

Employee Purchasing Cards: Use, Controls and Detection of Fraud

Thomas E. Vermeer^{*1} and Herbert A. Maguire²

¹ University of Baltimore, Baltimore, MD USA

² Bureau of Financial Management, Commonwealth of Pennsylvania, Harrisburg, PA USA

The use of purchasing cards has significantly increased over the last few years. Instead of completing requisition forms and waiting for the necessary approvals, employees can use purchasing cards to pay for small-dollar goods and services procured directly from vendors. This article presents a comprehensive analysis of purchasing cards including: 1) a general overview of the administration of purchasing card systems, 2) controls that should be present to deter purchasing card fraud, 3) best practices to audit purchasing card systems, and 4) typical patterns of purchasing card fraud. Although the benefits of purchasing cards have been well documented, the use of purchasing cards poses inherent weaknesses that organizations should consider.

INTRODUCTION

Purchasing cards (P-cards) allow employees to purchase small-dollar products and services directly from vendors. Instead of completing requisition forms and waiting for the necessary approvals, an employee can use the P-card to purchase minor goods and services in a more efficient and effective manner.¹ Government agencies and corporations have quickly expanded the use of P-cards. The GSA (General Services Administration) reported that in fiscal year 2003 more than 325,000 federal employees used P-cards to make approximately 26.5 million transactions for over \$16.4 billion in goods and services. This is a significant increase in the use of P-cards from about \$1 billion in fiscal year 1994 (See exhibit 3, GAO-04-717T). Corporations have also enthusiastically embraced P-cards with annual spending in excess of \$80 billion in 2003 and projected to reach \$160 billion within the next five years (Lindorff 2003).

¹ See Exhibits 1 and 2 for an overview of the requisition, approval, and payment process and P-card process, respectively.