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**PRESS RELEASE**

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## Universities could save with procurement cards, State Auditor Ralph Campbell says in new audit

RALEIGH \_ North Carolina's university system could save at least \$300,000, and possibly millions of dollars, each year, if all 16 campuses began using procurement cards for small purchases, State Auditor Ralph Campbell said in a performance audit released Thursday.

But the report cautioned that procurement cards, similar to credit cards, would require strict oversight to make sure they were not misused. Sampling of purchases made by the five universities now using the cards indicated minimal misuse. In fact, a sample of 303 transactions revealed only four instances of inappropriate use which totaled \$110.81.

The cards were authorized by the General Assembly in 1997 as part of a pilot program. The University of North Carolina at Chapel Hill, North Carolina State University, East Carolina University, the University of North Carolina at Wilmington and North Carolina Agricultural and Technical State University have been using the procurement cards for about four years.

Auditors found that 2,353 cards had been issued during the 2001-02 fiscal year, ranging from 969 cards at UNC-Chapel Hill to 177 cards at North Carolina A&T. The cards were used to purchase \$23.6 million in merchandise during the fiscal year, less than five percent of the universities' non-construction purchasing for the year. Under the terms of the contract with the bankcard company operating the program for the State, the five universities received rebates of \$87,500 for that year.

Seven other universities are at some stage of implementing a procurement card system, but four others indicated they had no immediate interest in the program because of concerns that costs might outweigh benefits.

Auditors calculated that if all 16 universities used the procurement card system for 4 percent of their small purchases, the state would save a total of \$314,379. If the cards were used for 10 percent of non-construction purchases, the savings climbed to \$541,055.



An earlier study of UNC purchases indicated that 80 percent of all non-construction buying was for less than \$2,500. If all of that purchasing was done with procurement cards, auditors estimated the State could save \$4,328,440 a year. No alternative procurement systems offered similar savings.

The report recommends that the State, through the Department of Administration's Purchasing and Contract Division, could use its consolidated purchasing power to gain even larger rebates. Some of those increased rebates could be used by the division to increase its monitoring of the procurement card program.

"The procurement card program in the participating universities has shown that it can be a cost-efficient system for small purchases," Campbell said. "This is exactly the sort of change that the State needs to make to get the best benefit for taxpayers. A procurement card system must be closely monitored to make sure it is not abused, and any expansion of the program must be accompanied by the development of a rigorous monitoring system.

"The universities now using procurement cards should be commended for implementing proper controls for the program and for using efficient procurement methods," Campbell said. "Because of their successes, we are strongly recommending the expansion of this program for all universities."

The report is available on-line at <http://www.ncauditor.net/EPSWEB/EDSreportdetail.asp?RepNum=PER-0205>.

Copies of the report may be obtained at the office's web site at [www.ncauditor.net](http://www.ncauditor.net). Printed copies of the report can be obtained by filing a request under the Audits section of the web site or by calling the Office of the State Auditor at 919-807-7500.

