

# Best Practices for Utilizing Corporate Credit Cards

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A corporate credit card can be a useful tool to aid organizations in cash management. A corporate credit card is most often utilized for two types of situations (although there may be others); frequent online purchasing or for individuals with frequent reimbursements. In either situation there are best practices for the security of the organizations assets.

## **The name on the card matters:**

Even corporate credit cards for an organization will be associated with one person. As such only the person whose name is on the credit card should be using the card. It is important to ensure that not everyone in the organization has access to the credit card information which could result in misappropriation of funds. This might mean that an organization has more than one corporate card. Regardless the individuals who receive a corporate card should be limited to appropriate personnel. Policies should identify which employees are eligible for a corporate credit card.

## **How much can be put on the card:**

One of the significant benefits of a corporate credit card is that the limits can be set by the organization for each individual separately. This allows the organization to limit the potential fraud exposure if the credit card is inappropriately used or if the card information is compromised. Strategic limits should be set on each card.

## **How are expenses documented:**

Documentation of corporate credit card expenses needs to be as vigorous as with an organization's expense reimbursement policy. Itemized receipts should be required for every charge that is placed on the credit card and the purpose of the expense should be well documented. Policies should include the required documentation and address how the organization will handle failure to provide documentation. Often policies should include when the failure to provide sufficient documentation results in the privileges having a corporate card being revoked for an individual.

## **What about recurring transactions:**

Monthly fees or recurring charges are often paid by credit cards to facilitate ease of payment and to limit the burden on the checks issued monthly. Documentation for recurring transactions still needs to be kept. This can be an email confirmation of the monthly charge a documented service agreement that details out the charges and the timing and terms of the monthly payments including when it ends. For most organizations a monthly confirmation will be an easy way to have each charge supported each month.

## **Approval of the charges made:**

While limits are set on cards to ensure cash controls, credit card expenditures still need to be approved. Only individuals with approval rights in the organization should be issued corporate cards. In addition, every corporate card should be approved on a monthly basis by an individual of higher approval authority. Often this results in the individual with the corporate card compiling the monthly credit card statement with all supporting documentation and identifying the appropriate expenditure information

for each transaction and submitting the statement and backup for additional approval. Depending on the number of transactions the organization may implement a more thorough process and timeline for the submission of receipts and documentation. Policies should include the amount of time after either a transaction is made or (for smaller organizations) the monthly statement is received that the documentation must be provided to the organization to be approved and recorded.

## **When the highest level employee has a card:**

When the Executive Director or other officer has a corporate credit card they should be held to the same requirements as all other staff and their expenditures should be approved by another officer with the same approval threshold or by a board member. As an added level of control a report may be generated to show all corporate card expenditures on a monthly or quarterly basis that can be provided to the board treasurer for review.

**Good fiscal management:** Corporate cards should be used as a tool for convenience and not as a cash flow solution. Limits should be set to ensure that the corporate card can be easily paid off on a monthly basis.

**Talk it through:** This is intended to be a brief overview regarding implementing corporate credit cards, please contact Megan Angle with our Not-for-Profit practice group to discuss all of the potential implications and next steps for your organization.

## FINANCIAL MANAGEMENT

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