# TAKING P-CARD SYSTEMS AND TECHNOLOGY TO STUDENT ORGANIZATIONS

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Abstract

In April, 2007, the Iowa State University (ISU) Campus Organization Accounting (COA) Office answered the call from its student leadership to develop an internet-based purchasing card reconciliation system for student organizations. ISU has over 850 active student organization accounts and hosts one of the nation's largest student-run celebrations through campus organization accounts. Finding creative ways to customize an existing University purchasing card (p-card) system were necessary in order to:

- meet student expectations with existing resources,
- provide greater purchasing power for student organizations,
- eliminate concerns and create goodwill with local community vendors,
- reduce paper vouchers, and
- improve signature and spending compliance and controls.

University students are accustomed to making purchases using the internet with debit/credit cards and, while the University had a purchasing card program for its employees, it did not have a program for student officers involved with student organizations. Modifying and utilizing existing programs, databases, and batching from its University employee p-card program, the University was able to develop and implement a p-card program for its student organizations.

Major differences between the University's employee p-card program and the student organization p-card program existed. Obstacles to developing and implementing the program were:

- Costs – No new funding was available for this initiative and it was likely that processing costs would not be offset with labor reduction savings because of the on-going need for extensive systems maintenance due to constantly changing officers and/or cardholders.
- Routing structure – No existing routing structure for non-employees existed within business applications prior to this application, and higher costs from routing maintenance were anticipated due to constantly changing officers and/or cardholders.
- Compliance controls – Because non-employees would be incurring the expenses, what controls and recourse could be developed for students who might make purchases that were non-compliant with the purchasing card program?

One year after implementation of the student organization p-card program, the University has already realized some significant benefits that include:

- 93.4% overall student customer satisfaction
- 22.4% of eligible student organizations have already chosen to participate in the program and new organizations are still signing up every week
- Paper vouchers have decreased 15%

Introduction of the Organization

**Iowa State University**

Iowa State University, located in Ames, Iowa, is a large, prestigious university with a friendly, hometown personality. Chartered in 1858, it became the nation's first land-grant institution when the Iowa General Assembly awarded it the state's land-grant charter in 1864. Iowa State aspires to be the best university in the nation in advancing the land-grant ideals and putting science and technology to work. The University's mission is to create, share, and apply knowledge to make Iowa and the world a better place. Its 26,000+ students choose from 100+ majors, study with world class scholars and keep more than 850 student organizations going strong.

U.S. News and World Report ranks Iowa State among the top 50 public national universities. Half of ISU freshmen get an early boost in academic success by participating in Iowa State's highly touted learning communities. Because so many students study or work abroad, ISU is 18th in the nation in that category.

Iowa State's campus includes more than 200 works of art and was rated as one of America's 25 most beautiful. Its central campus is among three central campuses on a national landscape architects' centennial list of great sites. (American Assn. of Landscape Architects, 1999)

**Statement of Problem/Initiative**

Student organization groups at Iowa State University (ISU) face declining purchasing power due to a dwindling number of local vendors willing to accept ISU's paper-based payment process, which is acceptance of a voucher as a guarantee of payment. Vendors do not want to deal with a paper process, and they also expect payment at the time of purchase. Because vendors are opting out of our payment process, students are increasingly asked to pay student organization costs out of pocket and then receive reimbursement, creating undue financial hardship on student organization members and leaders, along with missed opportunity to utilize the University's sales tax exempt status.

The Campus Organization Accounting Office (COA), which is a unit within the Controller's Department under the Vice President for Business and Finance, has faced rising paper and printing costs and was looking for a way to maintain or reduce those costs. COA staff were also witnessing an increasing number of vouchers submitted with fraudulent signatures and/or authorizations, further undermining local merchants' willingness to use ISU's paper payment process.

University students are consumer savvy young adults who are accustomed to using the internet and plastic to make purchases in their personal lives, and this expectation existed for conducting University business also. Using a credit card or p-card system would provide a method to give them more purchasing power to run their organizations, while also reducing paper and improving compliance and controls.

**Design**

The Campus Organization Accounting Office began this project by enlisting help from the University p-card office, which is part of the University's Purchasing Department.

University p-card office staff agreed to help us work through potential solutions and provide financial start-up support and information technology staff time for this endeavor. The Purchasing Department's assistance was invaluable in getting this project off the ground and implemented. COA staff estimated that rebates earned under the University's existing p-card contract as a result of the increased volume of transactions would be sufficient to cover expected IT development and on-going IT operating costs. COA estimated they would be able to recover and repay these projected first year start-up and operating costs with revenue generated from volume in the first year and thereafter generate revenue in excess of IT operating costs from the program.

COA went through an extensive approval process to obtain buy-in for a p-card program for University-recognized student organizations. Approvals from the ISU Controller, Purchasing Department, Government of Student Body (GSB) Senate, Internal Audit Office, Vice President for Student Affairs, Vice President for Business and Finance, University Receivables Office, and University Legal Services were received either through formal presentations or informal meetings before design work began. An important part of this approval process was providing details on controls and safeguards that would minimize the University's risk.

As design work on this project proceeded, COA and University p-card staff felt it was important to look at all financial instruments available from the University's current p-card provider. While this group looked at the positive and negative aspects of declining balance cards and cards assigned not to individuals but to organizations, it was quickly determined that to meet our expectations and the expectations of our students and to provide adequate security for vendors, the most appropriate option was a p-card assigned to specific individuals within a single campus organization group. Our p-card provider

agreed to work with us to create a separate business entity under the University's existing contract. Some of the advantages of this structure are:

- Using a separate entity under the University's existing contract allows us to use processes already in place for the transferring of transaction data from the p-card provider. The p-card provider does not have to transmit data for each entity separately, thereby eliminating additional costs to manage our program. The University accepts transactional downloads for both entities combined, and new programming separates the transactions into each appropriate p-card system. Cost savings from combined batch processing of transactions eliminates up to 80% of what the system would cost to operate separately.

- ISU's p-card provider helped COA staff create student p-cards that had different account numbers to distinguish them from University cardholders and also were a different color and were clearly marked with the student organization's group name to avoid unintended misuse of the card. The p-card provider gave us the flexibility to ensure visual controls were in place to distinguish COA's p-card program from the University's p-card program. P-card sleeves were also purchased to provide additional visual reminders that the COA p-card is not a personal credit card. The sleeves also include other helpful information and reminders such as the University's sales tax exemption number and unallowable uses of the p-card.

- Creating a separate entity within the University's existing p-card program allows the University's p-card program staff to provide a level of on-going oversight, control, and back-up for the smaller COA p-card program. This was essential because of the need to provide adequate internal controls over a program operating with limited staff. The COA Office is a small operation with only two permanent employees, so
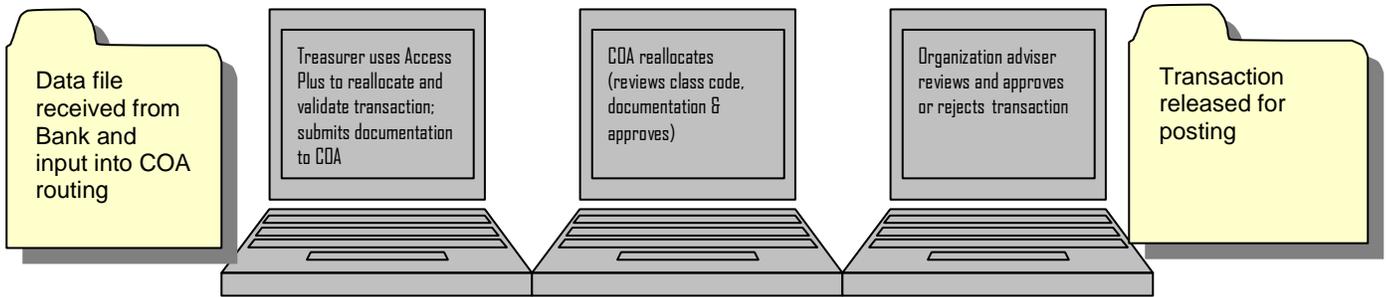
as we worked through this process, it was sometimes difficult to maintain an adequate segregation of duties and back-up.

- Being able to operate under the University's p-card program allowed COA to benefit from the p-card rebate available to the University. COA would not have been able to negotiate as favorable of terms and conditions with a separate p-card program based on its own volume.

A team consisting of COA staff, Controller's Department staff, Government of Student Body (GSB) Finance Director, University p-card staff, and Information Technology Service (ITS) programmers worked through each of the processes within the University's existing p-card system to determine what would work in the student p-card model and what needed to be changed.

The team knew a major obstacle with the COA p-card program was going to be the workflow or routing. Within the University's p-card system, which operates behind the University's business system log-in called AccessPlus, the routing is based on cardholders, verifiers, and approvers of transactions who are employees within the University's human resource systems. A similar identification and verification process did not exist for students. Within the University's p-card system, the routing for funding approvals is driven by the organizational coding assigned to specific funding accounts. This organizational coding for COA funding did not exist. All student organizations spend through a single account number that is organizationally assigned to the Controller's Department, and the individual student organizations are assigned unique cost centers within the single account number. The University's accounting system does not have the capability of assigning separate organizational coding to each student organization cost center. The routing for transaction approvals for student organizations requires that the

treasurer, who is an ISU student, verify transactions and an adviser, who is an ISU faculty/staff employee, approve the transaction, as noted below.

| Data file received from Bank and input into COA routing | Treasurer uses Access Plus to reallocate and validate transaction; submits documentation to COA | COA reallocates (reviews class code, documentation & approves) | Organization adviser reviews and approves or rejects transaction | Transaction released for posting |
| --- | --- | --- | --- | --- |

The team approached these workflow issues knowing that COA would likely need to establish and maintain its own workflow routing tables.  The University's organizational coding is driven by a seven (7) digit account number and five (5) digit organizational code. ITS programmers were able to develop workflow tables from existing programming that uses COA's cost center numbers to set up and assign routing tables.   This new five (5) digit cost center number in effect became the organizational code which tied the funding account and organizational code to the routing table.  The second part of the problem was the fact that students are not University employees who could be verified through Human Resource tables.   ITS developed programs that match against student record tables to verify that student cardholders and treasurers are current students and still eligible to participate in the p-card program.  Exception reports are used to identify cardholders and/or treasurers who are no longer students so their p-cards can be de-activated and so that COA staff are aware of the need to update workflow routing.

As part of the programming planning, COA and Controller's Department staff flowcharted every aspect of the p-card transaction process.  The following pages reflect normal application approval and transaction approval processes.  It was also important for

the team to analyze and flowchart how the process would work when transactions did not follow the normal process and to develop solutions for how to best handle each situation. For example, we developed time constraints for transaction processing, processes for charging back unallowable costs, processes for canceling cards when warranted, extensive training programs, etc.  We wanted to ensure the success of this program.   The team also asked the University's Internal Auditors to review the flowcharts to ensure adequate internal controls were in place for each part of the process.
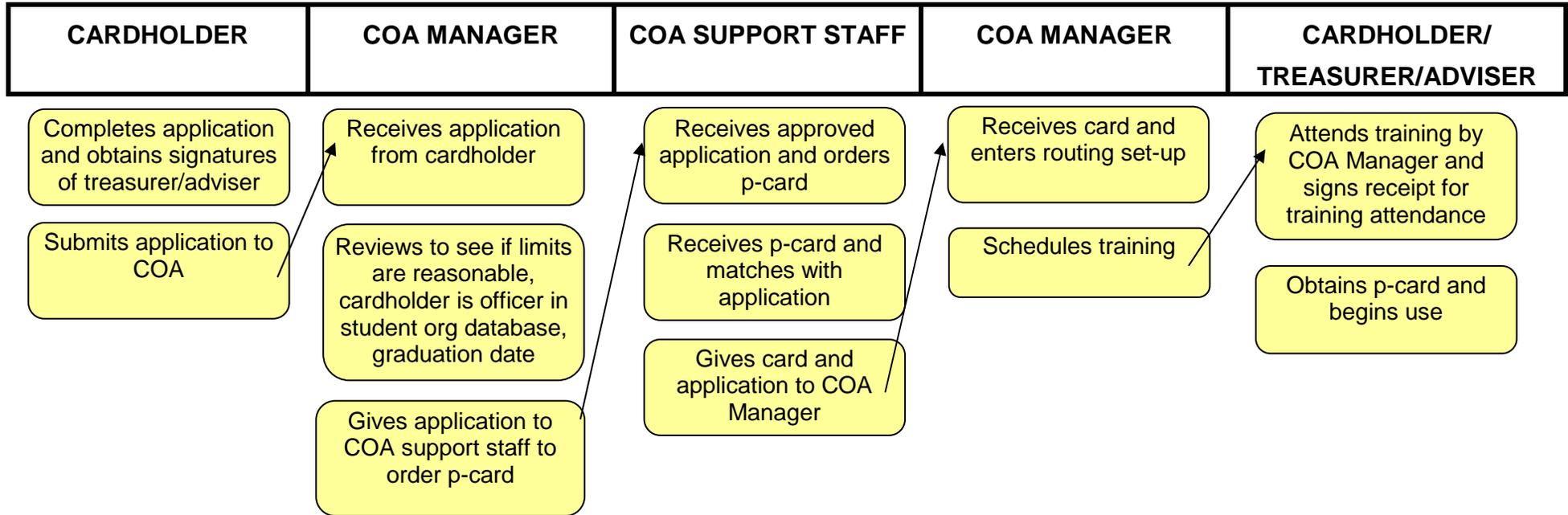
Some of the controls and safeguards put into place for the p-cards are:

- The p-cards are blocked from usage with vendors who have specific MCC (Merchant Commercial Codes), such as court costs, bail money, alimony, government services, and packaged beer/wine/liquor.

- The adoption of a 3-strikes rule.   Non-compliance with COA p-card policies or procedures results in loss of the card for 30 days. The second infraction results in re-training.  The third strike results in canceling the organization's card(s) for the remainder of the academic year.  Organizations can re-apply for a p-card at the beginning of the next academic year.  Unallowable costs must be immediately reimbursed, and COA has the right to charge the cardholder's University receivables bill for any unpaid charges.

- Student cardholders and student organization officers complete p-card applications accepting responsibility for use of a p-card and recourse for unallowable costs.  Cardholders do not receive cards until the cardholder, treasurer, and group adviser have attended mandatory training.   During a recent satisfaction survey, 90% of cardholders felt the training was very

thorough and provided information required for them to feel comfortable and properly use their p-cards.

- Dollar limits per transaction and for the month limit liability for the p-card provider, the student organization and the University.  Typically, cardholders are given limits of $500 per transaction and $5,000 per month but COA staff can increase and decrease these limits on-line in real time as needed.  For example, if an organization has a large trip planned, limits can be increased to cover travel costs but decreased again after the trip has been completed.

- Only original, itemized receipts are accepted to ensure duplicate payments are not processed and allow for easier auditing of documentation.   Original receipts are forwarded to COA staff for audit before transactions will be released for posting.

# APPLICATION APPROVAL PROCESS

| CARDHOLDER | COA MANAGER | COA SUPPORT STAFF | COA MANAGER | CARDHOLDER/ TREASURER/ADVISER |
|---|---|---|---|---|
| Completes application and obtains signatures of treasurer/adviser | Receives application from cardholder | Receives approved application and orders p-card | Receives card and enters routing set-up | Attends training by COA Manager and signs receipt for training attendance |
| Submits application to COA | Reviews to see if limits are reasonable, cardholder is officer in student org database, graduation date | Receives p-card and matches with application | Schedules training | Obtains p-card and begins use |
| | Gives application to COA support staff to order p-card | Gives card and application to COA Manager | | |

# TRANSACTION APPROVAL PROCESS

| CARDHOLDER | TREASURER | COA SUPPORT STAFF | ADVISER | COA STUDENT OFFICE ASSISTANTS |
|---|---|---|---|---|
| Purchase is made and receipt is obtained | Receives receipt from cardholder | Receives original receipt from organization treasurer | Receives email that transaction needs approval | Receives cardholder's credit card statement and reconciles with receipts |
| Print name on receipt | Checks name of cardholder on receipt | Reviews receipt for services, sales tax, allowability, licensing | Approves transaction in AccessPlus | |
| Gives receipt to student organization treasurer | Receives email notifying of transaction | Reallocates transaction in AccessPlus | | |
| | Matches receipt with transaction | Files receipts in COA cardholder file | | |
| | Reviews for allowability and appropriateness | | | |
| | Validates purchase in AccessPlus | | | |
| | Sends original receipt to COA support staff | | | |

**COA MANAGER**

Reviews transactions =>10 days old

**UNIVERSITY P-CARD MANAGER**

Receives notification of transaction =>30 days old

Transaction released to accounting system for posting

**Implementation**

Planning and programming for the COA p-card occurred during the Spring and Summer of 2007 and by November, 2007, COA was ready to have students start using p-cards.

Phase 1 - The team started with a small pilot test group of twelve (12) student organizations. Organizations were selected that would reflect a good cross-section of the kinds of organizations and activities at the University. We wanted to make sure the process worked for both organizations with just a few members and low annual expenditures as well as those with hundreds of members and high volume spending.

Student cardholders, treasurers, and advisers were trained prior to receiving their cards and access to the reconciliation system. Throughout this process and even with current training, we stress that the success and continuation of this program depends upon the users being responsible. The pilot groups operated successfully from November 1, 2007 until January 15, 2008.

Phase 2 – The program was opened to all student organizations on January 15, 2008. The COA newsletter and website were used to announce and promote the new program, and, of course, word of mouth by students proved to be just as effective as a marketing tool. By fall of 2008, COA was notified that organizations within the University's residence halls were requiring their student groups to switch to p-cards for making purchases. In the last quarter of 2008, we experienced expenditures equal to the entire previous fiscal year, and we expect these numbers to continue to grow rapidly over the next year.

To date, we have almost 300 cardholders and approximately 22% of the student organizations using p-cards to make their purchases. An important part of the

implementation has been the COA staff's willingness to take the p-card program to the students.   Staff are flexible and offer to meet and train groups not only during normal working hours but also at night and on weekends and wherever it is most convenient for the students.

**Benefits**

Student satisfaction - Students have expressed significant satisfaction with the COA p-card system and process.   A recent COA customer service survey supports student satisfaction with the COA Office.   The percentage of student organizations with p-cards continues to grow at a rapid rate, as does the amount of expenses being paid by the p-card.   New student organizations are signing up to participate in the program as awareness and confidence in the program grow.

Cost versus revenue – One year after implementing the COA p-card program, rebates are generating revenue in excess of IT system operating costs.  As staff time devoted to processing paper vouchers is reduced, p-card rebates will result in real positive cash flows for the department.

We have seen a 15% reduction in paper vouchers processed for the most recent quarter ended December 31, 2008 over the same quarter in the prior year.  This significant drop in paper vouchers corresponds with the 19% share of expenditures for the quarter made using the p-card.

It is important to note, however, that the reduction in staff time from not processing paper vouchers and reduced paper costs are offset by the staff time required maintaining a student p-card system with constant turnover in cardholders.   In addition, the system still requires review of all electronic transactions and management of transaction supporting documentation by COA staff.

Compliance improvement - The COA p-card has eliminated forged signatures and pre-signed vouchers due to the implementation of electronic routing and signatures. As added benefits, implementation of the electronic routing and mandatory training for p-card holders have also helped make students and advisers more aware of policies related to allowability and appropriateness while also reinforcing existing policies and procedures related to signature authority and supporting documentation. Advisers are better informed and more involved in their group's activities because they automatically are notified of transactions and prompted by e-mail to view and approve them.

**Retrospect**

Implementing the COA p-card system did cause tremendous strain on our existing COA staff as they managed to continue to process payments as usual while also devoting tremendous amounts of time to p-card application reviews, routing set-ups, training of cardholders and advisers, and electronic transaction processing. We were very fortunate to have access to the University's larger p-card system staff and resources, but it would have been an easier transition to have had back-fill staff within the COA Office to assist with the day-to-day operations when the p-card program was opened to all student groups.

When the COA p-card was opened to all student organizations at the start of the Spring semester, 2008, the number of applications from student organizations was overwhelming, and the amount of time before COA staff could offer training to all groups and distribute cards became a source of frustration for some students. In retrospect, student satisfaction with the roll-out process would likely have been more positive with a phased roll-out.

COA staff are already working on expanding the program by more aggressively marketing the advantages of the p-card system. In addition, one of the COA Office

employees has been issued a COA p-card to make payments for student organizations that don't have p-cards of their own and to make payments for large single transactions that exceed student p-card limits.  This will allow the office to increase its expenditure volume and increase rebate revenue, take advantage of the University's sales tax exempt status, take advantage of discounts from vendors that might otherwise be lost, and provide faster payments to vendors when needed.   An enhancement to the p-card program is planned in the next year that will provide technology to allow student treasurers to attach scanned images of receipts to the transaction as it is being routed.   Images would be imported into the financial management system for record retention purposes, eliminating long-term storage of paper records.