

**Joint Committee on Performance Evaluation and Expenditure Review (PEER)**  
The Mississippi Legislature



**Action Brief:**

**A Review of State Agencies' Use of Procurement Cards**  
December 15, 2015 (Report #604)

*Background:*

The use of procurement cards has emerged, locally and nationally, as a preferred tool for making small purchases in government. According to Mississippi's procurement card contractor, in Calendar Year 2014, Mississippi's state agencies expended over \$33.5 million through the use of such cards.

Procurement cards provide users with cost and time savings through electronic (versus paper-based) procurement. Procurement card programs typically generate monetary rebates, which then may be spent at the discretion of the users.

The convenience of procurement cards must be balanced by proper management and oversight. As with other types of state government purchasing, transparency and accountability are vital.

The Office of Purchasing, Travel, and Fleet Management (OPTFM), an office within the Department of Finance and Administration, is responsible for administering the procurement card program.

**Report Conclusions**

**In the three state agencies selected for a review of compliance with procurement card guidelines, PEER found sixty instances in which agencies did not comply with three specific OPTFM requirements for the procurement card program (i. e., itemized receipts, no payment of sales tax, and documentation). Noncompliance with the guidelines increases opportunities for state funds to be abused, misused, or wasted.**

To assess compliance with state procurement card guidelines, PEER reviewed utilization of the program at three state agencies. PEER used transaction data to select three state agencies (one each of small, medium, and large size based on the amount of procurement card expenditures and frequency of card transactions in July 2015).

In addition to the sixty instances of noncompliance with OPTFM's requirements for itemized receipts, sales tax, and OPTFM-required forms, PEER found other instances of noncompliance, including lapses in agencies' security over procurement cards. These incidences of noncompliance demonstrate OPTFM's inability to ensure the accuracy and legitimacy of purchases made with procurement cards at the individual agency level.

**PEER believes that the causes of noncompliance with procurement card guidelines in the three agencies reviewed may be traced back to deficiencies in training, monitoring, and auditing related to the procurement card program.**

PEER found that:

- OPTFM offers procurement card training at specialized events and meetings and upon request, but does not require formal procurement card

training for all procurement card coordinators, cardholders, or approving officials.

- Neither OPTFM nor two of the three agencies reviewed monitored comprehensive monthly or yearly activity reports of procurement card transactions for abuse. Agencies' approving officials were responsible for a large number of cardholders, which means that they had little time to conduct a thorough review of each purchase. Also, the transaction data provided by the procurement card contractor was not reliable and cannot effectively be used to monitor the program.
- Although the procurement card guidelines specifically state that OPTFM will conduct audits of the procurement card program, OPTFM staff lack clarity concerning their authority to audit participants. Also, PEER found that OPTFM's auditing practices were not scientifically supported nor utilized frequently. PEER notes that effective auditing alternatives are available for agencies with limited personnel and fiscal resources.

**OPTFM does not have a formal process to track or manage agencies' requests for exceptions and overrides in the use of procurement cards.**

The high volume of requests for exceptions to the guidelines decreases the

likelihood that each request is thoroughly investigated and evaluated. This high volume of override requests, coupled with the frequency of "justifications" that lack pertinent details, diminishes OPTFM's ability to monitor exception trends that could inform management changes to increase efficiency and productivity.

**The procurement card guidelines do not distinguish between purchasing on backorder, which is prohibited, and making online purchases.**

The procurement card policies related to backordered items create confusion over whether cardholders can use the cards for online purchasing and could present challenges for participants that would negatively impact compliance, program spending, or rebate proceeds.

**State law lacks provisions that provide guidance to OPTFM regarding state agencies' accrual of, access to, and use of procurement card rebates.**

Some agencies receive their procurement card rebates directly and others have theirs deposited into the general fund. Some agencies are not even aware that they have earned rebates.

PEER believes that the source of the confusion regarding rebates is most likely the lack of a clear standard in state law governing the accrual, receipt, and use of rebates.

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