

# State of Louisiana

January 19, 2006



# Agenda

- Program Update
  - Company Level Support
  - Technical Help Desk
  - Account Management
- Fraud and Misuse
- Questions

# La Carte and Travel Card Today...

- 119 Travel card agencies
- 50 LaCarte agencies set up, 2 in process
- 5 Political subdivisions on contract

## 2005 Spend

- Travel - \$29.7MM
- LaCarte - \$62.7MM
- Political subs - \$1MM
- Total - \$93.4MM

# Company Level Support

- Regina Tindal, Unit Manager
- Jennifer Robinson, Team Manager
- Becky Eure, Louisiana Account Specialist
  - Day to day inquiries (declines, MCCG changes, etc). These questions can also be handled by Team Servicing if Becky is unavailable.
  - More complex questions such as higher limit cards, transactions requiring research
  - Travel past due monitoring and reporting
  - State level reports
- EAGLS THD
  - All technical questions, questions about set up and maintenance done in EAGLS

# Escalation Process

## Technical Help Desk

**888.317.2638**

**Hours of Operation:**

**Mon – Fri 8:00am – 9:00pm EST**

*After business hours calls are automatically routed to voice mail and to the on-call duty pager. Items that are Severity Level 1 will be handled immediately.*

Lisa Woodbury, Unit Manager

757.441.4740

Latasha Scott, CH Team Manager

757.441.4004

## Company Level Support

**Hours of Operation:**

**Mon – Fri 8:00am – 8:00pm EST**

*After hours calls are automatically routed to the Spokane Call Center, 24/365 service center.*

Becky Eure, Account Specialist

757.533.7696

Jane Ritter, Account Specialist (Back Up)

757.533.7718

Jennifer Robinson, Team Manager

757.533.7890

Regina Tindal, Unit Manager

757.441.8381

# Fraud Overview

“Media reports of employee misuse of Purchasing Card programs, particularly in publicly funded organizations, often are front-page items. Publicity surrounding these incidents would lead one to the conclusion that fraud is rampant within commercial card programs. In actuality, however, research conducted by Richard Palmer and Mahendra Gupta in 2003 indicates that Purchasing Card misuse accounts for an average of \$270 of misuse for every \$1 million of card spend and that the incidence of misuse in the public sector is lower than that reported in the private sector.”

NAPCP Fraud White Paper 2004

# Definitions

## Fraud

- Unauthorized use by someone other than the individual to whom it was issued, including stolen cards, counterfeit cards, or identity theft.
- Fraud can be committed by outsiders, employees, non-employees or former employees working in collusion with those on the inside of the company, or vendors charging for goods or services not charged.
- Fraudulent activity is not the liability of the company.

# Definitions

## Misuse

- Unauthorized use by the cardholder
  - Using card for personal gain,
  - Purchases a larger quantity than necessary,
  - Buys from unauthorized suppliers.
  - Buys something that does not benefit their employer either directly or indirectly.
- Misuse may be covered by Visa's Liability Waiver Insurance, depending upon whether the company benefits from the transaction and whether certain procedures are followed in a timely manner.



# Fraud and Misuse Deterrents

## **Integrate internal and system controls**

- Guidelines for who gets cards
- Written policies and procedures
  - No personal use
  - No Cash access
  - No transaction splitting
  - No card sharing - can't hold the employee accountable for card activity unless one card, one person. Vendors may (should) decline the card if presented by someone other than the cardholder
  - “Ghost Cards” (a credit card account without a plastic card) helps meet the needs of department cards without the risk
- Hard Controls
  - Credit limit controls
  - Velocity controls
  - MCC blocks

# Fraud and Misuse Deterrents

- Reconciliation
  - Managers, supervisors, and approvers MUST monitor cardholder activity and compliance with company policy and procedures.
    - Review supporting documentation
    - Report misuse to the appropriate manager
    - Train employees on policies and procedures
  - PA should monitor spending patterns and vendor sources
  - Employees are responsible for
    - Keeping card secure
    - Use card only for authorized purposes
    - Reviewing statement and provide receipts and any approvals required
    - Identify and report errors and discrepancies promptly
    - Maintain accurate and complete records supporting their Purchasing Card transactions, including
  - Bank of America is responsible for
    - Behind the scenes fraud detection systems
    - Dispute and Liability Waiver process

# Fraud and Misuse Deterrents

- **Auditing**

- Attribute testing – reviewing internal controls in place to prevent fraud or improper activity by “testing” examples of misuse like personal purchases. This shows how controls operate to prevent or detect the activity. If the controls are found to be ineffective, modifications or supplemental controls may be necessary.
- Transactional auditing – reviewing actual transactions. Impractical and unnecessary to review every transaction, so random audits supplemented by auditing of high-risk areas is recommended.

# Conclusion

- Misuse and Fraud remain low
- The **2003 Purchasing Card Benchmark Survey Results**, reported that 4% of the organizations reporting card misuse account for 70% of the dollars involved.
- Processing savings is due to the shift from pre-purchase control to post-purchase review.
- Two-thirds of misuse incidents are identified through internal controls and the internal audit process.
- Organizations that incorporate controls, institute an effective review process, and follow adequate security procedures reduce their exposure to fraud.
- Audit samples can be very specific to target detection of certain types of exceptions.
- Incorporating processes and training results in being able to detect fraud that had been occurring using traditional payment processes.

# Questions