

A Review

# **State Purchasing Cards**

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State Auditor – Janice Mueller

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Janice Mueller  
State Auditor

September 9, 2009

Senator Kathleen Vinehout and  
Representative Peter Barca, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Vinehout and Representative Barca:

We have completed a review of the State's purchasing card program under which state employees use credit cards to make purchases for state business purposes. The program is administered by the Department of Administration (DOA). In 2008, executive branch agencies and University of Wisconsin (UW) institutions made over 693,000 purchasing card transactions totaling \$161.7 million.

Agency and UW institution employees held approximately 18,000 cards as of December 2008. To control spending, each purchasing card is assigned both a credit limit, which is its maximum account balance for each two-week billing cycle, and a single purchase limit, which is the maximum amount chargeable in a single transaction. In many instances cards' spending limits were higher than necessary, and the potential financial risk to the State could be reduced by establishing spending limits at levels that are more consistent with cardholder needs.

Our review of a sample of 3,071 purchasing card transactions found generally adequate internal controls for purchasing card oversight. The use of purchasing cards for personal gain has been rare. However, we found 131 exceptions totaling \$74,499, including examples of unnecessary, excessive, or inappropriate transactions. Through their own oversight procedures, agencies and UW institutions had already identified and addressed 52 of these transactions, totaling \$7,286, with measures ranging from staff training to termination of employment.

While we found no evidence of widespread fraud or abuse, compliance with documentation requirements and other program rules could be improved. We include recommendations for DOA to clarify program policies and to work with agencies and UW institutions to ensure that cardholders receive adequate training.

We appreciate the courtesy and cooperation extended to us by DOA and by the agencies and UW institutions we reviewed. Responses from DOA and UW System Administration follow the appendices.

Respectfully submitted,

A handwritten signature in cursive script that reads "Janice Mueller".

Janice Mueller  
State Auditor

JM/PS/ss



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## Report Highlights

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***Purchasing cards facilitate the State's procurement efforts.***

***Spending limits for some cards could be lowered.***

***Compliance with documentation requirements could be improved.***

***Use of purchasing cards for personal gain was rare.***

Since 1996, the Department of Administration (DOA) has administered a program that allows state employees to use credit cards to make purchases for state business purposes. In calendar year 2008, executive branch agencies and University of Wisconsin (UW) institutions used the cards to purchase a total of \$161.7 million in goods and services. The average purchase amount was relatively small—\$233 per transaction—but some purchases exceeded \$25,000.

DOA has established rules for appropriate card use, as well as documentation requirements for purchases. To evaluate purchasing card oversight procedures and expenditures, we reviewed:

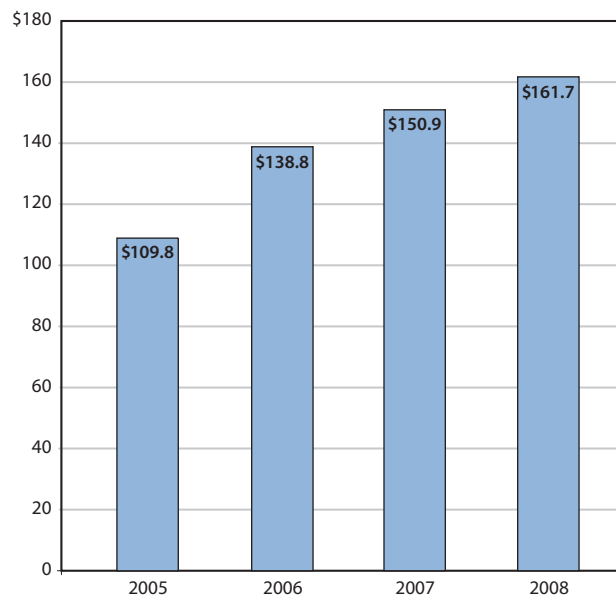
- trends in purchasing card expenditures;
- the State's contract with U.S. Bank, the company that issues the cards;
- purchasing card policies and procedures at executive branch agencies and UW institutions;
- the number of cards issued and the spending limits assigned to them; and
- a sample of selected expenditures we deemed to have a potential for fraud or abuse, to determine whether they were consistent with state purchasing rules and good business practices.

## Purchasing Card Use

Purchasing card use by agencies and UW institutions has increased significantly, with total expenditures increasing from \$109.8 million in 2005 to \$161.7 million in 2008, as shown in Figure 1. UW institutions accounted for 73.7 percent of all purchasing card expenditures in 2008. All other state agencies combined accounted for 26.3 percent. Although purchasing card use has increased, purchasing card expenditures represented only 4.0 percent of all supplies and services expenditures in 2008.

Figure 1

**Agency and UW Institution Purchasing Card Expenditures**  
2005 through 2008  
(in millions)



## Spending Limits

Agency employees held 8,615 purchasing cards and UW institution employees held 9,402 as of December 2008. DOA policies do not limit the number of cards an employee may hold, and 40 cardholders held 10 or more cards as of December 2008.



Each purchasing card is assigned two limits to control spending:

- a credit limit, which is the card's maximum balance for each two-week billing cycle; and
- a single purchase limit, which is the maximum amount that can be charged in a single transaction.

Agencies and UW institutions are permitted to set spending limits on cards but are generally required to seek approval from DOA before setting any card's single purchase limit to exceed \$5,000. We observed a wide range of spending limits. At agencies, the average credit limit was \$9,382, while at UW institutions it was \$14,576.

We compared spending limits to spending activity in 2008 and found that spending limits were in many instances higher than necessary. For example, at the Department of Revenue, 96 cards with single purchase limits of \$5,000 were used exclusively for purchases of less than \$400 each. Similarly, at the Department of Health Services, 27 cards with bi-weekly credit limits of \$20,000 were used exclusively for transactions totaling less than \$100 each. The potential financial risk to the State could be reduced by setting spending limits at a level that is more consistent with cardholder needs.

In addition, we found 1,101 cards that were active for all of 2008 but never used in that year, and 377 cards that were never used since they were issued, including 97 that were issued more than three years ago. We include a recommendation for DOA to work with agencies and UW institutions to close unused accounts.

## **Documentation of Purchases**

The State's accounting and procurement manuals require cardholders to retain original, itemized receipts for each transaction; document each transaction on a purchase record; and sign their purchase records and submit them, along with receipts, to their supervisors for review. Of the 3,071 transactions we reviewed, 2,341, or 76.2 percent, satisfied these documentation requirements, but 730 did not. The percentage of transactions that met the requirements ranged from 58.4 percent at UW-Milwaukee to 90.7 percent at the Department of Regulation and Licensing.

In addition to requirements contained in the State's procurement and accounting manuals, s. 16.53(1)(c)1, Wis. Stats., requires documentation of the nature and particulars of all state purchases. However, the purchasing card policies established by DOA do not

specifically require cardholders to document a state business purpose for purchases, and we found that documentation for only 1,278 of 2,506 transactions, or 51.0 percent, included an explicit description of the state business purpose. Adequate documentation of the business purpose enables supervisors and other agency reviewers to determine whether purchases are appropriate. We therefore include a recommendation for DOA to require documentation of the business purposes of purchasing card transactions.

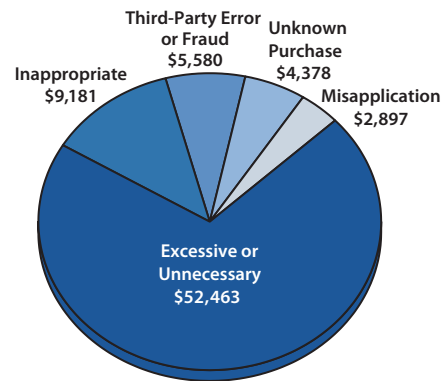
## Exceptions to Purchasing Policies

We generally found that agencies and UW institutions had established adequate controls, and instances of inappropriate purchases were rare. In the 3,071 transactions we reviewed, we identified 131 purchase exceptions totaling \$74,499.

As shown in Figure 2, the exceptions we identified included:

- \$52,463 in excessive or unnecessary purchases, including purchases that have a state business purpose but appear to be luxury items or to include avoidable costs such as late fees;
- \$9,181 in inappropriate purchases, including purchases made for personal use or that are otherwise unallowable;
- \$5,580 in third-party error or fraud, including erroneous or fraudulent charges made by vendors or unauthorized users;
- \$4,378 in unknown purchases, including instances in which there was not sufficient documentation for us to determine what was purchased or whether it was appropriate, typically because of a lack of a receipt; and
- \$2,897 in purchases that represented misapplication of a purchasing card, including purchases that had a state business purpose but were not allowed to be made using a purchasing card.

Figure 2

**Purchase Exceptions****Recommendations**

Our report includes recommendations for DOA to work with agencies and UW institutions to:

- ☑ reduce purchasing card spending limits whenever possible and close the accounts of cards that are unused ([p. 29](#));
- ☑ develop procedures requiring cardholders to explicitly document the state business purpose of purchases made with purchasing cards ([p. 39](#));
- ☑ reinforce prohibitions regarding the use of purchasing cards to pay for certain travel expenses ([p. 46](#));
- ☑ clarify purchasing card policies in an effort to eliminate purchases from ineligible vendors ([p. 49](#)); and
- ☑ ensure state employees receive adequate training in appropriate card use, including documentation requirements and other program rules ([p. 50](#)).

In addition, we include a recommendation for DOA to:

- ☑ incorporate procedures for the vendor to contact purchasing card administrators or supervisors, as well as cardholders, regarding possible fraud ([p. 34](#)).



## Introduction

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Like those of states with similar programs, Wisconsin's purchasing card program has grown over time, with expenditures by executive branch agencies and UW institutions increasing 47.3 percent over three years, from \$109.8 million in 2005 to \$161.7 million in 2008. Because of the substantial increase in purchasing card expenditures and an ongoing risk of fraudulent and improper transactions, we have again reviewed purchasing card use by executive branch agencies and UW institutions. We last conducted a comprehensive review of the purchasing card program in 2003 (report 03-8), when we found generally adequate controls but inconsistent cardholder compliance with documentation requirements.

As expenditures under government purchasing card programs have increased, concerns have been raised about the adequacy and effectiveness of program controls. For example, in a 2008 evaluation of federal agencies' purchasing card programs, the Government Accountability Office identified numerous fraudulent, abusive, and improper transactions. Other evaluations of state programs, including those conducted by the Office of the State Auditor in North Carolina and the Georgia Department of Audit and Accounts, have identified similar problems.

For this review, we examined a total of 3,071 purchasing card transactions recorded in 2008 to determine whether they were consistent with state purchasing rules established by DOA and had a legitimate state business purpose. We did not select purchases randomly; rather, we selected purchases we deemed to pose a potential risk of abuse or fraud, including purchases from retailers selling luxury or high-priced consumer goods, electronics stores, online retailers, and purchases made on holidays and weekends.

We also reviewed purchasing card purchases from vendors such as restaurants and gas stations, for which employees are generally required to use personal funds and then seek reimbursement or to use payment methods such as vehicle fleet cards rather than purchasing cards.

We focused our review on 2,506 transactions made with purchasing cards issued to staff at six agencies and three UW institutions:

- the Department of Corrections;
- the Department of Military Affairs;
- the Department of Natural Resources;
- the Department of Public Instruction;
- the Department of Regulation and Licensing;
- the State of Wisconsin Investment Board;
- UW-Madison;
- UW-Milwaukee; and
- UW-Whitewater.

We also:

- reviewed 565 transactions made with purchasing cards issued to staff at other agencies and UW institutions;
- interviewed purchasing card program administrators; and
- analyzed written policies and procedures.

## **Program Implementation**

***Agencies and UW institutions operate under streamlined procurement rules for purchases of \$5,000 or less.***

DOA is responsible for overseeing state purchasing and is authorized under s. 16.71, Wis. Stats., to delegate purchasing authority to most state agencies. If the purchase price of a commodity or service is \$5,000 or less, DOA allows agencies and UW institutions to use their “best judgment” in selecting a vendor and does not require formal bids, proposals, or justifications for sole-source purchasing. For purchases exceeding \$5,000 and up to \$25,000, agencies must typically use a simplified bidding process in which they compare prices of similar items identified by staff, quotes on file, verbal quotes, or written bids from a minimum of three vendors. For purchases greater than \$25,000, agencies must typically use a formal bidding process.

Before the purchasing card program was established, agencies purchased commodities and services only after their purchasing staff had reviewed and approved them. The traditional procurement process involved line or program staff identifying a needed item or service, obtaining spending approval from budget managers, and completing a purchase requisition form. Agency business staff then completed a purchase order, a copy of which was sent to DOA, and ensured the item was properly paid for, typically through an invoice. These general procedures were followed for commodities and services at all price levels and meant that purchasing staff at larger agencies and at DOA reviewed and processed paperwork for all purchases, including those that represented only a very small portion of agency expenditures.

***Expenditures with purchasing cards typically do not require preapproval.***

By implementing the purchasing card program, DOA hoped to achieve efficiencies by simplifying purchases of inexpensive items. Because purchasing card purchases typically do not involve preapproval, maintaining adequate oversight of these purchases is important to ensure the purchases are necessary, appropriate, and reasonably priced.

Unlike approval for traditional purchase orders, oversight of purchasing card use typically takes place after purchases have been made. Each cardholder receives an account statement from the State's vendor every two weeks for information and reconciliation purposes. In addition, the vendor sends an electronic file every two weeks to DOA or the UW institution's business office, together with a summary of all charges. Vendor payments are made via electronic funds transfer through the State's central accounting system for all executive branch agencies, while each UW institution separately processes payments to the vendor.

Since 1997, the State has contracted with U.S. Bank (formerly Firststar Bank) for purchasing card services. The current contract began in May 2004 and has been renewed through April 2011. Under the current contract, U.S. Bank also issues travel cards to state employees, which they may use to pay for expenses they incur while traveling on state business. We did not include travel cards in our review because travel card expenditures, which totaled \$11.5 million in 2008, were significantly lower than purchasing card expenditures.

## **Statewide Purchasing Card Activity**

***Purchasing card expenditures by agencies and UW institutions totaled \$161.7 million in 2008.***

Of the \$161.7 million in purchasing card expenditures in 2008, agencies accounted for \$42.6 million, or 26.3 percent, while UW institutions accounted for \$119.2 million, or 73.7 percent. Transactions ranged from less than \$1 to more than \$70,000 and averaged \$233.

As shown in Table 1, 11 agencies each spent more than \$1.0 million using purchasing cards. The Department of Corrections' purchasing card expenditures totaled \$9.1 million in 2008 and were the highest of any agency.

Table 1  
Agency Purchasing Card Activity<sup>1</sup>  
2008

Agency	Transactions	Amount
Department of Corrections	50,265	\$ 9,127,300
Department of Natural Resources	49,980	6,779,800
Department of Health Services <sup>2</sup>	30,767	6,030,400
Department of Transportation	19,191	4,219,100
DOA	9,624	2,178,700
Department of Military Affairs	8,384	2,039,100
Department of Veterans Affairs	7,456	1,648,100
Department of Public Instruction	6,542	1,568,900
Department of Agriculture, Trade and Consumer Protection	12,727	1,387,600
Department of Justice	5,391	1,069,600
Historical Society	7,246	1,016,800
Department of Workforce Development	7,496	983,300
Department of Revenue	3,876	792,900
State of Wisconsin Investment Board	1,575	660,500
Department of Commerce	4,586	539,000
Office of the Commissioner of Insurance	1,696	449,900
Public Defender Board	2,097	334,300
Department of Financial Institutions	1,966	281,400
Department of Employee Trust Funds	844	228,400
Department of Children and Families	1,733	222,500
State Fair Park	1,384	167,900
Department of Regulation and Licensing	756	156,800
Educational Communications Board	1,274	152,600
Public Service Commission	573	104,100
Other Agencies <sup>3</sup>	2,736	414,300
<b>Total</b>	<b>240,165</b>	<b>\$42,553,300</b>

<sup>1</sup> Excludes legislative and judicial branch agencies and the offices of the Governor, the Lieutenant Governor, the Secretary of State, and the State Treasurer.

<sup>2</sup> Includes purchases made by employees of the former Department of Health and Family Services.

<sup>3</sup> Includes 11 agencies with less than \$100,000 each in purchasing card expenditures.



As shown in Table 2, 14 UW institutions each spent \$1.0 million or more using purchasing cards in 2008. UW-Madison's purchasing card expenditures totaled \$65.7 million, which represented 55.2 percent of all purchasing card expenditures by UW institutions.

Table 2

**UW Institution Purchasing Card Activity  
2008**

UW Institution	Transactions	Amount
UW-Madison	219,014	\$ 65,746,400
UW-Milwaukee	47,835	13,286,200
UW-Whitewater	23,905	6,221,100
UW-Oshkosh	18,250	4,056,700
UW-Stevens Point	20,203	3,792,900
UW-La Crosse	17,515	3,583,900
UW Colleges	16,597	3,204,800
UW-Extension	15,077	3,161,500
UW-River Falls	14,896	3,082,900
UW-Stout	14,747	3,020,500
UW-Eau Claire	11,450	2,733,500
UW-Green Bay	11,124	2,459,500
UW-Parkside	7,317	1,912,100
UW-Superior	9,196	1,783,900
UW System Administration	3,127	842,900
UW-Platteville	2,836	288,000
<b>Total</b>	<b>453,089</b>	<b>\$119,176,800</b>

***Purchasing card expenditures accounted for 4.0 percent of all supplies and services expenditures in 2008.***

As shown in Table 3, the percentage of all supplies and services purchased using purchasing cards increased from 3.0 percent in 2005 to 4.0 percent in 2008.

Table 3

**Purchasing Card Expenditures as a Percentage of Total Supplies and Services Expenditures  
Agencies and UW Institutions**

Year	Purchasing Card Expenditures	Supplies and Services Expenditures <sup>1</sup>	Percentage of Supplies and Services Expenditures
2004 <sup>2</sup>	\$ 74,611,500	\$2,522,847,700	3.0%
2005	109,837,600	3,644,815,700	3.0
2006	138,849,300	3,908,110,800	3.6
2007	150,936,500	3,742,541,200	4.0
2008	161,730,100	4,087,422,500	4.0
<b>Total</b>	<b>\$635,965,000</b>	<b>\$17,905,737,900</b>	<b>3.6</b>

<sup>1</sup> As recorded on the State's accounting system.

<sup>2</sup> Excludes expenditures before the current contract with U.S. Bank began on May 1, 2004.

As shown in Table 4, purchases from retail vendors accounted for \$91.0 million of purchasing card expenditures in 2008, which is 56.3 percent of all purchasing card expenditures in that year. Additional details on purchasing card expenditures by merchant type are shown in Appendix 1 for agencies and Appendix 2 for UW institutions.

Table 4

**Purchasing Card Expenditures by Merchant Type  
2008**

Merchant Type	Agencies	UW Institutions	Total	Percentage of Total
Retail Vendors	\$25,386,500	\$ 65,638,000	\$ 91,024,500	56.3%
Service Providers	8,764,400	31,572,900	40,337,300	24.9
Travel	8,402,400	21,965,900	30,368,300	18.8
<b>Total</b>	<b>\$42,553,300</b>	<b>\$119,176,800</b>	<b>\$161,730,100</b>	<b>100.0%</b>

Because most merchants accept the cards as a method of payment, purchasing cards provide state employees with significant flexibility in choosing where to buy supplies and services. Table 5 shows the 25 merchants from which purchasing card volume was highest in

2008. They include airlines, hotels, office furniture and supply stores, providers of technology services and products, life science product suppliers, and computer hardware and software merchants, as well as UW-Madison and UW-Extension. Appendices 3, 4, and 5 provide more detailed information on the merchants with the highest purchase volume among retail, services, and travel, respectively.

Table 5

**Top 25 Merchants in 2008**  
Executive Branch Agencies and UW Institutions

Merchant	Merchant Description	Amount <sup>1</sup>
UW-Madison <sup>2</sup>	Educational Institution	\$6,042,200
Northwest Airlines, Inc.	Airline	4,530,000
Dell	Computer Hardware and Software	4,208,000
Office Depot, Inc.	Office Supplies	4,055,600
American Airlines, Inc.	Airline	1,956,600
W.W. Grainger, Inc.	Industrial Supplies	1,926,800
United Air Lines, Inc.	Airline	1,906,100
Amazon.com, Inc.	Online Shopping Center	1,862,800
Insight Public Sector	Technology Services and Products	1,751,500
UW-Extension <sup>3</sup>	Educational Institution	1,503,400
Sigma-Aldrich Corporation	Life Science Supplies	1,376,100
MNJ Technologies Direct	Computer Hardware and Software	1,367,300
Badger State Industries	Office Furniture	1,081,800
Corporate Express US, Inc.	Office Supplies and Furniture	995,600
Holiday Inn	Hotel Chain	953,600
Midwest Airlines	Airline	948,400
Invitrogen Corporation	Life Science Supplies	944,300
CDW Corporation	Technology Services and Products	826,800
Fisher Scientific	Laboratory Supplies	822,900
Wal-Mart Stores, Inc.	General Retail	799,500
Apple, Inc.	Computer Hardware and Software	784,500
Menard, Inc.	Hardware Retail	759,500
Hilton Hotels Corporation	Hotel Chain	750,600
The United States Postal Service	Postal Service	745,200
Marriott International, Inc.	Hotel Chain	701,900

<sup>1</sup> Estimated based upon best available information because a vendor's name may be recorded differently in different transactions.

<sup>2</sup> Includes conference facility rental; information technology products and services; and materials distribution, laboratory, and other services.

<sup>3</sup> Includes conference facility rental and education services.

## Purchasing Card Rebates

***The contract vendor provides the State with rebates to encourage purchasing card use.***

Purchasing card contracts commonly include financial incentives to encourage states to obtain and use the cards. The current contract with U.S. Bank included an initial signing bonus of \$500,000. Incentive payments for increases in annual purchasing volume have totaled \$128,300 since the contract began in May 2004. In addition, U.S. Bank provides the State with rebates based upon the purchasing volume, promptness of payment, and average transaction amount.

As shown in Table 6, the State's total rebate for purchasing card transactions increased from \$1.3 million in 2005 to \$2.0 million in 2008. Of the \$7.8 million in rebates earned between May 2004 and December 2008, agencies generated \$2.2 million, while UW institutions generated \$5.6 million.

Table 6

### Purchasing Card Rebates<sup>1</sup>

Year	Rebate	Purchasing Volume	Effective Rate
2004 <sup>2</sup>	\$ 887,700	\$ 74,611,500	1.19%
2005	1,326,400	109,837,600	1.21
2006	1,697,400	138,849,300	1.22
2007	1,843,600	150,936,500	1.22
2008	2,035,600	161,730,100	1.26
<b>Total</b>	<b>\$7,790,700</b>	<b>\$635,965,000</b>	<b>1.23</b>

<sup>1</sup> Includes rebates generated by agencies and UW institutions.

<sup>2</sup> Excludes rebates before the current contract with U.S. Bank began on May 1, 2004.

In the second year of the current contract, which ran from May 2005 through April 2006, U.S. Bank changed its rounding methodology for calculating the State's promptness of payment, which is one factor that determines the rebate amount. DOA staff were unaware of the change, because U.S. Bank did not notify them of it nor provide an opportunity to negotiate. This is because U.S. Bank viewed the change as a correction of an error that had benefitted the State in prior years, including the prior contract period.

The change did not affect rebates received by the State for purchases made in the third or fifth years of the contract. However, it had a small effect in the other years, reducing the total purchasing card rebate amount for all executive, legislative, and judicial branch agencies and UW institutions by \$15,900 for purchases made in the second year and by \$19,500 for purchases made in the fourth year. In future negotiations for the purchasing card contract, requiring the vendor to clearly specify its methodology for calculating rebates could help maximize rebate revenue to the State.

### Comparison with Other States' Rebates

***Wisconsin's rebate rate is comparable to other states' when purchasing volume is considered.***

In our 2003 report on purchasing cards, we noted that Wisconsin's effective rebate rate in 2001 was less than the rates of other states with purchasing card programs operated by U.S. Bank. DOA renegotiated rebate terms in 2002 and again in April 2008. As shown in Table 7, we found that Wisconsin's effective rebate rate in 2008 was generally comparable to those of other midwestern states with purchasing card programs when purchasing volume is considered. Rebate terms for all states are based on average transaction size, purchasing volume, and promptness of payment. Minnesota and Ohio reported contracting with U.S. Bank for purchasing card services, while Michigan reported contracting with JPMorgan Chase.

Table 7

#### Effective Rebate Rates<sup>1</sup>

State	Rebate	Purchasing Volume	Effective Rate
Ohio (June 2007–May 2008)	\$1,058,400	\$66,650,500	1.59%
Wisconsin (Calendar Year 2008)	534,600	42,553,300	1.26
Michigan (Calendar Year 2008)	489,700	40,100,000	1.22
Minnesota (Fiscal Year 2007-08)	174,100	14,634,600	1.19

<sup>1</sup> Based on rebates for purchases made by executive branch agencies.

Wisconsin receives its rebates from U.S. Bank as annual payments at the close of each contract year. Before fiscal year (FY) 2006-07, DOA deposited the rebate payments as program revenue to help support administrative costs associated with its Bureau of Procurement.

However, the federal Department of Health and Human Services recommended in a September 2006 review that DOA allocate purchasing card rebates more equitably. In FY 2006-07, DOA began using U.S. Bank data to determine the amount of the total purchasing card rebate that each agency and UW institution generated for the State and began reducing its annual assessment for procurement services to these entities by those amounts.

In most cases assessments for procurement services exceed earnings from purchasing card rebates, and agencies must pay DOA for procurement services used. However, for some agencies and for UW System Administration, which represents all UW institutions in the rebate allocation process, rebate amounts exceed the amount assessed by DOA, and the balance is paid to these entities by DOA. UW institutions accounted for 73.7 percent of all purchasing card activity in 2008; as a result of this volume, UW System Administration received a net \$491,700 in purchasing card rebate revenue, which it distributed to individual UW institutions in proportion to each institution's purchasing volume. We plan to review the appropriateness of the accounting treatment of rebate payments as part of future single audits.

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## Account Management and Oversight

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Although DOA provides general guidance about which employees should be issued purchasing cards, agencies and UW institutions exercise discretion in issuing cards and setting spending limits. Each has a purchasing card program administrator who is responsible for establishing accounts. We analyzed agency and UW institution policies, as well as the number of cardholders and cards. In addition, we evaluated the appropriateness of spending limits set by agencies and UW institutions.

### Issuance of Purchasing Cards

All employees on state payroll systems, including individuals with limited-term employment positions, are eligible to be issued purchasing cards. Agencies and UW institutions use a wide range of approaches in determining which employees are issued cards. For example, the Wisconsin Technical College System Board issues cards to all permanent and project employees, while the Government Accountability Board limits card issuance to only those employees whose job responsibilities include providing purchasing services.

***Agency employees held 8,615 purchasing cards as of December 2008.***

As shown in Table 8, 7,679 agency employees held 8,615 purchasing cards as of December 2008. The Department of Natural Resources accounted for 2,382, or 27.6 percent, of the cards at these agencies.

Table 8

**Cardholders and Cards at Agencies**  
As of December 2008

Agency	Cardholders	Cards
Department of Natural Resources	2,372	2,382
Department of Health Services	640	1,020
Department of Corrections	890	1,019
Department of Workforce Development	703	704
Department of Agriculture, Trade and Consumer Protection	414	437
Department of Transportation	316	368
Department of Justice	296	356
Department of Commerce	280	303
DOA	267	267
Department of Revenue	183	244
Department of Military Affairs	185	222
Historical Society	152	203
Department of Veterans Affairs	150	190
Department of Children and Families	119	139
Office of the Commissioner of Insurance	103	124
Public Defender Board	123	123
Department of Public Instruction	117	119
Department of Financial Institutions	91	91
Wisconsin Technical College System Board	66	66
Educational Communications Board	44	44
State Fair Park	38	41
Public Service Commission	32	37
Department of Employee Trust Funds	24	29
Department of Tourism	21	21
Government Accountability Board	5	15
State of Wisconsin Investment Board	10	10
Arts Board	9	10
Department of Regulation and Licensing	9	9
Board of Commissioners of Public Lands	7	7
Office of State Employment Relations	3	4
Board on Aging and Long Term Care	3	3
Wisconsin Employment Relations Commission	2	3
Higher Educational Aids Board	2	2
Board for People with Developmental Disabilities	2	2
Lower Wisconsin State Riverway Board	1	1
<b>Total</b>	<b>7,679</b>	<b>8,615</b>



***UW institution employees held 9,402 purchasing cards as of December 2008.***

As shown in Table 9, 6,250 UW institution employees held 9,402 purchasing cards as of December 2008. UW-Madison accounted for 1,981, or 21.1 percent of these cards.

Table 9

**Cardholders and Cards at UW Institutions**  
As of December 2008

Institution	Cardholders	Cards
UW-Madison <sup>1</sup>	1,701	1,981
UW-Milwaukee	962	1,197
UW-Whitewater	364	832
UW Colleges	427	822
UW-Eau Claire	401	647
UW-Stout	299	636
UW-River Falls	372	607
UW-La Crosse	338	588
UW-Stevens Point	327	510
UW-Superior	196	377
UW-Green Bay	215	363
UW-Parkside	146	233
UW-Oshkosh	182	227
UW-Extension	213	213
UW-Platteville	72	94
UW System Administration	35	75
<b>Total</b>	<b>6,250</b>	<b>9,402</b>

<sup>1</sup> As of January 2009.

DOA policies do not limit the number of cards an employee may hold. Some agencies and UW institutions choose to issue cardholders separate cards for different programs or funding sources, while others issue only one card per cardholder and reallocate expenditures to the proper program or funding source after a purchase is made.

**Forty cardholders each held ten or more cards.**

As shown in Table 10, 40 cardholders each had ten or more cards as of December 2008, including nine cardholders at the Department of Health Services. Each of these nine cardholders was issued separate purchasing cards for different funding sources. One cardholder at UW-Whitewater held 61 cards, which was the most cards held by one person. This cardholder managed summer camps in the School of Graduate Studies and Continuing Education.

Table 10

**Cardholders with Ten or More Cards**  
As of December 2008

Agency or UW Institution	Number of Cardholders
Department of Health Services	9
UW Colleges	4
UW-Stout	4
UW-Superior	3
UW-Whitewater	3
UW-Parkside	3
UW-Madison <sup>1</sup>	3
UW-La Crosse	2
UW-Stevens Point	2
Department of Revenue	2
Department of Corrections	1
UW-River Falls	1
UW-Eau Claire	1
Historical Society	1
Office of the Commissioner of Insurance	1
<b>Total</b>	<b>40</b>

<sup>1</sup> As of January 2009.

As shown in Table 11, 22.6 percent of all agency employees held purchasing cards.

Table 11

**Agency Employees with Purchasing Cards**  
As of December 2008

Agency	Cardholders	Employees	Percentage of Employees with a Card
Wisconsin Technical College System Board	66	69	95.7%
Arts Board	9	11	81.8
Department of Natural Resources	2,372	3,118	76.1
Department of Commerce	280	370	75.7
Office of the Commissioner of Insurance	103	140	73.6
Educational Communications Board	44	63	69.8
Department of Financial Institutions	91	143	63.6
Department of Agriculture, Trade and Consumer Protection	414	678	61.1
Department of Justice	296	584	50.7
Board of Commissioners of Public Lands	7	14	50.0
Historical Society	152	307	49.5
Department of Workforce Development	703	1,547	45.4
Department of Military Affairs	185	482	38.4
Department of Tourism	21	57	36.8
State Fair Park	38	111	34.2
Board for People with Developmental Disabilities	2	6	33.3
DOA	267	1,117	23.9
Public Defender Board	123	549	22.4
Public Service Commission	32	150	21.3
Department of Children and Families	119	558	21.3
Higher Educational Aids Board	2	10	20.0
Department of Revenue	183	1,046	17.5
Department of Public Instruction	117	952	12.3
Department of Veterans Affairs	150	1,278	11.7
Department of Health Services	640	5,914	10.8
Department of Employee Trust Funds	24	246	9.8
Lower Wisconsin State Riverway Board	1	11	9.1
Department of Transportation	316	3,511	9.0
Government Accountability Board	5	57	8.8
Department of Corrections	890	10,517	8.5
Board on Aging and Long Term Care	3	36	8.3
Wisconsin Employment Relations Commission	2	25	8.0
State of Wisconsin Investment Board	10	129	7.8
Department of Regulation and Licensing	9	119	7.6
Office of State Employment Relations	3	117	2.6
<b>Total</b>	<b>7,679</b>	<b>34,042</b>	<b>22.6%</b>

Overall, a smaller percentage of UW employees held purchasing cards. As shown in Table 12, 14.6 percent of employees at UW institutions held purchasing cards.

Table 12  
**Percentage of UW Institution Employees with a Purchasing Card**  
 As of December 2008

UW Institution	Cardholders	Employees	Percentage of Employees with a Card
UW-River Falls	372	858	43.4%
UW-Superior	196	472	41.5
UW Colleges	427	1,379	31.0
UW-Whitewater	364	1,235	29.5
UW-Eau Claire	401	1,464	27.4
UW-Green Bay	215	789	27.2
UW-La Crosse	338	1,305	25.9
UW-Stevens Point	327	1,313	24.9
UW-Stout	299	1,302	23.0
UW-Parkside	146	704	20.7
UW-Milwaukee	962	5,269	18.3
UW-Extension	213	1,298	16.4
UW System Administration	35	236	14.8
UW-Oshkosh	182	1,645	11.1
UW-Madison <sup>1</sup>	1,701	22,480	7.6
UW-Platteville	72	1,013	7.1
<b>Total</b>	<b>6,250</b>	<b>42,762</b>	<b>14.6%</b>

<sup>1</sup> As of January 2009.

## Spending Limits and Card Activity

***Purchasing cards are assigned credit limits and single purchase limits.***

A 2007 Association of Government Accountants review of states' purchasing card policies found that spending limits are among the most common restrictions placed on purchasing cards. In Wisconsin, each purchasing card is assigned two spending limits:

- a credit limit, which is the maximum account balance a card can have during each two-week billing cycle; and
- a single purchase limit, which is the maximum amount that can be charged in a single transaction.

Spending limits represent important program controls. First, the credit limit determines the amount a cardholder can spend before supervisory review occurs. Cardholders receive their account statements after the close of each two-week billing cycle, and DOA policy requires them to reconcile their statements to their own records and forward documentation to their supervisors for review. Second, single purchase limits can be set to enforce procurement rules by preventing cardholders from making transactions above the dollar threshold at which competitive bidding is required.

***DOA recommends specific spending limits, but agencies and UW institutions may set different limits.***

DOA recommends a credit limit of \$10,000 and a single purchase limit of \$5,000, which, as noted, is the threshold above which simplified bidding is required. Agencies and UW institutions may set single purchase and credit limits at levels different from those recommended by DOA; however, they are generally required to request approval from DOA prior to increasing a card's single purchase limit above \$5,000. We identified 279 accounts for which a single purchase limit had not been established, which means that each account's effective single purchase limit was the same as its credit limit.

We observed a wide range of spending limits at agencies, as shown in Table 13. A total of 2,155 cards, or 25.0 percent, had credit limits above the DOA standard of \$10,000, while 87 cards, or 1.0 percent, had single purchase limits above the DOA standard of \$5,000.

Table 13

**Average Single Purchase and Credit Limits at Agencies**  
As of December 2008

Agency	Average Single Purchase Limit	Average Credit Limit
Department of Revenue	\$5,130	\$29,160
Department of Public Instruction	5,000	25,000
Department of Health Services	5,033	19,574
Department of Children and Families	4,799	19,338
Department of Transportation	4,372	17,136
State of Wisconsin Investment Board	6,250	15,650
Department of Military Affairs	3,734	14,036
Department of Workforce Development	2,829	11,518
Educational Communications Board	1,500	10,000
Government Accountability Board	5,000	10,000
Board on Aging and Long Term Care	5,000	10,000
Historical Society	4,601	8,892
Department of Regulation and Licensing	5,000	8,889
Department of Employee Trust Funds	3,690	8,845
Wisconsin Employment Relations Commission	8,333	8,333
Department of Justice	4,103	7,978
DOA	5,000	7,787
Department of Corrections	3,025	6,734
Office of the Commissioner of Insurance	2,290	5,565
Department of Tourism	2,643	5,310
Department of Veterans Affairs	1,679	5,184
Department of Financial Institutions	1,577	5,110
Board of Commissioners of Public Lands	5,000	5,000
Office of State Employment Relations	5,000	5,000
Board for People with Developmental Disabilities	5,000	5,000
Lower Wisconsin State Riverway Board	1,200	5,000
Department of Agriculture, Trade and Consumer Protection	1,953	4,897
State Fair Park	1,378	4,707
Department of Natural Resources	3,206	3,920
Department of Commerce	3,567	3,780
Arts Board	3,750	3,750
Public Service Commission	2,378	3,622
Wisconsin Technical College System Board	2,144	2,955
Public Defender Board	2,159	2,593
Higher Educational Aids Boards	2,500	2,500

We also observed a wide range of spending limits at UW institutions, as shown in Table 14. A total of 3,897 cards, or 41.4 percent, had credit limits above the DOA standard of \$10,000, while 240, or 2.6 percent, had single purchase limits above the DOA standard of \$5,000.

Table 14  
Average Single Purchase and Credit Limits at UW Institutions  
As of December 2008

UW Institution	Average Single Purchase Limit	Average Credit Limit
UW-Eau Claire	\$3,954	\$25,247
UW-River Falls	2,523	24,911
UW-Stevens Point	4,662	17,924
UW-Madison <sup>1</sup>	6,200	17,893
UW-La Crosse	5,364	15,719
UW-Milwaukee	3,475	14,417
UW-Extension	4,314	13,141
UW-Whitewater	4,937	11,201
UW-Stout	2,980	10,706
UW System Administration	5,348	9,815
UW-Green Bay	2,427	8,169
UW-Oshkosh	4,347	8,113
UW Colleges	4,043	7,300
UW-Parkside	3,380	6,785
UW-Superior	2,922	6,094
UW-Platteville	1,414	1,870

<sup>1</sup> As of January 2009.

**Single purchase limits for many accounts appeared higher than necessary.**

To assess the appropriateness of single purchase limits established by agencies and UW institutions, we compared the single purchase limit for each card with its highest transaction in 2008. We limited our analyses to accounts open for all of 2008, and because of data limitations we excluded UW-Madison. We found that the single purchase limits for many accounts, including some assigned the standard \$5,000 limit, appeared significantly higher than necessary.

For example:

- at the Department of Health Services, 194 cards each had a \$5,000 single purchase limit, but the largest transaction with any of these cards during the year was less than \$200;
- at the Department of Revenue, 96 cards each had a \$5,000 single purchase limit, but the largest transaction with any of these cards during the year was less than \$400;
- at UW-River Falls, 6 cards each had a \$25,000 single purchase limit, but the largest transaction with any of these cards during the year was less than \$400; and
- at UW-Stout, 1 card had an effective single purchase limit of \$100,000, but the largest transaction with this card during the year was less than \$800.

The average difference between a card's single purchase limit and its highest transaction was \$2,609, and the difference was \$4,000 or more for approximately one-third of all purchasing card accounts.

Assessing the appropriateness of credit limits is challenging because cardholders are not intended to spend up to their limit every billing cycle. For example, some cardholders may need to use their purchasing cards only at certain times of the year. Also, credit limits should be set high enough to ensure cardholders are able to purchase supplies and services when needed.

***Credit limits for many accounts appeared higher than necessary.***

However, when we compared cardholders' credit limits to their total purchasing card expenditures in 2008, we found many cases in which credit limits appeared to be significantly higher than necessary. For example:

- at the Department of Revenue, 32 cards with a \$75,000 bi-weekly credit limit each had total annual expenditures of less than \$15,000;
- at the Department of Health Services, 27 cards with a \$20,000 bi-weekly credit limit each had total annual expenditures of less than \$100;
- at UW-Stevens Point, 17 cards with a \$20,000 bi-weekly credit limit each had total annual expenditures of less than \$500; and



- at UW-River Falls, 73 cards with a \$25,000 bi-weekly credit limit each had total annual expenditures of less than \$500.

We also examined the extent to which purchasing cards went unused. Again, because of data limitations our analysis excluded UW-Madison. Of cards issued before January 2008 that remained open as of December 2008, 1,101 cards were not used at all in 2008, and an additional 377 had never been used since they were issued, which in 97 instances was for more than three years.

Agency purchasing card administrators told us that higher spending limits allow cardholders greater flexibility and noted that some cards may go unused for long periods of time because they are intended for use in emergencies only. Several indicated that their agencies prefer to use standard spending limits for most cards and that adjusting limits based upon actual card activity would be difficult because of the number of cards issued.

Nevertheless, concerns regarding purchasing flexibility and ease of administration must be balanced with the need to adequately control the State's financial risk. This risk could be reduced by setting spending limits at a level that is more consistent with cardholder needs and by closing the accounts of cards that are unused and not designated for emergency use.

#### **☑ Recommendation**

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*We recommend the Department of Administration work with agencies and UW institutions to:*

- *reduce purchasing card spending limits whenever possible; and*
- *close the accounts of unused cards.*

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## Purchase Oversight

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DOA has established basic requirements for the purchasing card program but gives agencies and UW institutions the flexibility to develop their own policies, provided they meet or exceed DOA's requirements. We reviewed the oversight activities performed by DOA and participating agencies and UW institutions, and we analyzed a selection of 3,071 transactions to determine whether purchases were necessary, appropriate, reasonably priced, and satisfied all of DOA's documentation requirements. In addition, we reviewed a selection of purchases exceeding \$5,000 to determine whether appropriate procurement procedures had been followed.

### Program Oversight

DOA oversees statewide purchasing card use primarily through two review processes. First, DOA's purchasing card program manager reviews the electronic transaction data for seven different agencies and three different UW institutions every two weeks. This review does not include an analysis of cardholders' logs, receipts, or other documentation, because these are not available electronically and it would be impractical to review the paper files from all agencies and UW institutions. During 2008, the manager performed 129 reviews that included all agencies except for the Board for People with Developmental Disabilities, and all UW institutions except for UW-Madison. Transactions that required follow-up were identified in 23 reviews of six agencies and eight UW institutions. These transactions included:

- purchases from parking lots, gas stations, and restaurants, for which employees are not allowed to use purchasing cards, but instead are required by DOA to use personal funds and then seek reimbursement through travel vouchers, largely to prevent reimbursement when employees did not incur any out-of-pocket costs because purchases were charged to purchasing cards;
- office supply and rental car purchases, which must be made from vendors using mandatory statewide contracts; and
- purchases that exceeded DOA's standard single purchase limit of \$5,000, because permission must be obtained from DOA to increase an account's single purchase limit above \$5,000.

Depending upon the type of transaction identified for follow-up, the manager asks the agency's or UW institution's purchasing card administrator to verify the nature of the purchase with the cardholder or remind the cardholder of the relevant purchasing rules. Because the manager does not request or review documentation of the purchases, the effectiveness of these reviews depends in part upon the responsiveness of the purchasing card administrators at the agencies and UW institutions. For example, in one review in which the manager questioned a fuel purchase made on a Department of Corrections purchasing card, the Department of Corrections' purchasing card administrator investigated the transaction and determined that purchasing cards were being used to purchase fuel for small engine equipment. As a result, the Department of Corrections provided fuel cards to these staff. However, State Fair Park and UW-La Crosse purchasing card administrators did not respond to DOA's inquiry regarding similar findings.

In addition, the State Controller's Office in DOA reviews a random sample of each agency's purchasing card transactions every three to five years and determines whether they were appropriate and sufficiently documented. In 2008, the State Controller's Office reported on the purchasing card programs of the Department of Financial Institutions, the Department of Veterans Affairs, the Department of Workforce Development, and the Educational Communications Board. Noncompliance issues identified by the State Controller's Office included:

- insufficient documentation, including failure to provide sufficient descriptions of the state business purpose of purchases and failure to provide original itemized receipts;

- payment of unallowable expenses, such as fees charged by rental car companies for failure to refuel a vehicle; and
- purchases for employee recognition that were not allowable under policies established in the State Accounting Manual.

In response to the State Controller's Office findings, some agencies reported taking steps to require cardholders to provide a description of the state business purpose of purchases made with their purchasing cards. In other cases, such as when non-reimbursable expenses were paid, several agencies reported following up on the findings by reminding cardholders of the relevant policies.

***Agencies and UW institutions have implemented their own oversight mechanisms.***

The oversight mechanisms used by agencies and UW institutions vary. For example, at the Department of Corrections, a purchasing agent performs daily reviews of all agency transactions to identify issues such as purchases that should have been made using mandatory statewide contracts and purchases in which cardholders circumvented their single purchase limits using multiple transactions. At the Department of Regulation and Licensing, a financial specialist reviews all statements, logs, and supporting documentation after cardholders have submitted them to their supervisors, follows up with cardholders regarding questionable purchases, and notifies their supervisors if necessary. At UW-Milwaukee and UW-Madison, reviews focus on only a sample of transactions. For example, UW-Milwaukee's Internal Audit Department selects a sample of cardholders once per year and reviews all of their transactions. At UW-Madison, a staff member in accounting services requests and reviews documentation from five cardholders each billing cycle.

***The contract vendor notifies the cardholder rather than the supervisor when suspected fraud is detected.***

Finally, DOA also works with the contract vendor, U.S. Bank, to maintain safeguards against purchasing card misuse. For example, card use is electronically blocked for purchases at certain categories of merchants and certain transaction types, such as dating and escort services, bail and bond payments, insurance premiums, and cash withdrawals. In addition, U.S. Bank provides standard third-party fraud detection services, including flagging suspicious card activity. As part of its responsibilities, U.S. Bank contacts the cardholder, rather than the agency's purchasing card administrator, when suspected fraud is detected. In a 2003 letter to DOA, we noted that this represents an internal control weakness because a cardholder who is attempting to commit fraud would be alerted before the cardholder's supervisor or other state agency official. A better control system would also require the vendor to contact the purchasing card administrator or the cardholder's supervisor to follow up on possible fraud.

**☑ Recommendation**

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*We recommend the Department of Administration incorporate into future contracts with its purchasing card vendor procedures for the vendor to contact the purchasing card administrator or the cardholder's supervisor, as well as the cardholder, regarding possible fraud.*

**Transaction Review**

We conducted a detailed review of purchasing card transactions to determine whether cardholders met minimum documentation requirements, including sufficient documentation of business purpose, and whether purchases were necessary, appropriate, and reasonably priced. Our review was not random, but instead focused on specific types of purchasing card transactions, including:

- transactions for which there was a potential risk of abuse, such as purchases from luxury retailers, electronics stores, and online retailers and purchases made on holidays and weekends;
- transactions at parking lots, gas stations, and restaurants, which pose the risk of employees subsequently claiming reimbursement through travel vouchers although they incurred no out-of-pocket expense; and
- a random sample of transactions at merchants such as grocery stores, drug stores, and discount stores, which have a potential to be for personal use rather than a state business purpose.

As shown in Table 15, we reviewed 3,071 purchasing card transactions recorded from January 1 through December 31, 2008.

Table 15  
**Transactions Recorded and Reviewed**  
 2008

Agency or UW Institution	Transactions Recorded	Transactions Reviewed
<b>Agencies</b>		
Department of Natural Resources	49,980	352
Department of Corrections	50,265	350
Department of Military Affairs	8,384	200
Department of Public Instruction	6,542	200
State of Wisconsin Investment Board	1,575	77
Department of Regulation and Licensing	756	75
Subtotal	117,502	1,254
<b>UW Institutions</b>		
UW-Madison	219,014	501
UW-Milwaukee	47,835	401
UW-Whitewater	23,905	350
Subtotal	290,754	1,252
<b>All Other Agencies and UW Institutions</b>	284,998	565
<b>Total</b>	<b>693,254</b>	<b>3,071</b>

### **Documenting Purchases**

The State Accounting Manual and the State Procurement Manual issued by DOA establish the minimum requirements for adequately documenting a purchasing card purchase, which include:

- an original receipt showing what was purchased;
- a record of purchases, which may be either the U.S. Bank statement or a purchase log created by the cardholder; and
- the signature of the cardholder and his or her supervisor on the record of purchases.

**Adequate documentation is important in ensuring accountability for purchases.**

Because purchases made with a card do not require preapproval by a supervisor, each of these documentation requirements is important. Original, itemized receipts contain greater detail than the U.S. Bank statement and typically provide verification of the goods or services a cardholder claims to have purchased. The supervisor’s signature provides evidence that independent review of the purchases has been completed, and that someone other than the cardholder has attested that the purchases were for valid business purposes.

**Of the transactions we reviewed, 76.2 percent met the minimum documentation requirements.**

As shown in Table 16, 76.2 percent of the transactions we reviewed met the minimum documentation requirements of an itemized receipt, record of purchases, and cardholder and supervisor signatures. The percentage of transactions that met the requirements ranged from 58.4 percent at UW-Milwaukee to 90.7 percent at the Department of Regulation and Licensing.

Table 16

**Documentation of Transactions  
2008**

Agency or UW Institution	Transactions with Complete Documentation	Transactions Reviewed	Percentage
<b>Agencies</b>			
Department of Regulation and Licensing	68	75	90.7%
Department of Corrections	305	350	87.1
Department of Military Affairs	174	200	87.0
Department of Natural Resources	296	352	84.1
Department of Public Instruction	162	200	81.0
State of Wisconsin Investment Board	60	77	77.9
Subtotal	1,065	1,254	84.9
<b>UW Institutions</b>			
UW-Whitewater	263	350	75.1
UW-Madison	325	501	64.9
UW-Milwaukee	234	401	58.4
Subtotal	822	1,252	65.7
<b>All Other Agencies and UW Institutions</b>	454	565	80.4
<b>Total</b>	<b>2,341</b>	<b>3,071</b>	<b>76.2%</b>



In addition to requirements contained in the State Procurement Manual and the State Accounting Manual, s. 16.53(1)(c)1, Wis. Stats., requires that the nature and particular details of all purchases be documented. The State Controller's Office evaluates whether purchasing card purchases comply with this requirement by evaluating whether the information provided by a cardholder is sufficient to show that the items purchased were necessary and used for state business, and that the cost was reasonable. The level of detail that the State Controller's Office requires for the description of the state business purpose of a purchase depends on both the price and the nature of the item purchased. For example, the State Controller's Office requires less detail for inexpensive items and items that correspond directly with an agency's activities.

According to the State Controller's Office, it is important for cardholders to provide a description of the state business purpose of a purchase because it provides supervisors with the information they need to attest that the purchase was appropriate. It also facilitates the performance of compliance audits by agency staff and external reviewers, such as auditors from the State Controller's Office, because it enables auditors to check whether the items purchased were used for the state business purpose indicated by the cardholder.

***DOA policies do not require cardholders to document the business purpose of purchases.***

Purchasing card policies established by DOA do not specifically require cardholders to document the business purposes of purchases. As noted, the policies require cardholders to maintain a purchase record, but the model form provided by DOA requires recording only the vendor's name, items purchased, and the total price. DOA allows agencies and UW institutions to adopt its model form or to develop their own. In 2008, the State Controller's Office reported that three of the four agencies it reviewed did not fully comply with s. 16.53(1)(c)1, Wis. Stats.

We reviewed the extent to which purchase records provided detailed information regarding the state business purpose of purchases and identified significant variation both across and within agencies and UW institutions. While most have adopted forms similar to the model provided by DOA or require only that the cardholder submit a signed copy of the U.S. Bank statement, a few have created forms that instruct cardholders to provide additional information, such as for whom the purchase was made or its intended use.

As part of our transaction review, we analyzed the number of transactions for which the cardholder provided an explicit description of the state business purpose of the purchase, including how the purchase would be used and by whom. For some of the transactions for which an explicit description was not provided, the state business purpose of the purchase was implied because it

corresponded directly with the activities of the agency and was supported by additional documentation, such as cleaning supplies purchased by agency maintenance staff. As shown in Table 17, 1,278 of the transactions we reviewed, or 51.0 percent, included explicit descriptions of the state business purpose of the purchase, and the business purpose was implied for an additional 939, which is 37.5 percent. The percentage of transactions that had an explicit description of the state business purpose ranged from 35.7 percent at UW-Milwaukee to 78.0 percent at the Department of Public Instruction. We requested additional information from agencies and UW institutions for transactions for which the business purpose and initial documentation did not provide enough detail to determine whether purchases were necessary, appropriate, and reasonably priced.

Table 17  
**Documentation of Business Purpose**  
 2008

Agency or UW Institution	Transactions with an Explicit Business Purpose	Transactions with an Implied Business Purpose	Transactions with Neither	Transactions Reviewed	Percentage with an Explicit Business Purpose
<b>Agencies</b>					
Department of Public Instruction	156	37	7	200	78.0%
State of Wisconsin Investment Board	54	21	2	77	70.1
Department of Regulation and Licensing	51	18	6	75	68.0
Department of Natural Resources	202	116	34	352	57.4
Department of Corrections	200	110	40	350	57.1
Department of Military Affairs	93	92	15	200	46.5
Subtotal	756	394	104	1,254	60.3
<b>UW Institutions</b>					
UW-Madison	236	198	67	501	47.1
UW-Whitewater	143	190	17	350	40.9
UW-Milwaukee	143	157	101	401	35.7
Subtotal	522	545	185	1,252	41.7
<b>Total</b>	<b>1,278</b>	<b>939</b>	<b>289</b>	<b>2,506</b>	<b>51.0</b>

Although the business purpose of some purchases may appear implicit, requiring cardholders to provide an explicit description of the state business purpose would more effectively prevent inappropriate purchases by cardholders. For example, we reviewed one transaction in which a cardholder at the Department of Military Affairs inappropriately purchased a \$1,799 laptop computer for personal use. The agency used an adapted version of DOA's model form, which required only that the cardholder identify the item purchased, the vendor, and the total cost. The cardholder completed the form and did not provide an explicit description of the state business purpose of the purchase. Because the cardholder was employed in the information technology (IT) division, the purchase appeared to have a business purpose and was approved by the cardholder's supervisor.

We requested that the Department of Military Affairs provide us with an explicit description of the state business purpose of the laptop computer, because it was not a model that state agencies typically purchase. The Department informed us that three months before we selected this transaction, it had identified discrepancies in its IT inventory and in a subsequent investigation determined that the cardholder had made 12 inappropriate IT purchases from June 2006 through March 2008, including the laptop purchase we questioned, for a total of \$16,686 in inappropriate purchases. If the cardholder had been required to provide an explicit business purpose, including who would be using the equipment or where it would be located, the cardholder's supervisor may have been able to identify the purchases as inappropriate. The Department of Military Affairs has not yet received reimbursement from the cardholder, who resigned from state service in May 2008, and it has referred the matter to the Department of Justice.

***Adequately documenting a business purpose strengthens financial controls.***

Because purchasing card purchases typically do not involve preapproval, maintaining adequate oversight depends on the adequacy of supervisory review and subsequent audits to identify inappropriate purchases. Both of these controls could be strengthened by requiring cardholders to provide an explicit description of the state business purpose of every purchase, which would include documenting the intended use of the item and where or by whom it will be used.

**Recommendation**

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*We recommend the Department of Administration work with agencies and University of Wisconsin institutions to develop procedures requiring cardholders to explicitly document the state business purpose of purchases made with purchasing cards.*

## Questioned Purchases

***Agencies and UW institutions have generally implemented adequate internal controls for purchasing cards.***

We found that the internal controls for purchasing card oversight implemented by agencies and UW institutions are generally adequate and that the use of purchasing cards for personal financial gain is rare. We identified 131, or 4.3 percent of the 3,071 transactions we reviewed, as exceptions. As shown in Table 18, these exceptions totaled \$74,499. In addition, 52 of these exceptions, totaling \$7,286, had already been identified and addressed by agencies and UW institutions as a result of their own internal review procedures.

Table 18

### Purchase Exceptions at Agencies and UW Institutions 2008

	Number of Exceptions	Exceptions Identified and Addressed	Value of Exceptions	Value of Exceptions Identified and Addressed
<b>Agencies</b>				
State of Wisconsin Investment Board	6	0	\$48,561	\$ 0
Department of Military Affairs	15	4	6,158	4,191
Department of Corrections	17	13	4,397	1,537
Department of Natural Resources	22	10	3,094	440
Department of Public Instruction	4	2	1,025	22
Department of Regulation and Licensing	3	1	116	21
Subtotal	67	30	63,351	6,211
<b>UW Institutions</b>				
UW-Madison	12	4	5,130	85
UW-Milwaukee	17	4	2,111	163
UW-Whitewater	9	1	358	6
Subtotal	38	9	7,599	254
<b>All Other Agencies and UW Institutions</b>	26	13	3,549	821
<b>Total</b>	<b>131</b>	<b>52</b>	<b>\$74,499</b>	<b>\$7,286</b>

As shown in Table 19, we identified five different types of exceptions:

- excessive or unnecessary purchases, including purchases that have a state business purpose but appear to be luxury items or include avoidable costs, such as late fees;
- inappropriate purchases, including purchases made for personal use or that are otherwise unallowable;
- third-party error or fraud, which includes instances in which the cardholder reported that a vendor made an erroneous charge or that fraudulent charges were made by an unauthorized user;
- unknown purchases, which includes instances in which there was not sufficient documentation for us to determine what was purchased or whether it was appropriate, typically because of a lack of a receipt; and
- misapplication, which includes purchases that have a state business purpose but that are not allowed to be made using a purchasing card, typically to prevent employees from being subsequently reimbursed through a travel voucher even though they incurred no out-of-pocket cost.

Table 19

**Purchase Exceptions**

Reason Questioned	Number of Exceptions	Exceptions Identified and Addressed	Value of Exceptions	Value of Exceptions Identified and Addressed
Excessive or Unnecessary	18	1	\$52,463	\$ 981
Inappropriate	59	37	9,181	5,767
Third-Party Error or Fraud	9	3	5,580	67
Unknown Purchase	12	1	4,378	6
Misapplication	33	10	2,897	465
<b>Total</b>	<b>131</b>	<b>52</b>	<b>\$74,499</b>	<b>\$7,286</b>

Of the 3,071 transactions we reviewed, we found 123 transactions in which cardholders paid a total of \$618 in Wisconsin state and local sales tax although the State is tax-exempt.

### Excessive or Unnecessary Purchases

We identified 18 transactions totaling \$52,463 that we determined to be excessive or unnecessary. These included five business-class airfare tickets for State of Wisconsin Investment Board employees to travel to meetings in Europe, which totaled \$48,226. Travel policies established by the Office of State Employment Relations restrict allowable airfare to coach fare unless the traveler submits written justification of the expense and the expense is approved by an agency's appointing authority. Until April 2009, the Investment Board's policies allowed upgraded airfare when the total flight time, including layovers and all connecting flights, exceeded eight hours and arrival occurred on the same day as the meeting. We question this travel policy because the cost of upgraded airfare typically exceeded the cost of an additional night's lodging by a significant amount. For example, documentation maintained with two of the airfare transactions showed that the cost of two coach-class tickets would have been \$12,600 less than the cost of two business class tickets. In April 2009, the State of Wisconsin Investment Board revised its travel policies to require coach airfare for flights less than 14 hours unless there are unusual circumstances and written justification of the added expense is approved by the agency's Chief Operating Officer.

We identified excessive or unnecessary purchases at eight other agencies, including:

- a \$695 fox fur stole purchased by a UW-Milwaukee cardholder for a theater production;
- two attaché cases purchased by a Department of Transportation cardholder for \$230 each; and
- four computer bags purchased by a UW-Milwaukee cardholder from a luxury luggage merchant for \$195 each.

### Inappropriate Purchases

Inappropriate purchases, including personal purchases or purchases that are otherwise unallowable under state policies, were the most frequent exceptions we identified. We found 59 inappropriate transactions totaling \$9,181. Department of Natural Resources

***We identified 59 inappropriate transactions totaling \$9,181.***

cardholders accounted for 21 of these transactions, including one cardholder who accounted for 4 transactions totaling \$1,142, including:

- a \$223 purchase from the UW-Madison Athletic Department for tickets to a theatrical production, made in March 2008;
- a \$714 purchase from a vacation Web site for a trip to Las Vegas, made in April 2008;
- a \$56 purchase of a watch and purse, made in April 2008; and
- a \$149 purchase for video game console repairs, made in May 2008.

The cardholder's purchase records indicated that the purchase from the UW-Madison Athletic Department was for room rental and equipment for a business meeting; however, the cardholder actually purchased tickets to a theatrical production held at the Kohl Center. The purchase records for the remaining three transactions stated the purchases were personal and would be reimbursed. The documentation provided indicated that the cardholder reimbursed the May 2008 purchase in July 2008. However, when we requested documentation of reimbursement for the other two purchases, the Department of Natural Resources informed us that the cardholder had never submitted reimbursement. As a result of our review, it examined the cardholder's transactions since 2004 and identified an additional \$862 in inappropriate purchases. Capitol police investigated the matter and referred it to the Dane County District Attorney's Office. The Department of Natural Resources terminated the individual's employment in July 2009.

In another instance, a Department of Natural Resources cardholder purchased \$200 in gift certificates from home improvement stores, movie theaters, and restaurants for employee recognition gifts, which is not allowed under DOA policies.

Department of Military Affairs cardholders made three inappropriate transactions, which totaled \$4,183. One transaction was the previously noted purchase of a laptop for \$1,799. Another cardholder incurred a total of \$2,384 while staying at a hotel in Puerto Vallarta, Mexico in April 2008. The cardholder alerted the agency purchasing card administrator and stated that he made the charges after his personal credit card was declined and he was threatened with imprisonment. However, as of June 2009, the cardholder, who is on active military duty overseas, still had not reimbursed the Department of Military Affairs.

We identified a variety of inappropriate purchases of a lower dollar amount at 17 other agencies and UW institutions. For example, a State of Wisconsin Investment Board cardholder purchased 25 shirts totaling \$335 for the children of employees participating in Take Our Daughters and Sons to Work Day. Also, a UW-Superior cardholder purchased \$292 in veterinary services for her sister's horse. UW-Superior sought reimbursement from the cardholder after we requested information about this transaction but had not yet obtained it as of June 2009.

### Third-Party Error or Fraud

***We identified six instances in which cardholders did not identify or address erroneous charges to their accounts.***

We identified nine transactions totaling \$5,580 in which third-party error or fraud resulted in charges to the State. In six of these instances, the cardholder did not notice the erroneous charge or did not take the necessary steps to obtain reimbursement until we identified the charge. In one instance, a Department of Public Instruction cardholder identified a \$972 erroneous charge from a restaurant in June 2008 but did not obtain reimbursement until May 2009, after we asked for documentation to verify that the charge had been reimbursed.

In another instance, a UW-Madison cardholder was unaware that an engineering equipment vendor had charged her purchasing card \$4,350 in error in December 2008 until we requested additional information about the transaction. In this case, the cardholder authorized an associate researcher to use the purchasing card, which is not allowed under DOA policies. After placing the order, the associate researcher noted that the invoice listed the incorrect item and contacted the vendor to correct the order. The associate researcher was unaware that the vendor still charged the purchasing card for the incorrect item, and the cardholder remained unaware of the error.

Although DOA specifies that purchasing cards may be used only by the person whose name appears on the card, a purchasing card review conducted by UW System Administration in 2008 found that three UW institutions—UW-Madison, UW-Whitewater, and UW-Oshkosh— had programs under which cardholders may authorize other individuals to use their purchasing cards. As the UW-Madison example illustrates, a cardholder may have difficulty detecting erroneous or inappropriate charges on his or her statement when multiple individuals are authorized to make purchases. In addition, individuals who do not have their own cards may not fully understand purchasing card rules, increasing the likelihood of insufficient documentation, misapplication of purchasing cards, or inappropriate purchases. Therefore, we believe that purchasing card use should be limited to the named cardholder.



### Unknown Purchases

Twelve transactions totaling \$4,378 lacked sufficient documentation for us to determine what was purchased or whether it was appropriate, including:

- a \$2,692 purchase from an online office furniture retailer, made by a Department of Corrections cardholder;
- a \$1,003 purchase from Wal-Mart, made by a UW-Oshkosh cardholder, documentation for which the institution indicates was destroyed in a flood; and
- a \$133 purchase from a catalog merchant that sells desk accessories, reading tools, and books, made by a UW-Milwaukee cardholder.

### Misapplication

We identified 33 transactions totaling \$2,897 that represented misapplication of a purchasing card. The most common type of misapplication was the purchase of fuel for use in personal vehicles or of meals by cardholders traveling on state business. Under the State's travel policies, employees are required to pay for meals and fuel for personal vehicles using personal funds and claim reimbursement for their meals and mileage on travel vouchers.

The use of purchasing cards to pay for reimbursable travel expenses such as meals and fuel raises two concerns. First, there is the risk that cardholders will claim reimbursement for travel expenses that they already paid for with their purchasing card. In three of the transactions we identified, cardholders inappropriately sought and received reimbursement of travel expenses in this manner:

- One Department of Natural Resources cardholder purchased a \$12 breakfast and a \$9 dinner using her purchasing card but also claimed and received the maximum allowable amounts for both meals, which totaled \$30, even though she spent less than that amount and had not incurred any out-of-pocket expenses. The Department of Natural Resources is seeking reimbursement but had not received it as of July 2009.
- One UW-Milwaukee cardholder purchased \$40 in fuel for his personal vehicle while traveling to a conference and claimed the same amount in mileage on a travel voucher. He reimbursed UW-Milwaukee \$40 after we questioned this transaction.

Second, because supervisory review of purchasing card purchases takes place after purchases are made, cardholders may make purchases that exceed the maximum allowable amounts. When employees pay for travel expenses such as meals and fuel using personal funds and claim reimbursement using a travel voucher, a supervisor is required to review the claims for appropriateness and to authorize payment only for the maximum permitted.

### Recommendation

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*We recommend the Department of Administration work with agencies and University of Wisconsin institutions to reinforce prohibitions regarding the use of purchasing cards to pay for certain travel expenses.*

## Violations of Procurement Policies

***Purchases exceeding \$5,000 are subject to specific procurement policies.***

In addition to reviewing transactions to determine whether purchases were necessary, appropriate, reasonably priced, and satisfied all of DOA's documentation requirements, we reviewed other transactions to determine whether they complied with state procurement policies. As noted, purchases exceeding \$5,000 are subject to a specific set of procurement policies designed to ensure that goods and services are purchased at the lowest price. Purchases exceeding \$5,000 and up to \$25,000 typically require the use of one of the following:

- simplified bids, which require agencies to contact at least three vendors and document their bids;
- a waiver of the bidding process, which may be granted because a product can be obtained from only one source, an emergency exists that does not allow time for competitive negotiation, or grants are used that require a specific contractor; or
- purchasing under authorized state contracts.

Although DOA has established \$5,000 as the standard single purchase limit for purchasing cards to prevent cardholders from making purchases that violate procurement rules, this limit may be increased above \$5,000 with DOA approval. Further, cardholders may circumvent the single purchase limit by splitting purchases across multiple transactions. For example, a cardholder with a \$5,000 single purchase limit could purchase a \$6,000 piece of equipment by asking the vendor to process three transactions of \$2,000 each.

We reviewed 101 purchases consisting either of a single transaction exceeding \$5,000 or multiple transactions in consecutive days that, when combined, exceeded \$5,000. These purchases totaled \$760,100. We analyzed whether cardholders followed the appropriate procurement methods by obtaining and documenting simplified bids, obtaining waivers of the bidding process, or using authorized state contracts.

**Cardholders violated procurement rules for 16 purchases totaling \$128,541.**

As shown in Table 20, we identified 16 instances in which cardholders purchased individual or related items in excess of \$5,000 but did not obtain simplified bids or waivers of bidding, as required. These purchases were split across 49 transactions and totaled \$128,541. Six of these purchases, or 37.5 percent, were made by UW-Milwaukee cardholders.

Table 20

**Violations of Procurement Policies  
2008**

Agency	Purchases	Transactions	Amount
<b>UW Institutions</b>			
UW-Milwaukee	6	27	\$60,895
UW-Madison	4	8	23,923
UW-Whitewater	1	2	5,178
<b>Agencies</b>			
Department of Corrections	2	5	15,497
Department of Military Affairs	2	6	14,288
Department of Natural Resources	1	1	8,760
<b>Total</b>	<b>16</b>	<b>49</b>	<b>\$128,541</b>

Purchases that violated procurement policies varied by amount, types of items purchased, and degree of inappropriateness. In one instance, a UW-Milwaukee cardholder purchased 11 high-definition televisions, 7 DVD players, 1 digital video recorder, and other related accessories totaling \$20,252 for use in Head Start centers. The cardholder did not follow the simplified bidding process for the purchase, as required, and according to a UW-Milwaukee purchasing agent, the total cost of the high-definition televisions was \$1,900 more than if the cardholder had made the purchases through UW-Milwaukee's purchasing office. In addition, UW-Milwaukee's internal auditor, whose investigation

began prior to our review, found that the cardholder kept one television at her home for personal use. The cardholder reimbursed UW-Milwaukee \$1,350 for the cost of the television in May 2009.

Other examples of purchases that violated procurement policies included:

- the purchase of fluorescent lights and electrical fixtures totaling \$9,468 by another UW-Milwaukee cardholder;
- the purchase of \$7,389 in agricultural supplies by a Department of Corrections cardholder; and
- the purchase of lab equipment totaling \$6,703 by a UW-Madison cardholder.

In 14 of the 16 cases in which purchases violated procurement policies, the cardholder's single purchase limit was \$5,000 or less, which should have prevented the purchases from being made. However, the cardholders circumvented their limits by separating the purchases into multiple transactions, each of which was less than their single purchase limit.

## **Purchases from Ineligible Vendors**

***Agencies and UW institutions are prohibited from purchasing from vendors that do not meet certain statutory requirements.***

Agencies and UW institutions are prohibited from making purchases from vendors that do not meet certain statutory requirements. First, s. 16.765, Wis. Stats., establishes requirements that vendors must meet in order to be eligible to contract with the State, including:

- all vendors that contract with the State must establish equal employment policies and practices;
- vendors that receive a contract exceeding \$25,000 and employ 25 or more employees must generally submit an affirmative action plan, which must be approved by the contracting agency; and
- vendors that receive a contract exceeding \$25,000 must post a notice of the provisions of s. 16.765, Wis. Stats., on their premises.

Second, s. 77.66, Wis. Stats., requires the Department of Revenue to certify to DOA the names of persons who sell goods or services that are subject to sales and use tax but who are not registered or are not remitting the tax to the Department of Revenue.

DOA publishes on its online purchasing system the names of ineligible vendors based upon failure to meet requirements of s. 16.765, Wis. Stats., or to register or remit sales and use tax. However, purchasing card policies outlined in the State Procurement Manual and the State Accounting Manual do not specifically instruct cardholders that they may not purchase from vendors included on the lists, and because most cardholders are not trained purchasing agents, some are unaware of the requirements. Among all transactions made in 2008, we found 59 transactions totaling \$36,242 with vendors that DOA determined to be ineligible based upon failure to satisfy s. 16.765, Wis. Stats., and 107 transactions totaling \$3,820 with vendors that the Department of Revenue had determined were not registered or remitting sales and use tax. Although purchasing card purchases from ineligible vendors were rare, the number and dollar amount of purchases from ineligible vendors could likely be reduced by clarifying the requirements in purchasing card policies.

#### Recommendation

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*We recommend the Department of Administration clarify purchasing card policies in an effort to eliminate purchases from ineligible vendors.*

### **Improving Compliance with Program Rules**

While we found no evidence of widespread abuse, improved compliance with documentation requirements and with other program rules, such as those related to obtaining simplified bids for purchases exceeding \$5,000, could be better ensured through enhanced cardholder training.

DOA requires agencies to provide cardholders with training before issuing cards; however, it does not specify the type of training that should be provided, and five of the nine agencies and UW institutions included in our review—the Department of Military Affairs, the Department of Natural Resources, the Department of Public Instruction, the Department of Regulation and Licensing, and UW-Milwaukee—do not provide purchasing card training to cardholders. They simply provide cardholders with their purchasing card manuals to review. In contrast, the Investment Board, UW-Madison, and UW-Whitewater require cardholders to attend in-person training sessions, and the Department of Corrections has developed an online training system for cardholders.

Because most cardholders are not trained as agency purchasing officers and may not be aware of state purchasing rules, ensuring that cardholders receive adequate training may improve compliance with purchasing card program requirements. Additionally, uniform training can help to ensure that all cardholders are aware of program rules and can allow agencies and UW institutions to hold them accountable for violations.

**Recommendation**

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*We recommend the Department of Administration work with agencies and University of Wisconsin institutions to ensure that state employees receive adequate training in appropriate card use, including documentation requirements and training related to the procurement of goods and services exceeding \$5,000.*

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## Appendix 1

## Agency Purchasing Card Expenditures by Merchant Type 2008

Merchant Type	Amount
<b>Retail</b>	
Catalog Merchants, Subscriptions, and Other Direct Marketers	\$ 7,498,700
Hardware and Industrial Supply	6,439,300
Sporting Goods, Musical Equipment, and Other Specialty Goods	2,225,400
Medical Supplies and Drug Stores	2,111,000
Home and Office Furnishing	1,675,000
Computers and Electronics	1,369,900
General Merchandise and Other Retail	1,359,500
Books and Stationary	883,500
Food and Drink	811,100
Office Supplies	760,400
Clothing	252,700
Subtotal	25,386,500
<b>Services</b>	
Computer Programming, Advertising, and Other Business Services	2,929,300
Colleges, Professional Schools, and Other Education Services	1,895,800
Publishing, Laboratory Testing, and Other Professional and Skilled Services	749,900
Telecommunications and Utilities	653,500
Charitable, Civic, and Membership Organizations	644,500
Postage and Government Services	582,500
Construction and Landscaping Services	412,400
Medical Services	407,700
Clothing Rental, Dry Cleaning, and Other Personal Care Services	222,000
Non-automotive Repair Services	163,400
Recreation and Entertainment	103,400
Subtotal	8,764,400
<b>Travel</b>	
Lodging	5,563,100
Airline	1,334,500
Automotive Sales and Service	1,065,100
Travel Agencies, Bus Lines, and Other Travel	276,700
Car Rental	163,000
Subtotal	8,402,400
<b>Total</b>	<b>\$42,553,300</b>

## Appendix 2

## UW Institution Purchasing Card Expenditures by Merchant Type 2008

Merchant Type	Amount
<b>Retail</b>	
Catalog Merchants, Subscriptions, and Other Direct Marketers	\$ 12,340,600
Computers and Electronics	11,863,300
Hardware and Industrial Supply	11,139,500
Medical Supplies and Drug Stores	8,174,700
Sporting Goods, Musical Equipment, and Other Specialty Goods	6,644,200
Books and Stationary	5,082,000
Home and Office Furnishing	3,639,600
Food and Drink	2,582,300
General Merchandise and Other Retail	2,310,500
Office Supplies	1,091,200
Clothing	770,100
<b>Subtotal</b>	<b>65,638,000</b>
<b>Services</b>	
Computer Programming, Advertising, and Other Business Services	11,773,900
Colleges, Professional Schools, and Other Education Services	7,835,900
Charitable, Civic, and Membership Organizations	3,626,900
Publishing, Laboratory Testing, and Other Professional and Skilled Services	1,759,000
Medical Services	1,437,200
Telecommunications and Utilities	1,245,600
Construction and Landscaping Services	1,128,700
Postage and Other Government Services	845,600
Recreation and Entertainment	764,300
Clothing Rental, Dry Cleaning, and Other Personal Care Services	645,000
Non-automotive Repair Services	510,800
<b>Subtotal</b>	<b>31,572,900</b>
<b>Travel</b>	
Airline	10,893,600
Lodging	6,356,900
Travel Agencies, Bus Lines, and Other Travel	2,974,900
Automotive Sales and Service	1,306,200
Car Rental	434,300
<b>Subtotal</b>	<b>21,965,900</b>
<b>Total</b>	<b>\$119,176,800</b>



## Appendix 3

## Top Retail Merchants 2008

Merchant	Merchant Description	Amount <sup>1</sup>
<b>Catalog Merchants, Subscriptions, and Other Direct Marketers</b>		
Office Depot, Inc.	Office Supply	\$ 3,822,200
Insight Public Sector	IT Supply	1,751,500
Sigma-Aldrich Corporation	Life Science Supply	1,375,900
Corporate Express US, Inc.	Office Supply	995,600
Invitrogen Corporation	Life Science Supply	943,400
<b>Computers and Electronics</b>		
Dell	Computers and Electronics	4,130,900
MNJ Technologies Direct	Computers and Electronics	1,367,300
Apple, Inc.	Computers and Electronics	777,700
Newegg, Inc.	Computers and Electronics	642,800
Best Buy Co., Inc.	Computers and Electronics	444,900
<b>Hardware and Industrial Supply</b>		
W.W. Grainger, Inc.	Industrial Supply	1,926,800
McMaster-Carr	Maintenance Supply	570,800
First Supply, LLC	Industrial Supply	541,700
Neher Electric Supply, Inc.	Electrical Supply	533,300
Graybar Electric Company	Electrical Supply	377,200
<b>Medical Supplies and Drug Stores</b>		
Fisher Scientific	Science and Related Goods	822,900
Bio-Rad Laboratories, Inc.	Life Science Supply	478,000
Applied Biosystems, Inc	Bioresearch and Testing	447,100
McKesson Corp.	Medical Supply	428,700
QIAGEN, Inc.	Life Science Supply	372,500
<b>Sporting Goods, Musical Equipment, and Other Specialty Goods</b>		
UW-Madison	Educational Institution	331,800
R&D Systems, Inc.	Biotechnology Supply	281,200
Blain's Farm & Fleet	General Merchandise	217,400
San-A-Care, Inc.	Janitorial Goods	207,000
AVI Systems, Inc.	Audio-Visual Supply	168,100

Merchant	Merchant Description	Amount <sup>1</sup>
<b>Books and Stationary</b>		
Amazon.com, Inc.	Online Book Store	\$1,844,000
Capital Newspapers	Newspapers	379,100
Blackwell North America, Inc.	Library Supply	346,700
UW-Milwaukee Bookstore	Bookstore	259,100
Office Depot, Inc.	Office Supply	223,700
<b>Home and Office Furnishing</b>		
Menard, Inc.	Hardware	759,500
Interior Investments, LLC	Office Furniture	284,000
The Home Depot U.S.A., Inc.	Hardware	264,700
LaserSharp, Inc.	IT Supply	202,800
Target Corporation	General Merchandise	186,300
<b>Food and Drink</b>		
Wal-Mart Stores, Inc.	General Merchandise	538,200
Chartwells College & University Dining Services	School Food Service	149,000
Copps Food Centers	Grocery Store	104,700
Piggly Wiggly, LLC	Grocery Store	98,900
Pick 'n Save	Grocery Store	92,900
<b>General Merchandise and Other Retail</b>		
Wal-Mart Stores, Inc.	General Merchandise	261,200
Mills Fleet Farm	General Merchandise	260,900
Target Corporation	General Merchandise	130,200
LabSafe.com, LLC	Medical Testing	110,400
Bob Barker Company, Inc.	Detention Supply	110,300
<b>Office Supplies</b>		
xpedx	Paper Supply	524,600
Schilling Supply Co.	Packaging and Janitorial	238,800
Unisource Midwest, Inc.	Paper Products	169,500
Shadow Fax	Office Supply	97,800
Bradner Central Company	Paper Supply	93,100
<b>Clothing</b>		
Top Promotions, Inc.	Decorated Apparel	81,700
Red The Uniform Tailor	Uniform Supply	64,300
ARAMARK Corporation	Uniform Supply	58,100
Underground Printing	Decorated Apparel	36,600
Lands' End Business Outfitters	Corporate Clothing	33,000

<sup>1</sup> Estimated based upon best available information because a vendor's name may be recorded differently in different transactions.

## Appendix 4

## Top Services Merchants 2008

Merchant	Merchant Description	Amount <sup>1</sup>
<b>Computer Programming, Advertising, and Other Business Services</b>		
UW-Madison	Educational Institution	\$3,517,500
Badger State Industries	Furniture and Other	1,081,800
The McGraw-Hill Companies	Information and Media	335,100
Journal Sentinel, Inc.	Newspapers	331,600
Dalco Enterprises, Inc.	Industrial Cleaning Supply	251,500
<b>Colleges, Professional Schools, and Other Education Services</b>		
UW-Madison	Educational Institution	1,602,000
UW-Extension	Educational Institution	1,271,300
PayPal (multiple vendors)	Multiple Vendors	434,000
ISC BioExpress	Laboratory Supply	282,200
Thomson Learning	Information and Media	268,400
<b>Professional and Other Membership Organizations</b>		
American Meteorological Society	Professional Organization	96,400
EDUCAUSE	Educational Organization	90,900
National Council of University Research Administrators	Educational Organization	72,300
American Chemical Society	Professional Organization	54,800
International Right of Way Association	Professional Organization	51,200
<b>Publishing, Laboratory Testing, and Other Professional Services</b>		
Ecolab, Inc.	Industrial Cleaning Supply	249,900
Frontier FS Cooperative	Farm Supply	96,900
Cadmus Communications	Journal Printing	74,600
Midwest Veterinary Supply, Inc.	Veterinary Supply	55,000
Heartland Business System	IT Services	52,800
<b>Medical Services</b>		
Abcam, Inc.	Life Science Supply	128,500
AOSafety	Personal Safety	95,500
American Type Culture Collection	Life Science Supply	87,800
Aearo Company	Personal Safety	80,300
Agencourt Bioscience Corporation	Life Science Supply	73,600

Merchant	Merchant Description	Amount <sup>1</sup>
<b>Telecommunications and Utilities</b>		
Inacom Information Systems	IT Services	\$424,800
United States Cellular Corporation	Cellular Phone Service	132,000
AT&T, Inc.	Telecommunications	101,700
BAYCOM, Inc.	Telecommunications	64,100
Boxwood Technology, Inc.	Online Career Services	62,300
<b>Construction and Landscaping Services</b>		
Blackhawk Company, Inc.	Office Furniture	135,200
Johnson Controls, Inc.	Automotive Supply	101,600
Capital Electric Wire & Cable	Wire and Cable Supply	82,500
Wisconsin Metal Sales, Inc.	Metal Supply	40,100
ITG Solutions, Inc.	Web Site Management	39,700
<b>Postage and Government Services</b>		
The United States Postal Service	Postal Service	745,200
Monona Terrace Community and Convention Center	Community Center	142,500
Department of Administration Document Sales and Distribution	Wisconsin Government	38,300
USDA National Veterinary Services Laboratories	Federal Government	31,700
UW-La Crosse	Educational Institution	24,000
<b>Recreation and Entertainment</b>		
Matrex Mold and Tool, Inc.	Mold/Prototype Supply	39,300
Milwaukee Brewers	Major League Baseball	29,400
VIP Duplication & Media Services	Media Services	24,900
Discovery World, Ltd.	Interactive Learning Center	22,600
Six Flags Theme Parks, Inc.	Amusement Parks	19,700
<b>Clothing Rental, Dry Cleaning, and Other Personal Care Services</b>		
Roche NimbleGen, Inc.	Life Science Supply	67,300
JSM Communications, Inc.	Telecommunications Service	46,100
Band Box Cleaners & Laundry, Inc.	Uniform and Linen Supply	32,900
MTM International	Data Services	32,800
Cintas Corporation	Uniform Supply	15,900
<b>Non-automotive Repair Services</b>		
Microscope Services of Wisconsin, LLC	Microscope Service	80,600
Appliance Service Center, Inc.	Restaurant Equipment	50,600
Trane, Inc.	Heating and Cooling Systems	45,000
Service Motor Company	Ag/Construction Vehicles	34,600
Calibrate, Inc.	Laboratory Service	28,700

<sup>1</sup> Estimated based upon best available information because a vendor's name may be recorded differently in different transactions.

## Appendix 5

## Top Travel Merchants 2008

Merchant	Merchant Description	Amount <sup>1</sup>
<b>Airline</b>		
Northwest Airlines, Inc.	Airline	\$4,521,100
American Airlines, Inc.	Airline	1,956,600
United Air Lines, Inc.	Airline	1,906,100
Midwest Airlines	Airline	948,400
Delta Air Lines, Inc.	Airline	648,700
<b>Lodging</b>		
Holiday Inn	Hotel Chain	952,400
Hilton Hotels Corporation	Hotel Chain	747,900
Marriott International, Inc.	Hotel Chain	701,900
Best Western International, Inc.	Hotel Chain	577,800
Hyatt Corporation	Hotel Chain	400,100
<b>Travel Agencies, Bus Lines, and Other Travel</b>		
UW-Madison	Educational Institution	535,100
United Parcel Service of America, Inc.	Parcel Delivery Service	338,400
Van Galder Bus Company	Bus Service	306,700
STA Travel, Inc.	Travel Agency	248,300
FedEx Corporation	Parcel Delivery Service	141,200
<b>Automotive Sales and Services</b>		
National Automotive Parts Association	Automotive Supply	79,700
CARQUEST Corporation	Automotive Supply	59,400
United Cooperative	Ag-based Energy Products	49,800
Wisconsin Lift Truck Corp.	Industrial Vehicles	41,900
MidState Equipment, Inc.	Tractor and Utility Vehicles	33,900
<b>Car Rental</b>		
Enterprise Rent-A-Car Company	Car Rental	435,600
National Car Rental	Car Rental	119,400
The Hertz Corporation	Car Rental	6,700
Budget Rent A Car System, Inc.	Car Rental	6,600
Avis Rent A Car System, LLC	Car Rental	6,200

<sup>1</sup> Estimated based upon best available information because a vendor's name may be recorded differently in different transactions.





**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

**JIM DOYLE**  
GOVERNOR

**MICHAEL L. MORGAN**  
SECRETARY

Office of the Secretary  
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August 31, 2009

Ms. Janice Mueller, State Auditor  
Legislative Audit Bureau  
22 E. Mifflin Street, Suite 500  
Madison, WI 53703

Dear Ms. Mueller:

The Department of Administration thanks the Legislative Audit Bureau for its evaluation of the State of Wisconsin's purchasing card program.

State agencies and University of Wisconsin campuses deploy purchasing cards as a cost-effective means of paying vendors for small-dollar transactions. The State's use of purchasing cards is longstanding, governed by extensive policies and consistent with payment practices of most large public and private organizations.

We are gratified the Bureau found the internal controls implemented by agencies and campuses for purchasing card oversight are adequate. Nonetheless, the Bureau makes six recommendations it believes will further strengthen compliance with program rules and policies. We agree with the recommendations and will actively work to implement them.

We again thank the Bureau and its staff for the professionalism and consideration demonstrated during all phases of this evaluation.

Sincerely,

Michael L. Morgan  
Secretary of Administration







**Office of the President**

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August 31, 2009

State Auditor Janice Mueller  
Wisconsin Legislative Audit Bureau  
22 East Mifflin Street, Suite 500  
Madison, WI 53703

Dear Ms. Mueller:

I appreciate the Legislative Audit Bureau's efforts in reviewing the use of purchasing cards within the University of Wisconsin (UW) System and across state government. As your report notes, the UW System is the largest participant of the State's purchasing card program in several regards. The UW System accounted for 52.2% of the State's nearly 18,000 purchasing cards, 65.4% of the State's 693,200 purchasing card transactions, and 73.7% of the \$161.7 million spent with purchasing cards in fiscal year 2007-08. This purchasing card activity generated \$1.5 million in rebate revenue, of which \$1.0 million was used to offset the Department of Administration (DOA) assessment for procurement services.

Considering the magnitude of this program, the UW System fully understands and agrees with the need for effective program oversight, accountability, and good stewardship of state funds. In fact, we have implemented our own internal controls at various levels, including oversight by individual UW departments, UW System Administration, and DOA.

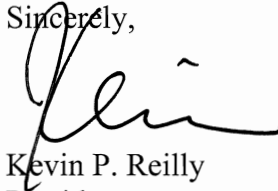
I believe your findings support our assertion that, in general, the UW System purchasing card program is well run and operating as intended. As noted in your report, the 1,250 UW purchasing card transactions reviewed by the Audit Bureau were not randomly selected, but were selected because they were deemed to pose a risk of abuse or fraud. Even within this "high risk" sample, the 38 UW transactions identified as exceptions total less than \$7,600. Of these, nearly one-fourth had already been identified by UW institutions and corrective actions were under way prior to the Bureau's review.

While the UW System largely supports the report's recommendations, there are two points that should be highlighted. First, if DOA implements the recommendation regarding documentation of explicit state business purposes, care should be taken to ensure additional documentation requirements add value to our oversight processes, without requiring overly time-consuming procedures for routine, low-dollar purchases. The UW System would be happy to work collaboratively with DOA in establishing better documentation requirements for high-risk and/or high-dollar purchases. Second, while UW campuses have been diligent in providing face-to-face training and written policies and procedures to purchasing

cardholders, we see the benefit to standardized training for all cardholders. The UW System recently began an initiative to develop and implement standardized web-based training for all UW purchasing cardholders and program administrators.

Thank you again for the opportunity to comment on the audit report. We appreciate the time, effort, and professionalism of your staff throughout this review.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin P. Reilly". The signature is fluid and cursive, with a prominent initial "K" and a long, sweeping underline.

Kevin P. Reilly  
President