



BEST PRACTICES



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How to minimize the risk of credit-card abuse

Fraud is a crime of opportunity, more likely to occur when financial controls and oversight are lax. Local governments can protect themselves by adopting practices that reduce the opportunities for dishonest employees to abuse government credit and debit cards. There are a number of steps which can, and should, be taken to ensure that credit cards are not abused. Some of those steps are described below.



In addition to the best practices for credit cards, outside of certain law-enforcement needs, debit cards should not be used at all.

Credit cards should only be issued in the name of the government responsible for the account.

Every local government should have a formal credit card policy that, at a minimum, includes:

- 1 Designation of the person(s) empowered to authorize and approve credit card transactions
- 2 The names and job titles of officers and employees authorized to use cards
- 3 Spending limits for each card user

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- 4 A clear directive that the credit card may be used only for official business and for the benefit of the public entity

- 5 Requiring an itemized receipt for each credit-card purchase

- 6 Outlining disciplinary action that may be taken for misuse of a credit card

- 7 A list of the documents that are to be maintained to create an appropriate audit trail

- 8 A statement signed by each card user acknowledging that he/she has read the credit card policy and will abide by it

- 9 A list of expenditures that are strictly prohibited (e.g. entertainment, alcoholic beverages, personal services, and cash advances)

- 10 A system for recovery of costs associated with an improper use of the credit card



In addition to the best practices for credit cards, outside of certain law-enforcement needs, debit cards should not be used at all. Debit cards take funds directly from government accounts while credit cards do not immediately do this. Credit cards create a barrier between potential fraudsters and taxpayer money.

Other areas which can help reduce or prevent credit card abuse include segregating financial operations among employees so that no single employee can control the spending of money, the reporting of expenditures, payment of the bill for the card and reconciliation of account activity. Dividing the duties associated with spending creates a system of checks and balances and allows the spending to undergo scrutiny from multiple sets of eyes. This increases the chance that fraudulent spending will be caught.

Accounts should be monitored by more than one person and reconciled promptly. Unauthorized spending, unusual activity, or any expenditure which is abnormal should be scrutinized and dealt with accordingly.

The entity providing the card is in the best position to prevent misuse by establishing and enforcing appropriate controls.

Go [here](#) to read the office's recent report on credit-card fraud.

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Crowd funding

In our next Best Practices release, we will explain how to account for crowd funding in a public entity.



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