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Best practices for credit card programs

Credit card programs vary in their nature and size, as well as how the credit cards are used – all of which affect risk of unallowable purchases.

Programs can include traditional credit cards (such as by Visa or Mastercard), procurement cards, or merchant cards that allow purchases at a specific retail establishment.

Credit cards can make it easier and less costly to make certain purchases, but there is also an increased risk for misuse or mismanagement. This risk needs to be planned for and mitigated.

The following are some best practices governments might consider when evaluating a credit card program and the related internal controls:



- 1) **Regularly review and update your policy to ensure it provides clear guidance.** The policy should be specific about what is allowed and what is not, as well as the consequences of policy violations. For further assistance, use the [MRSC credit card policy guidance](#), which provides various considerations for policy development.
- 2) **Ensure cardholders have demonstrated an identifiable operational need to have a card.** Employees should not be issued cards based on position or rank, or in any type of automatic process. A card should be issued based solely on operational need. A standardized application form might be best for documenting and evaluating a cardholder request.
- 3) **Require a detailed cardholder agreement.** Each agreement should be signed by the cardholder and their supervisor, as well as an authorizing official, before the card is used. The written agreement emphasizes the importance of key aspects of card use, card security, or employee responsibilities. It can also serve as documented evidence, should it become necessary, that the employee reviewed the policy, and understands and agrees to other key aspects of card use that are particularly important to that government.
- 4) **Establish appropriate credit limits.** Credit card limits should align with the cardholder's actual spending rather than an arbitrary amount. A limit can be temporarily increased, if needed. If a cardholder wants to request a higher limit, a standardized form will help provide a clear audit trail of the change, including its intended duration.
- 5) **Design the card so its physical appearance clearly shows that it is for government use.** The appearance of the card being similar to personal cards is a common reason given when personal purchases are charged to the government's account. The goal here is to make it very difficult for an employee to mistake the government's card for their personal card. Another alternative is to design a sleeve that the card must be kept in that clearly differentiates it from the appearance of personal cards.
- 6) **Require the cardholder to reconcile their spending activity.** The cardholder is in the best position to review their own transactions and to identify charges that might not be appropriate. This should **not** be delegated to other persons. The cardholder should add any additional documentation or support for the expenditures before submitting for manager approval.



7) Require the cardholder's supervisor to approve the cardholder's activity. The supervisor is in the best position to question transactions and report violations of policy, when needed. Regardless of the employee's rank, the approver should not be a peer or subordinate. The internal control structure should designate a review process for the highest-level manager or executive as well as for board members. This review should be done in a timely manner and before payment is issued.

8) Provide mandatory training on the applicable policies, program controls, security, and card use. Training should be required for cardholders and their approving supervisors. The training might cover other related policies that affect card use (such as for information technology, meals and refreshments, employee recognition, or travel). It should include an initial training, as well as periodic refresher trainings. The training might be held in-person or online, and ideally would require a documented review of the credit card policy.

9) Provide central oversight over card use.¹ Central oversight over the program, the transactions, and compliance with policies is crucial for identifying issues promptly and taking disciplinary action against cardholders when warranted. The auditing officer should also review these expenditures as they would any other expenditure. An internal audit function is another layer of good control when resources are available. Many credit card programs provide rebates, which could finance additional monitoring costs.

10) Actively enforce the policy. The policy should specify disciplinary actions for cardholders who violate policy provisions. The ability to use a government credit card should be a privilege that is revoked if not handled responsibly. Consider use of a cardholder violation form to document and communicate problems.

¹ *If the credit cards are intended solely for fuel purchases, ensure the government has an effective monitoring mechanism in place. The best way to do this is to monitor miles per gallon for each vehicle owned. This requires tracking the mileage and fuel used in each vehicle. Some vendors provide software that assists with this.*



11) Use credit card programs with additional controls and features.

Some examples include the ability to block cash advances, block high-risk merchant categories, impose limits on transactions² as well as daily and monthly spending, provide reporting capabilities, and allow online monitoring of transactions. Some provide for data downloads of card activity, which can be used for additional analysis.

12) Conduct a periodic inventory of the cards, at least annually.

Evaluate whether credit limits are appropriate and in need of adjustment, considering actual charges. If a card has minimal or no actual activity, consider whether the card should be canceled.

13) Retain robust documentation to support charges. Documentation should stand alone to support every purchase. Documentation should include itemized detail, additional information about the purchase if the receipt is not clear, explanation regarding the purpose, and any other information necessary to support the charges. It is not efficient to continuously follow up with non-compliance in this area. Cardholders who cannot comply should have their privileges revoked.

14) Pay directly from original credit card statements. The finance office should receive the statements directly from the bank rather than from the cardholder to eliminate risk of alteration. Payment should be made **after** reviewing the submitted cardholder support but also in time to avoid late fees and finance charges.

15) Cancel credit cards promptly for employees who are leaving the government. The government should review the credit card activity and ensure there are no concerns with charges up to the date the cardholder's employment ends. This should be completed before releasing final payroll payment to the employee in case funds need to be withheld.

16) Have a working relationship with the credit card issuer (bank) and its fraud unit. A proactive fraud department at the bank can be invaluable to jurisdictions with limited resources. An open line of communication between the bank's fraud unit and the credit card program administrator can help the government more quickly identify and learn about questionable activity.

² A frequent issue with transaction limits involves the cardholder splitting transactions to circumvent the limits. This should be monitored closely as part of central program oversight.



Related resources

Municipal Research and Services Center: [Credit card use policies](#)

Washington State Auditor's Office: [Best practices for travel expenditures](#)

Government Finance Officers Association:
[Best practices for purchasing card programs](#)

Washington State Auditor's Office Budgeting, Accounting and Reporting System (BARS) Manual, Purchase cards: [GAAP](#) or [Cash basis](#)

Applicable Washington state laws for local government:
[RCW 43.09.2855](#), [RCW 42.24.115](#)

For assistance

This resource has been developed by the Center for Government Innovation of the Office of the Washington State Auditor. Please send any questions, comments, or suggestions to Center@sao.wa.gov.

Disclaimer

This guidance is intended to supplement information that management should consider when establishing internal controls over credit card programs. The guidance might not include all information that should be considered and is not intended to supersede management's judgment in establishing internal controls. Management is ultimately responsible for internal controls, including regularly monitoring risks and ensuring internal controls are in place to address potential areas of concern.