



A credit card use policy can help prevent abuse

During the busy holiday season, not-for-profit executives may rely on staffers to purchase gifts and holiday party supplies for the organization. But before you hand over a credit card, you need to make sure that the employee is trustworthy and understands your nonprofit's credit card use policy.

Don't have a policy? Here's how to establish one.

Limit access

Your policy should start with who is authorized to have or use a card. Nonprofits commonly issue cards to their executive directors, program directors and office managers (or other employees responsible for buying supplies).

Before issuing a card to an employee — or temporarily handing one to other staffers — consider whether that person really needs it. Most can pay out of pocket and submit reimbursement requests. However, if employees travel or entertain donors regularly on your nonprofit's behalf, it may make sense to give them cards.

Communicate the rules

It's also important to ensure that cardholders understand the rules. Explicitly say (even if it seems obvious) that they can't use the card for personal expenses, and list prohibited uses such as cash advances and electronic cash transfers, as well as charges over a specified amount.

State that reimbursement for returns of goods or services must be credited directly to the card account. Employees should *never* accept cash or refunds directly.

Require approvals

Manager involvement is essential to helping prevent credit card abuse. Require employees to seek preapproval for any credit card charge. Stress that unauthorized purchases — and related late fees and interest — will become the employee's responsibility. Employees should be required to provide documentation (such as itemized receipts) to their authorizing supervisor for review.

Supervisors need to indicate their approval of the charges by a signature and date on the receipts or on a standardized expense form. Your accounting department should reconcile monthly credit card statements, and the statements should be reviewed by an executive or board member.

Keep your door open

Employers often terminate and sometimes pursue criminal prosecution against staffers who misuse credit cards. Make sure your policies are clear and that every employee understands the potential repercussions.

At the same time, let employees know that they should talk to you if they're in financial straits. The pandemic has taken a toll on family budgets, and staffers burdened with medical bills and other debts may be more tempted to misuse their work-issued credit card. You may be able to refer employees to counseling or even arrange for a paycheck advance. Contact us with questions.