>\$ 15,324</b>	<b>71,540</b>	<b>494,535</b>	<b>581,399</b>

Source: IFAS

### Reconciliation and Review Process

- Each purchase must be supported by a receipt or other supporting documentation.
- All receipts and supporting documentation are given to the agency coordinator immediately after purchases are made.
- Monthly memo billings are received from Commerce Bank.
- The documentation is forwarded to purchasing personnel who verify the information was correctly posted to Smart Data Online and then assign accounting

## **A Review of the State of Iowa Procurement Card Program**

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- codes to the transactions. The purchasing personnel check the “cardholder” approval box.
- The budget analyst then pre-audits the documentation and verifies the appropriate accounting codes were used. The budget analyst initials the documents when the pre-audit is complete and checks the “supervisor” box on Smart Data Online.
  - The agency coordinator reconciles the Smart Data Online information with the statements and resolves any differences.
  - Payment is made to Commerce Bank via an electronic funds transfer.



## Department of Public Health

### Background

The Iowa Department of Public Health (IDPH) exercises general supervision of the state's public health, promotes public hygiene and sanitation and enforces laws on public health. The Department's programs are conducted through five major divisions: 1) Behavioral Health & Professional Licensure, 2) Tobacco Use Prevention & Control, 3) Health Promotion & Chronic Disease Prevention, 4) Environmental Health and 5) Acute Disease Prevention & Emergency Response.

The Department began using procurement cards in November 1999. At June 30, 2003, the Department had 7 active cardholders, including 3 employees of the Board of Medical Examiners. IDPH has two agency coordinators who are responsible for the proper administration of the program. Both coordinators also hold a procurement card. IDPH's procurement card activity for fiscal years 2001 through 2003 is summarized in the following table.

Fiscal Year	Number of cardholders	Total Purchases	Number of Transactions	Average Transaction Amount
2001	5	\$ 10,633	356	\$ 29.87
2002	5	14,726	334	44.09
2003	7	340,545	570	597.45

### Card Issuance

- Employees of IDPH wishing to be issued a procurement card initiate their request by e-mailing the purchasing agent. The purchasing agent then sends the requesting individual a procurement card agreement form. This form must be signed by the requesting individual and the agency coordinator/public service executive 4.
- This form is then faxed by the agency coordinator/purchasing agent to Commerce Bank for processing and issuance.
- IDPH does provide any formal training for potential cardholders.

### Cardholders and Dollar Limits

- The procurement card agreement form sent to Commerce Bank indicates the individual transaction limits and the monthly limit. The agency coordinator/public service executive 4 determines the initial limits for cardholders.
- Any modifications to these limits are handled by the agency coordinator/public service executive 4.

The following table identifies IDPH's cardholders by job title and credit limits. IDPH has seven cardholders as of June 30, 2003. Three cardholders have \$100,000 monthly credit and transaction limits. According to one of the agency coordinators, the higher limits are considered necessary to purchase goods and services in the event of a public disaster or other emergency situation. In fiscal year 2004, IDPH has added two additional cardholders with \$100,000 limits. Based on the most recent data available from Smart Data Online, none of these cardholders have activity near the established limits. Three of the cardholders have average monthly purchases of \$25,306, \$8,415 and \$4,736, respectively. Two of the cardholders have little or no activity.

**A Review of the State of Iowa Procurement Card Program**

<b>Job Title</b>	<b>Number of Cardholders</b>	<b>Monthly Credit Limit</b>	<b>Single Transaction Limit</b>
Information technology administrator 2	1	\$ 100,000	100,000
Purchasing agent 2	1	100,000	100,000
Public service executive 4	1	100,000	100,000
Administrative assistant 2	1	650	Not available
<b>Iowa Board of Medical Examiners:</b>			
Accounting technician 3	1	7,500	5,000
Public service executive 4	1	2,500	2,500
Secretary 3	1	2,500	500
Total	7		

**Card Usage**

- The majority of the procurement card purchases are by the purchasing agent for daily operations. Employees submit purchase requisitions to the purchasing agent, who then makes the purchase with procurement card.
- The purchase requisition is approved by the requesting employee's supervisor before it is submitted to the purchasing agent.

The following table summarizes IDPH's payments to Commerce Bank by the type of item purchased. Over 79% of the purchases for the three year period ended June 30, 2003 were for non-inventory data processing equipment such as computers, printers and projectors.

<b>Description</b>	<b>Fiscal Year Ended June 30,</b>			<b>Total</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	
State vehicle operation	\$ -	-	8	8
Supplies and materials:				
Office supplies	1,014	4,465	12,827	18,306
Professional and scientific supplies	169	332	4,346	4,847
Other supplies	1,520	2,549	6,620	10,689
Printing and binding	-	55	-	55
Contractual services:				
Communications	-	-	35	35
Rentals	-	-	816	816
Outside services	4,262	6,157	8,436	18,855
Equipment:				
Equipment - non-inventory	350	32	23,269	23,651
Data processing - non-inventory	3,213	1,326	288,338	292,877
Other expenses and obligations	11	11	-	22
<b>Total</b>	<b>\$ 10,539</b>	<b>14,927</b>	<b>344,695</b>	<b>370,161</b>

Source: IFAS

**Reconciliation and Review Process**

- Each purchase must be supported by a receipt or other supporting documentation.

## **A Review of the State of Iowa Procurement Card Program**

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- Cardholders receive a monthly memo billing and are responsible for providing all supporting documentation to the agency coordinator.
- The Department utilizes Smart Data Online to review the billings from Commerce Bank. Smart Data Online allows on-line access to transactions made by individual cardholders. This information can be accessed at any time through the use of a user I.D. and password.
- Information is accessed on-line by the agency coordinator/purchasing agent to begin the monthly reconciliation process before the monthly invoice is received. Once proper supporting documentation is received by the purchasing agent, the purchasing agent will indicate approval of the transaction by checking the “supervisor review” box on Smart Data Online.
- After the transaction is approved, IFAS accounting codes will be entered on Smart Data Online by the purchasing agent.
- After the cut off date of the statement has passed (26<sup>th</sup> of the month unless it falls on a weekend or holiday), the purchasing agent requests a report of all of the last month’s activity from Smart Data Online. This report identifies all purchases made by each cardholder and the IFAS accounts to be charged.
- The purchasing agent adds a brief description of the items purchased for each transaction. The purchasing agent is responsible for collecting the proper receipts, etc. to support the procurement card purchases.
- The spreadsheet is forwarded to the agency coordinator/public service executive 4 for approval. Once the Commerce Bank invoice is received, the purchasing agent compares it to the Smart Data Online report to determine agreement.
- If any problems are noted during the reconciliation process, such as no receipt, insufficient receipt or charges for sales tax, the purchasing agent will notify the cardholder of the problem and the corrective action needed.
- Payment is made to Commerce Bank via an electronic funds transfer.

## **Department of Public Safety**

### **Background**

The Department of Public Safety (DPS) includes the Divisions of Criminal Investigation, Narcotics Enforcement, the State Fire Marshal and the State Patrol. The Department's mission statement is "In partnership with the people of Iowa, with professionalism, pride, and integrity provide services for all people promoting public safety and enhancing the quality of life."

DPS began using procurement cards in April 2000. DPS has one agency coordinator responsible for the proper administration of the program. The coordinator does not hold a procurement card. The Department's procurement card activity for fiscal years 2001 through 2003 is summarized in the following table.

<b>Fiscal Year</b>	<b>Number of cardholders</b>	<b>Total Purchases</b>	<b>Number of Transactions</b>	<b>Average Transaction Amount</b>
2001	43	\$ 15,775	252	\$ 62.60
2002	46	14,959	335	44.65
2003	32	45,356	426	106.47

### **Card Issuance**

- To receive a card, an employee must first receive their supervisor's approval.
- After approval is obtained, an application form is completed by the employee.
- The agency coordinator submits the form to Commerce Bank for processing and card issuance.
- DPS provides a copy of the State's guidelines for card use to each new cardholder. No additional training is provided.

### **Cardholders and Dollar Limits**

- Most cards have transaction limits of \$500 and monthly limits of \$5,000.
- Card limits are approved by the agency coordinator based on specific justification provided by the cardholder.
- DPS cardholders are, with the exception of state patrol pilots, primarily supervisors.

The following table identifies DPS's cardholders by job title and credit limits. At June 30, 2003, DPS had 32 cardholders, all with limits below the standard procurement card limits.

<b>Job Title</b>	<b>Number of Cardholders</b>	<b>Monthly Credit Limit</b>	<b>Single Transaction Limit</b>
Trooper pilot senior	1	\$ 6,000	6,000
Captain	1	5,000	500
Chief communications engineer	1	5,000	500
Communications center manager	3	5,000	500
Fire marshal	1	5,000	500
Information technology administrator 3	1	5,000	500
Lieutenant	15	5,000	500
Trooper/ Senior Trooper	3	5,000	500
Trooper pilot/ Senior Trooper pilot	6	5,000	500
Total	<u>32</u>		

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## A Review of the State of Iowa Procurement Card Program

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### Card Usage

- The cards may be used for any necessary purchase within the State's guidelines. Only trooper pilots are authorized to purchase aviation fuel.
- Prior approval is not required for procurement card purchases.

The following table summarizes DPS' payments to Commerce Bank by the type of item purchased. Over 99% of the purchases for the three year period ended June 30, 2003 were for office supplies.

Description	Fiscal Year Ended June 30,			Total
	2001	2002	2003	
Supplies and materials:				
Other supplies and materials	\$ 17,027	13,542	44,813	75,382
Contractual services:				
Outside services	-	-	190	190
Equipment:				
Data processing – non-inventory	-	208	353	561
Total	\$ 17,027	13,750	45,356	76,133

Source: IFAS

### Reconciliation and Review Process

- Cardholders are required to support each purchase with a receipt or other appropriate documentation.
- Each cardholder receives a monthly memo billing statement detailing their purchases. Each cardholder is to reconcile the statement to their supporting documentation.
- Cardholders are responsible for obtaining credits from the vendor for any unallowable purchases.
- No supervisory review or approval is required for procurement card purchases, either prior to or after the purchase, since the cardholders have been given the authority for the type of purchases allowed under the State's guidelines.
- After the reconciliation process is complete at the cardholder level, all information is given to the agency coordinator for review. The agency coordinator reviews the master billing statement and supporting documentation for appropriateness. Documentation is to be maintained at the cardholder level and is not always received from the cardholder.
- The transactions are forwarded to a member of the accounting staff to add the accounting codes.
- Payment is made to Commerce Bank via electronic funds transfer.

## **Vocational Rehabilitation Services**

### **Background**

Vocational Rehabilitation Services (VRS) is a division of the Iowa Department of Education and works with individuals with disabilities to help them achieve their employment, independence and economic goals.

Vocational Rehabilitation Services began using procurement cards in June 2002. VRS has one agency coordinator responsible for the proper administration of the program. The coordinator does not hold a procurement card. The procurement card activity for fiscal years 2002 and 2003 is summarized in the following table.

<b>Fiscal Year</b>	<b>Number of cardholders</b>	<b>Total Purchases</b>	<b>Number of Transactions</b>	<b>Average Transaction Amount</b>
2002	11	-	-	-
2003	16	\$ 58,995	227	\$ 259.89

### **Card Issuance**

- To be granted a card, an employee must complete a procurement card agreement form/application. The application is sent to the agency coordinator for approval.
- Once approved, the agency coordinator faxes the application to Commerce Bank for processing and card issuance.
- VRS provides a copy of guidelines for card use to each new cardholder. No additional training is provided.

### **Cardholders and Dollar Limits**

- The purchasing agent's card has a single transaction limit of \$5,000 and a monthly limit of \$10,000. The majority of the other cardholders have limits of \$600 for single transactions and \$1,000 monthly.
- If credit limits are not sufficient, the cardholder's supervisor submits a request to the agency coordinator. If appropriate, the agency coordinator contacts Commerce Bank.

The following table identifies VRS's cardholders by job title and credit limits. Only one cardholder has limits above the standard limits.

<b>Job Title</b>	<b>Number of Cardholders</b>	<b>Monthly Credit Limit</b>	<b>Single Transaction Limit</b>
Purchasing agent 1	1	\$ 10,000	5,000
Accounting clerk 2	1	1,500	600
Public service supervisor	1	1,000	600
Rehabilitation supervisor	1	1,000	600
Secretary 1 & 2	10	1,000	600
Typist - advanced	2	1,000	600
Total	16		

**A Review of the State of Iowa Procurement Card Program**

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**Card Usage**

- VRS began using the card to purchase postage after General Services ceased providing the service to state agencies.
- During fiscal year 2003, only one cardholder, a purchasing agent, was allowed to make purchases other than postage. The purchasing agent used the card for miscellaneous supplies and equipment not provided by General Services.
- Most purchases are for routine items. Any non-routine purchases are approved by the requestor’s supervisor prior to purchase.

The following table summarizes VRS’s payments made to Commerce Bank by the type of item purchased. Approximately 89% of the procurement card purchases have been for postage.

<b>Description</b>	<b>Fiscal Year Ended June 30,</b>			<b>Total</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	
Supplies and materials				
Office supplies	\$ -	-	1,891	1,891
Facility maintenance supplies	-	-	316	316
Other supplies	-	-	1,231	1,231
Uniforms and related items	-	-	80	80
Postage	-	1,025	52,107	53,132
Communications	-	-	70	70
Equipment:				
Equipment – non-inventory	-	-	1,344	1,344
Data processing – non-inventory	-	-	1,690	1,690
Other expenses and obligations	-	-	32	32
<b>Total</b>	<b>\$ -</b>	<b>1,025</b>	<b>58,761</b>	<b>59,786</b>

Source: IFAS

**Reconciliation and Review Process**

- Each purchase must be supported by a receipt or other appropriate documentation. The cardholders submit the supporting documentation to the purchasing agent.
- Monthly memo billings are received by the VRS business office from Commerce Bank.
- The purchasing agent reviews all procurement card purchases by examining the supporting documentation. The purchasing agent also reconciles the monthly billings with the documented purchases using Smart Data Online. Only the purchasing agent and agency coordinator have access to Smart Data Online.
- During the review process, the purchasing agent verifies purchases are for postage only.
- The purchasing agent’s transactions are reviewed by the agency coordinator.

### **A Review of the State of Iowa Procurement Card Program**

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- After the review of transactions and reconciliation is complete, a payment voucher is prepared. The agency coordinator reviews and initials the payment voucher.
- Payment is made to Commerce Bank via an electronic funds transfer.



## **Woodward State Resource Center**

### **Background**

The Woodward State Resource Center (WRC) is an intermediate care facility providing mental retardation residential services for persons throughout the State of Iowa. WRC also provides consultation and other support services to families and others who provide services and support for people with disabilities.

WRC began using procurement cards in September 2000. WRC has a primary agency coordinator and a backup agency coordinator responsible for the proper administration of the program. Both of the agency coordinators also hold a procurement card. WRC's procurement card activity for fiscal years 2001 through 2003 is summarized in the following table.

<b>Fiscal Year</b>	<b>Number of cardholders</b>	<b>Total Purchases</b>	<b>Number of Transactions</b>	<b>Average Transaction Amount</b>
2001	2	\$ 1,873	12	\$ 156.08
2002	2	6,606	74	89.27
2003	4	41,920	348	120.46

### **Card Issuance**

- Employees requesting a procurement card must complete a procurement card agreement form. The form is signed by the employee and their departmental supervisor. The WRC business manager and assistant business manager approve request.
- The primary agency coordinator faxes the form to Commerce Bank for processing and card issuance.
- WRC does not provide any formal training for cardholders.

### **Cardholders and Dollar Limits**

- The card limits are determined by the WRC business manager and assistant business manager based on expected usage.
- Changes to credit limits are requested by the agency coordinator. Changes are reviewed and approved by the business manager and the assistant business manager. A change in limits is based on the expected usage of the cardholder. When a credit limit change is approved, the agency coordinator makes a request directly to Commerce Bank.
- All cards currently have \$50,000 monthly credit limits.

The following table identifies WRC's cardholders by job title and credit limits. WRC has only four cardholders, all with monthly credit limits of \$50,000. These four cardholders have purchasing responsibilities. The agency coordinator is a purchasing agent, one of the four cardholders and serves as the supervisor for the other three. The higher limits were established in anticipation of using the procurement cards for food and drug purchases necessary for the residents. Currently, these types of purchases are made with the procurement cards on a limited basis. None of the four cardholders have actual average monthly purchases over \$6,000. The highest average single transaction amount for these cardholders was \$566 for the most recent twelve months.

<b>Job Title</b>	<b>Number of Cardholders</b>	<b>Monthly Credit Limit</b>	<b>Single Transaction Limit</b>
Purchasing agent	1	\$ 50,000	30,000
Purchasing assistant	2	50,000	10,000
Secretary 1	1	50,000	10,000
Total	4		

**A Review of the State of Iowa Procurement Card Program**

**Card Usage**

- The card may be used for supplies, maintenance items and food.
- For purchases made with a procurement card or through the traditional method, an expenditure request is prepared by an employee and approved by their departmental supervisor prior to the purchase. However, an expenditure request is not prepared when the purchase is under \$500 and made from a vendor with which WRC has a standing order.
- The request is approved by the business manager, the assistant business manager or the agency coordinator, as applicable. Typically, the business manager will approve purchases for maintenance, dietary and the computer department. The assistant business manager approves supply purchases and serves as the backup for the business manager. Remaining purchases are approved by the primary agency coordinator.
- WRC has several standing orders with vendors for pharmaceuticals, food, ongoing daily purchases, service contract agreements, maintenance and preventive maintenance agreements and contract services used on a monthly basis (i.e. garbage, drugs, food items, water treatment) and Essential Lifestyle Planning purchases under \$500 that do not require an expenditure request.
- The agency coordinator makes most of the purchases for elevator maintenance. Two other cardholders make the purchases for the dietary department and a fourth is a “shopper”. The shopper goes to Des Moines on Tuesdays, Wednesdays and Thursdays for various pick-ups, maintenance purchases and purchases of miscellaneous items for clients.

The following table summarizes WRC’s payments to Commerce Bank by the type of item purchased. Approximately 89% of the purchases for the three year period ended June 30, 2003 were for supplies and materials.

Description	Fiscal Year Ended June 30,			Total
	2001	2002	2003	
Supplies and materials:				
Office supplies	\$ 27	85	2,181	2,293
Facility maintenance supplies	-	279	5,828	6,107
Equipment maintenance supplies	-	109	2,129	2,238
Professional and scientific supplies	-	246	435	681
Housing and subsistence supplies	641	899	4,969	6,509
Other supplies	986	3,826	11,798	16,610
Food	-	944	10,872	11,816
Uniforms and related items	-	116	437	553
Contractual services:				
Professional and scientific services	-	-	510	510
Outside services	-	-	2,200	2,200
Advertising and publicity	-	90	400	490
Data processing – non-inventory	-	28	101	129
Licenses	-	-	60	60
<b>Total</b>	<b>\$ 1,654</b>	<b>6,622</b>	<b>41,920</b>	<b>50,196</b>

Source: IFAS

**Reconciliation and Payment Process**

- Each purchase must be supported by a receipt or other appropriate documentation.
- All supporting documentation is forwarded to the agency coordinator as purchases occur.
- After items are purchased, cardholders assign accounting codes to their own purchases using the Smart Data Online system.
- The cardholders periodically reconcile their supporting documentation with the amounts, codes and descriptions posted to Smart Data Online. They then check a box in the screen designating “cardholder reviewed”. Cardholders perform this function as purchases occur or as time permits.
- When the Commerce Bank monthly statement is received, it is reconciled to supporting documentation by the cardholder’s supervisor. After determining all necessary documentation is present, the supervisor initials the cover sheet.
- After reviewing purchases, the cardholder’s supervisor checks a “supervisor reviewed” box on Smart Data Online. Pre-auditors review the agency coordinator’s transactions.
- Supporting documentation is filed with the Commerce Bank monthly statement and a spreadsheet of the month’s transactions prepared by the agency coordinator from Smart Data Online documenting cardholder and accounting codes.
- The agency coordinator prepares the payment voucher which is approved by the assistant business manager.
- Payment is made to Commerce Bank via an electronic funds transfer.

## **Information Technology Department**

### **Background**

The mission of the Information Technology Department (ITD) is to foster the development and application of information technology to improve the lives of Iowans. ITD supports computer systems and hardware for state agencies. ITD is now the Information Technology Enterprises (ITE) within the Department of Administrative Services.

ITD began using procurement cards in February 2001 with 14 cardholders. ITD has a primary agency coordinator and a backup agency coordinator who are responsible for the proper administration of the program. The coordinators do not hold a procurement card. ITD's procurement card activity for fiscal years 2001 through 2003 is summarized in the following table.

<b>Fiscal Year</b>	<b>Number of cardholders</b>	<b>Total Purchases</b>	<b>Number of Transactions</b>	<b>Average Transaction Amount</b>
2001	8	\$ 9,364	121	\$ 77.39
2002	9	17,902	162	110.51
2003	8	22,731	164	138.60

### **Card Issuance**

- For an employee to obtain a procurement card, the primary agency coordinator must receive approval from the employee's departmental supervisor.
- An application is then completed by the employee and approved by the primary agency coordinator and the employee's departmental supervisor.
- The application is faxed to Commerce Bank by the primary agency coordinator for processing and card issuance.
- When an employee is granted a card, they receive a procurement card overview sheet explaining how the card works, advantages to the department and basic rules on purchasing procedures. No additional training is provided.

### **Cardholders and Dollar Limits**

- Each card has limits of \$500 per transaction and \$2,500 per month except for an information technology specialist 3 who has a \$2,500 per transaction limit.
- If credit limits are not sufficient, the cardholder's supervisor submits a request to the primary agency coordinator. The agency coordinator contacts Commerce Bank.

The following table identifies ITD's cardholders by job title and credit limits. At June 30, 2003, ITD has eight cardholders, all with monthly credit limits of \$2,500.

<b>Job Title</b>	<b>Number of Cardholders</b>	<b>Monthly Credit Limit</b>	<b>Single Transaction Limit</b>
Executive officer 4	1	\$ 2,500	500
Information technology administrator 3 & 4	2	2,500	500
Information technology specialist 3 & 5	5	2,500	500-2,500
Total	8		

**A Review of the State of Iowa Procurement Card Program**

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**Card Usage**

- The cards are used for the purchase of computer equipment, services and supplies.
- Before a purchase is made, the cardholder must obtain approval of their supervisor. This approval may be verbal or via e-mail. If the approval is verbal, it is not documented.
- After permission to purchase an item is granted, a Procurement Card (P-Card) Report is completed. This report notes the cardholder, card number, purchase date, amount, vendor, purpose, description and accounting code. The P-Card Report goes to the Division Administrator who, upon approval, adds the accounting codes to be charged based on the description of the purchase.

The following table summarizes ITD's payments made to Commerce Bank by the type of item purchased. Approximately 73% of the purchases for the three year period ended June 30, 2003 were for non-inventory data processing and other equipment.

<b>Description</b>	<b>Fiscal Year Ended June 30,</b>			<b>Total</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	
Supplies and materials:				
Office supplies	\$ -	1,979	1,017	2,996
Facility maintenance supplies	91	123	15	229
Professional and scientific supplies	-	-	348	348
Other supplies	85	473	805	1,363
Contractual services:				
Communications	-	643	567	1,210
Rentals	-	150	-	150
Professional and scientific services	-	524	-	524
Outside services	-	386	1,182	1,568
Advertising and publicity	-	-	305	305
Outside repairs and services	-	191	-	191
Equipment:				
Equipment – non-inventory	11,197	12,423	3,514	27,134
Data processing – non-inventory	-	1,648	7,797	9,445
Other expenses and obligations	-	20	4,599	4,619
<b>Total</b>	<b>\$ 11,373</b>	<b>18,560</b>	<b>20,149</b>	<b>50,082</b>

Source: IFAS

**Reconciliation and Review Process**

- Each purchase must be supported by a receipt or other supporting documentation.
- Cardholders receive a monthly memo billing for their own information and are not required to perform a reconciliation.
- After a purchase is made, the cardholder submits all receipts, invoices and the P-card report to their supervisor. The supervisor adds the accounting codes to the transaction. The information is forwarded to the primary agency coordinator, who reconciles the information to the monthly master statement from Commerce Bank.

## **A Review of the State of Iowa Procurement Card Program**

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- If there is insufficient documentation or other problems, the cardholder will be contacted directly by the agency coordinator to correct the problem.
- When the monthly master statement from Commerce Bank is received by the agency coordinator, the coordinator prepares a spreadsheet of the month's activity and reconciles the spreadsheet, supporting documentation and the P-card reports to the master statement.
- Smart Data Online was not used.
- A payment voucher is prepared from the spreadsheet by the agency coordinator.
- Payment is made to Commerce Bank via an electronic funds transfer.

## **Schedules**

**Schedule 1**

A Review of the State of Iowa  
Procurement Card Program

Summary of Procurement Card Purchases by Agency  
For the Three Fiscal Years Ended June 30, 2003

Agency	Fiscal Year ended June 30,			Total
	2001	2002	2003	
Attorney General	\$ -	-	1,342	1,342
Auditor of State	-	-	1,987	1,987
Blind	958	4,510	9,536	15,004
Commerce	(1,153)	6,597	3,395	8,839
Correctional Institutions:				
Iowa State Penitentiary - Fort Madison	2,027	9,397	21,325	32,749
Anamosa State Penitentiary	3,019	3,098	27,433	33,550
Iowa Medical and Classification Center - Oakdale	-	-	58,509	58,509
Newton Correctional Facility	2,456	7,873	77,105	87,434
Mt. Pleasant Correctional Facility	7,146	13,535	49,149	69,830
North Central Correctional Facility - Rockwell City	415	1,135	6,900	8,450
Clarinda Correctional Facility	7,903	10,438	17,830	36,171
Fort Dodge Correctional Facility	15,317	50,227	503,099	568,643
Iowa Prison Industries	-	-	846	846
Cultural Affairs	-	-	14,321	14,321
Economic Development	-	-	315	315
Iowa Finance Authority	-	1,781	884	2,665
Education	-	-	1,674	1,674
Vocational Rehabilitation Services	-	-	58,995	58,995
College Student Aid Commission	-	-	3,614	3,614
Elder Affairs	-	-	1,710	1,710
Information Technology	9,364	17,902	22,731	49,997
Iowa Communications Network	-	-	5,599	5,599
General Services	401	739	15,805	16,945
Governor	289	966	2,921	4,176
Human Services	22,735	12,817	25,262	60,814
Human Services Institutions:				
Iowa Juvenile Home - Toledo	1,305	-	2,031	3,336
Eldora State Training School	2,814	8,880	15,270	26,964
Cherokee Mental Health Institute^	18,113	15,389	48,357	81,859
Clarinda Mental Health Institute	1,099	2,038	2,516	5,653
Mt. Pleasant Mental Health Institute	2,475	2,454	14,578	19,507
Glenwood State Resource Center	-	-	17,535	17,535
Woodward State Resource Center	1,873	6,606	41,920	50,399
Inspections and Appeals	-	-	16,476	16,476
Natural Resources	194,516	603,813	983,995	1,782,324
Iowa Public Employees' Retirement System	-	153	3,455	3,608
Public Employment Relations Board	-	-	490	490
Public Defense	24,972	298,118	601,767	924,857
Public Health	10,633	14,726	340,545	365,904
Public Safety	15,775	14,959	45,356	76,090
Lottery	4,940	15,514	17,052	37,506
Transportation	58,186	60,428	68,725	187,339
Iowa Veterans Home	128,289	116,631	1,027,454	1,272,374
<b>Total</b>	<b>\$ 535,868</b>	<b>1,300,724</b>	<b>4,179,809</b>	<b>6,016,400</b>

Source: Commerce Bank

^ - The Civil Commitment Unit for Sexual Offenders at Cherokee has been included with Cherokee Mental Health Institute.



A Review of the State of Iowa  
Procurement Card Program

Procurement Card Activity and Averages by Agency  
Fiscal Year 2001

Agency	Number of Cardholders	Total Disbursements	Number of Months	Number of Transactions	Average Per Month	Average Transaction
Agriculture and Land Stewardship	-	\$ -	-	-	\$ -	-
Attorney General	-	-	-	-	-	-
Auditor of State	-	-	-	-	-	-
Blind	3	958	8	19	120	50
Commerce	1	(1,153)	6	9	(192)	(128)
Corrections	-	-	-	-	-	-
Correctional Institutions:						
Iowa State Penitentiary - Fort Madison	2	2,027	4	14	507	145
Anamosa State Penitentiary	44	3,019	8	78	377	39
Iowa Medical and Classification Center - Oakdale	-	-	-	-	-	-
Newton Correctional Facility	8	2,456	8	65	307	38
Mt. Pleasant Correctional Facility	6	7,146	8	56	893	128
North Central Correctional Facility - Rockwell City	-	415	2	3	208	138
Clarinda Correctional Facility	1	7,903	6	29	1,317	273
Fort Dodge Correctional Facility	5	15,317	11	131	1,392	117
Iowa Prison Industries	-	-	-	-	-	-
Cultural Affairs	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-
Iowa Finance Authority	-	-	-	-	-	-
Education	-	-	-	-	-	-
Vocational Rehabilitation Services	-	-	-	-	-	-
College Student Aid Commission	-	-	-	-	-	-
Elder Affairs	-	-	-	-	-	-
Information Technology	8	9,364	5	121	1,873	77
Iowa Communications Network	-	-	-	-	-	-
General Services	1	401	3	7	134	57
Governor	-	289	5	8	58	36
Human Services	4	22,736	12	163	1,895	139
Human Services Institutions:						
Iowa Juvenile Home - Toledo	14	1,305	3	24	435	54
Eldora State Training School	1	2,814	8	18	352	156
Cherokee Mental Health Institute^	5	18,113	12	289	1,509	63
Clarinda Mental Health Institute	2	1,099	5	13	220	85
Mt. Pleasant Mental Health Institute	6	2,475	7	18	354	138
Glenwood State Resource Center	-	-	-	-	-	-
Woodward State Resource Center	2	1,873	6	12	312	156
Inspections and Appeals	-	-	-	-	-	-
Natural Resources	400	194,516	12	3,624	16,210	54
Iowa Public Employees' Retirement System	-	-	-	-	-	-
Public Employment Relations Board	-	-	-	-	-	-
Public Defense	9	24,972	9	83	2,775	301
Public Health	5	10,633	12	356	886	30
Public Safety	43	15,775	12	252	1,315	63
Lottery	9	4,940	11	215	449	23
Transportation	8	58,186	12	541	4,849	108
Iowa Veterans Home	59	128,289	12	1,520	10,691	84
Total	<u>646</u>	<u>\$ 535,868</u>		<u>7,668</u>		<u>\$ 70</u>

Source: Commerce Bank

^ - The Civil Commitment Unit for Sexual Offenders at Cherokee has been included with Cherokee Mental Health Institute.

**Schedule 3**

A Review of the State of Iowa  
Procurement Card Program

Procurement Card Activity and Averages by Agency  
Fiscal Year 2002

<b>Agency</b>	<b>Number of Cardholders</b>	<b>Total Disbursements</b>	<b>Number of Months</b>	<b>Number of Transactions</b>	<b>Average Per Month</b>	<b>Average Transaction</b>
Agriculture and Land Stewardship	-	\$ -	-	-	\$ -	\$ -
Attorney General	-	-	-	-	-	-
Auditor of State	-	-	-	-	-	-
Blind	3	4,510	10	38	451	119
Commerce	1	6,597	11	26	600	254
Corrections	-	-	-	-	-	-
Correctional Institutions:						
Iowa State Penitentiary - Fort Madison	3	9,397	11	77	854	122
Anamosa State Penitentiary	47	3,098	12	98	258	32
Iowa Medical and Classification Center - Oakdale	-	-	-	-	-	-
Newton Correctional Facility	9	7,873	12	195	656	40
Mt. Pleasant Correctional Facility	6	13,535	12	110	1,128	123
North Central Correctional Facility - Rockwell City	3	1,135	6	11	189	103
Clarinda Correctional Facility	-	10,438	12	46	870	227
Fort Dodge Correctional Facility	5	50,227	12	275	4,186	183
Iowa Prison Industries	-	-	-	-	-	-
Cultural Affairs	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-
Iowa Finance Authority	3	1,781	6	10	297	178
Education	-	-	-	-	-	-
Vocational Rehabilitation Services	11	-	-	-	-	-
College Student Aid Commission	-	-	-	-	-	-
Elder Affairs	-	-	-	-	-	-
Information Technology	9	17,902	11	162	1,627	111
Iowa Communications Network	4	-	-	-	-	-
General Services	1	739	4	7	185	106
Governor	1	966	5	10	193	97
Human Services	5	12,817	12	74	1,068	173
Human Services Institutions:						
Iowa Juvenile Home - Toledo	14	-	-	-	-	-
Eldora State Training School	1	8,880	10	61	888	146
Cherokee Mental Health Institute^	5	15,389	12	254	1,282	61
Clarinda Mental Health Institute	2	2,038	4	28	510	73
Mt. Pleasant Mental Health Institute	6	2,454	9	20	273	123
Glenwood State Resource Center	-	-	-	-	-	-
Woodward State Resource Center	2	6,606	12	74	551	89
Inspections and Appeals	-	-	-	-	-	-
Natural Resources	441	603,813	12	8,506	50,318	71
Iowa Public Employees' Retirement System	1	153	1	2	153	77
Public Employment Relations Board	-	-	-	-	-	-
Public Defense	29	298,118	15	1,006	19,875	296
Public Health	5	14,726	12	334	1,227	44
Public Safety	46	14,959	12	335	1,247	45
Lottery	9	15,514	12	244	1,293	64
Transportation	8	60,428	12	498	5,036	121
Iowa Veterans Home	61	116,631	12	1,307	9,719	89
<b>Total</b>	<b>741</b>	<b>\$ 1,300,724</b>		<b>13,808</b>		<b>\$ 94</b>

Source: Commerce Bank

^ - The Civil Commitment Unit for Sexual Offenders at Cherokee has been included with Cherokee Mental Health Institute.

A Review of the State of Iowa  
Procurement Card Program

Procurement Card Activity and Averages by Agency  
Fiscal Year 2003

Agency	Number of Cardholders	Total Disbursements	Number of Months	Number of Transactions	Average Per Month	Average Transaction
Agriculture and Land Stewardship	1	\$ -	-	-	\$ -	\$ -
Attorney General	2	1,342	6	6	224	224
Auditor of State	2	1,987	11	18	181	110
Blind	10	9,536	12	80	795	119
Commerce	1	3,395	10	25	340	136
Corrections	1	-	-	-	-	-
Correctional Institutions:						
Iowa State Penitentiary - Fort Madison	4	21,325	12	163	1,777	131
Anamosa State Penitentiary	48	27,433	12	190	2,286	144
Iowa Medical and Classification Center - Oakdale	1	58,509	10	144	5,851	406
Newton Correctional Facility	8	77,105	12	439	6,425	176
Mt. Pleasant Correctional Facility	6	49,149	12	290	4,096	169
North Central Correctional Facility - Rockwell City	11	6,900	12	62	575	111
Clarinda Correctional Facility	1	17,830	12	92	1,486	194
Fort Dodge Correctional Facility	5	503,099	12	1,647	41,925	305
Iowa Prison Industries	22	846	1	15	846	56
Cultural Affairs	4	14,321	10	88	1,432	163
Economic Development	2	315	3	4	105	79
Iowa Finance Authority	3	884	6	8	147	111
Education	2	1,674	5	15	335	112
Vocational Rehabilitation Services	16	58,995	12	227	4,916	260
College Student Aid Commission	1	3,614	7	18	516	201
Elder Affairs	1	1,710	3	11	570	155
Information Technology	8	22,731	12	164	1,894	139
Iowa Communications Network	4	5,599	5	12	1,120	467
General Services	8	15,805	11	281	1,437	56
Governor	1	2,921	11	42	266	70
Human Services	5	25,262	12	100	2,105	253
Human Services Institutions:						
Iowa Juvenile Home - Toledo	17	2,031	8	23	254	88
Eldora State Training School	1	15,270	12	104	1,273	147
Cherokee Mental Health Institute <sup>^</sup>	10	48,357	12	518	4,030	93
Clarinda Mental Health Institute	2	2,516	10	20	252	126
Mt. Pleasant Mental Health Institute	6	14,578	11	82	1,325	178
Glenwood State Resource Center	2	17,535	10	87	1,754	202
Woodward State Resource Center	4	41,920	12	348	3,493	120
Inspections and Appeals	6	16,476	10	38	1,648	434
Natural Resources	476	983,995	12	11,222	82,000	88
Iowa Public Employees' Retirement System	1	3,455	10	33	346	105
Public Employment Relations Board	1	490	10	1	49	490
Public Defense	32	601,767	10	2,073	60,177	290
Public Health	7	340,545	12	570	28,379	597
Public Safety	32	45,356	12	426	3,780	106
Lottery	10	17,052	12	320	1,421	53
Transportation	8	68,725	12	592	5,727	116
Iowa Veterans Home	63	1,027,454	12	3,319	85,621	310
Total	856	\$ 4,179,809		23,917		\$ 175

Source: Commerce Bank

<sup>^</sup> - The Civil Commitment Unit for Sexual Offenders at Cherokee has been included with Cherokee Mental Health Institute.

**Schedule 5**

A Review of the State of Iowa  
Procurement Card Program

Average Monthly Purchases and Transaction Amounts  
For Selected Cardholders with a Monthly Credit Limit Over \$10,000

<b>Agency</b>	<b>Monthly Credit Limit</b>	<b>Average Monthly Purchases</b>	<b>% of Monthly Limit</b>	<b>Transaction Limit</b>	<b>Average Transaction Amount</b>	<b>% of Transaction Limit</b>
Natural Resources	\$ 150,000	158.87	0.11%	\$ 10,000	381.28	3.81%
Iowa Veterans Home	200,000	59,029.12	29.51%	20,000	462.81	2.31%
Iowa Veterans Home	30,000	23,554.05	78.51%	2,000	595.62	29.78%
Iowa Veterans Home	20,000	5,456.90	27.28%	5,000	357.30	7.15%
Public Defense	15,000	1,303.06	8.69%	5,500	651.53	11.85%
Public Defense	15,000	211.00	1.41%	5,500	580.25	10.55%
Public Defense	15,000	1,531.53	10.21%	5,500	526.46	9.57%
Public Defense	20,000	11,836.72	59.18%	2,500	549.38	21.98%
Public Defense	20,000	1,757.49	8.79%	2,500	669.52	26.78%
Public Defense	30,000	3,783.14	12.61%	2,500	312.89	12.52%
Public Defense	30,000	5,384.58	17.95%	2,500	305.31	12.21%
Public Defense	30,000	3,281.55	10.94%	2,500	681.08	27.24%
Public Defense	30,000	1,935.73	6.45%	3,500	591.47	16.90%
Public Defense	30,000	7,052.46	23.51%	2,500	264.47	10.58%
Public Defense	70,000	19,805.11	28.29%	2,500	332.46	13.30%
Public Health	100,000	54.90	0.05%	100,000	301.65	0.30%
Public Health	100,000	25,305.96	25.31%	100,000	1,371.26	1.37%
Public Health	100,000	-	0.00%	100,000	-	0.00%
Public Health	100,000	8,414.68	8.41%	100,000	4,407.69	4.41%
Public Health	100,000	4,735.65	4.74%	100,000	757.70	0.76%
Fort Dodge Correctional Facility	100,000	11,951.00	11.95%	100,000	207.24	0.21%
Fort Dodge Correctional Facility	100,000	10,853.53	10.85%	100,000	204.27	0.20%
Woodward State Resource Center	50,000	5,762.53	11.53%	30,000	467.23	1.56%
Woodward State Resource Center	50,000	1,952.19	3.90%	10,000	73.90	0.74%
Woodward State Resource Center	50,000	5,516.87	11.03%	10,000	565.83	5.66%
Woodward State Resource Center	50,000	1,801.12	3.60%	10,000	441.09	4.41%

Note: The averages were computed using purchases from Smart Data Online for the most recent time period available. This time period was between eleven and fifteen months ended June 30, 2004 depending on the agency.

A Review of the State of Iowa  
Procurement Card Program

Split Transactions


Department	Transaction Date	Vendor	Amount	Cardholder Transaction Limit	Description of Items Purchased
Public Defense	09/26/02	Offutt Air Force Base	\$ 703.00	1,000	DVD, CD players, televisions and other portable electronics
	09/26/02	Offutt Air Force Base	979.88		
	09/26/02	Offutt Air Force Base	997.42		
	09/26/02	Offutt Air Force Base	997.90		
			<u>3,678.20</u>		
Public Defense	01/24/03	American TV and Appliances	549.81	1,000	36 inch television and stand
	01/24/03	American TV and Appliances	1,000.00		
	01/24/03	American TV and Appliances	1,000.00		
			<u>2,549.81</u>		
Natural Resources	3/20/03	Sink Paper Co.	946.43	1,000	Tissue, paper towels
	3/20/03	Sink Paper Co.	239.79		
			<u>1,186.22</u>		
Natural Resources	11/27/02	LL Bean Mailorder	502.20	1,000	Four parkas
	11/27/02	LL Bean Mailorder	532.15		
			<u>1,034.35</u>		
Iowa Veterans Home	05/23/01	Drug Town	500.00	500	Nail clippers, detergent, glue
	05/23/01	Drug Town	299.26		
			<u>799.26</u>		
Iowa Veterans Home	08/01/01	The Leather Factory	299.53	500	Leather materials for veterans' projects
	08/01/01	The Leather Factory	500.00		
			<u>799.53</u>		
Iowa Veterans Home	08/27/01	Chemsearch	422.37	500	Aerosols, Thread-eze Ultra and Fix All
	08/27/01	Chemsearch	145.32		
			<u>567.69</u>		
Iowa Veterans Home	09/13/01	The Leather Factory	500.00	500	Leather materials for veterans' projects
	09/13/01	The Leather Factory	500.00		
	09/13/01	The Leather Factory	500.00		
	09/13/01	The Leather Factory	252.56		
			<u>1,752.56</u>		
Iowa Veterans Home	10/15/01	The Leather Factory	500.00	500	Leather materials for veterans' projects
	10/15/01	The Leather Factory	324.11		
			<u>824.11</u>		
Iowa Veterans Home	01/13/03	The Leather Factory	500.00	500	Leather materials for veterans' projects
	01/13/03	The Leather Factory	290.26		
			<u>790.26</u>		
Iowa Veterans Home	02/20/03	The Leather Factory	500.00	500	Leather materials for veterans' projects
	02/20/03	The Leather Factory	500.00		
	02/20/03	The Leather Factory	500.00		
	02/20/03	The Leather Factory	195.34		
			<u>1,695.34</u>		

A Review of the State of Iowa  
Procurement Card Program

Staff

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## **Appendix**

**Appendix A**A Review of the State of Iowa  
Procurement Card Program

## Blocked Merchant Category Codes

<b>Group</b>	<b>Code</b>	<b>Description</b>
<b>Airlines</b>	3000-3350	All Airline Travel
<b>Auto Rental</b>	3351-3500	All Automobile Rental
<b>Hotels</b>	3501-3800, 7011	All Lodging
<b>Cash Advances</b>	4829, 6010- 6012 6051, 7995	Wire Transfers, Financial Institutions, Travelers Cheques, ATM's, Money Orders, Foreign Currency, Betting, Casinos, Quasi-Cash
<b>Transportation</b>	4011 4111 4112 4119 4121 4131 4411 4582 4722 4784 7512	Railroads Transportation, Commuter Passenger, Ferries Pasenger Railways Ambulance Services Limousines and Taxicabs Bus Lines Cruise Lines Airports, Airport Terminals, Flying Fields Travel Agencies and Tour Operators Bridge and Road Fees, Tolls Automobile Rental Agency - not elsewhere classified
<b>Utilities</b>	4814  4815 4899	Telecommunication Service including Local/Long Distance Calls, Credit Card Calls, Magnetic Stripe reading Phones, Fax Services MasterPhone Telephone Service Cable and other Pay Television Services
<b>Retail Stores</b>	5271 5300 5309	Mobile Home Dealers Wholesale Clubs Duty Free Stores
<b>Automobiles and Vehicles</b>	4784 5521 5592 7512 7523 7542	Bridge and Road Fees, Tolls Automobile and Truck Dealers (Used Only) - Sales Motor Home Dealers Automobile Rental Agency - not elsewhere classified Automobile Parking Lots and Garages Car Washes
<b>Clothing Stores</b>	5698	Wig and Toupee Shops



A Review of the State of Iowa  
Procurement Card Program

Blocked Merchant Category Codes

Group	Code	Description
<b>Miscellaneous Stores</b>	5733	Music Stores - Instruments, Pianos, Sheet music
	5735	Record Shops
	5812	Eating Places, Restaurants
	5813	Bars, Cocktail Lounges, Nighclubs, Taverns, Drinking Places
	5814	Fast Food Restaurants
	5921	Package Stores - Beer, Wine, Liquor
	5932	Pawn Shops
	5937	Antique Reproduction Stores
	5960	Direct Marketing - Insurance Services
	5962	Direct Marketing - Travel-Related Arrangement Services
	5963	Door-to-Door Sales
	5971	Art Dealers and Galleries
	5972	Stamp and Coin Stores
	5973	Religious Goods Stores
	5975	Hearing Aids - Sales, Service, Supply Stores
	5976	Orthopedic Goods - Artificial Limb Goods
	5977	Cosmetic Stores
	5993	Cigar Stores and Stands
	<b>Service Providers</b>	6010
6011		Financial Institutions - ATMs
6012		Financial Institutions - Merchandise and Services
6051		Non-Financial Institutions - Foreign Currency, Money Orders (not Wire Transfer), Travelers Cheques, and Quasi Cash
6211		Securities - Brokers/Dealers
6300		Insurance Sales - Underwriting
6381		Insurance Premiums
6399		Insurance Carriers - not elsewhere classified
7011		Lodging - Hotels, Motels, Resorts - not elsewhere classified
7012		Timeshares
7032		Recreational and Sporting Camps
7033		Campgrounds and Trailer Parks
<b>Personal Service Providers</b>		7230
	7251	Hat Cleaning Shops, Shoe Repair Shops, Shoe Shine Parlors
	7261	Funeral Service and Crematories
	7273	Dating and Escort Services
	7276	Tax Preparation Service
	7277	Debt, Marriage, Personal Counseling Service
	7278	Buying/Shopping Clubs, Services
	7295	Babysitting Services
	7297	Massage Parlors
	7298	Health and Beauty Spas
	7299	Other Services - not elsewhere classified

**Appendix A**A Review of the State of Iowa  
Procurement Card Program

## Blocked Merchant Category Codes

<b>Group</b>	<b>Code</b>	<b>Description</b>
<b>Business Services</b>	7321	Consumer Credit Reporting Agencies
	7372	Computer Programming, Integrated Systems Design and Data Processing Services
	7392	Consulting, Management, and Public Relations Services
<b>Amusement &amp; Entertainment</b>	7832	Motion Picture Theaters
	7841	Video Tape Rental Stores
	7911	Dance Halls, Schools, and Studios
	7922	Theatrical Producers (except Motion Pictures), Ticket Agencies
	7929	Bands, Orchestras, and Miscellaneous Entertainers - not elsewhere classified
	7932	Billiard and Pool establishments
	7933	Bowling Alleys
	7941	Athletic Fields, Commercial Sports, Professional Sports Clubs, Sports Promoters
	7991	Tourist Attraction and Exhibits
	7992	Golf Courses, Public
	7993	Video Amusements Game Supplies
	7994	Video Games Arcades/Establishments
	7995	Betting (including Lottery Tickets, Chips at Gaming Casinos, Off-Track Betting and Wagers at Race Tracks)
	7996	Amusement Parks, Carnivals, Cruises, Fortune Tellers
	7997	Clubs - Country Clubs, Membership (Athletic, Recreation, Sports), Private Golf Courses
	7998	Aquariums, Dophinariums, Seaquariums
7999	Recreations Services (not elsewhere classified)	
<b>Professional Services and Membership Organizations</b>	8011	Doctors (not elsewhere classified)
	8021	Dentists, Orthodontists
	8031	Osteopathic Physicians
	8041	Chiropractors
	8042	Optometrists, Ophthalmologists
	8043	Opticians, Optical Goods, and Eyeglasses
	8049	Chiropodists, Podiatrists
	8050	Nursing and Personal Care Facilities
	8062	Hospitals
	8071	Dental and Medical Laboratories
	8099	Health Practitioners, Medical Services - not elsewhere classified

A Review of the State of Iowa  
Procurement Card Program

Blocked Merchant Category Codes

<b>Group</b>	<b>Code</b>	<b>Description</b>
<b>Professional Services and Membership Organizations</b>	8111	Attorneys, Legal Services
	8211	Schools, Elementary and Secondary
	8241	Schools, Correspondence
	8244	Schools, Business and Secretarial
	8249	Schools, Trade and Vocational
	8351	Child Care Services
	8398	Organizations, Charitable and Social Service
	8641	Associations - Civic, Social and Fraternal
	8651	Organizations, Political
	8661	Organizations, Religious
	8675	Associations, Automobile
	8699	Organizations, Membership - not elsewhere classified
<b>Government Services</b>	9211	Court Costs including Alimony and Child Support
	9222	Fines
	9223	Bail and Bond Payments
	9311	Tax Payments
<b>United Kingdom</b>	9751	UK Supermarkets
	9752	UK Petrol Stations
<b>Wholesale Distributors and Manufacturers</b>	5094	Precious Stones and Metals, Watches and Jewelry