Swipe Smart: Credit Card Control Risks in Independent Schools

By Michael Talt, CPA, Manager and Armilee Siton, CPA, CIA, CGMA, Director

Credit cards have become an essential purchasing tool for many organizations, including independent schools. The level of convenience, flexibility and efficiency they provide on a day-to-day basis is difficult to match, especially compared to traditional accounts payable processes. Without proper oversight, however, they can also introduce significant financial and reputational risk.

Our Review Findings

Over the last six months, several independent schools have engaged us to review the credit card activity of certain cardholders for potential abuse. These reviews were initiated after irregular activity was identified by the finance department, prompting schools to seek a better understanding of potential misuse and overall corporate card activity.

Based on our recent reviews of credit card activity at a sample of independent schools, we found that approximately 3–5% of total operating expenses were charged through corporate credit cards. While this may not initially appear significant, independent schools should consider the proportion of fixed costs compared to discretionary spending.

For the schools that engaged us for review, fixed costs — including salaries, benefits, payroll taxes and depreciation — represented approximately 73–83% of total operating expenses. As a result, only 17–27% of spending was discretionary, with credit card activity comprising a meaningful portion of those expenditures..

Credit Card Alerts

Several common themes emerged across these engagements related to questionable credit card activity, including:

- Employees using credit cards for personal purchases that went undetected
- A high number of employees holding credit cards, increasing the difficulty of monitoring activity
- Missing or incomplete supporting documentation to substantiate charges
- Unclear or underdeveloped credit card policies that failed to adequately define allowable and unallowable expenses
- Failure to provide the appropriate level of review for key employees

Together, these gaps increase the risk of misuse, reduce transparency and can create unnecessary tension between the business office and other departments.

Because credit card transactions are not always reviewed in real time, fraud and abuse may go undetected until after an independent school has already experienced significant financial and potentially reputational harm. It is critically important for schools to review their credit card controls and procedures annually to ensure strong oversight remains in place.

Self-Assessing Your Independent School's Credit Cards

Credit card misuse does not only result from intentional misconduct; it can also occur due to gaps in oversight, making periodic self-assessment essential. Independent schools should evaluate:

- How many cards are currently active
- Whether all cardholders still require access
- Whether policies clearly define allowable use and spending expectations
- Whether spending limits are appropriate based on employee roles and responsibilities
- Whether transactions are routinely reviewed with appropriate supporting documentation and oversight at the proper management and/or governance level

A proactive approach is key. By strengthening internal controls and oversight, independent schools can better safeguard credit card usage while maintaining operational efficiency.

We Can Help

PKF O'Connor Davies understands the unique operational and governance challenges independent schools face in balancing their purchasing processes. Our Independent School Team assists independent schools with evaluating credit card activity, related internal controls and identifying potential misuse or fraud risks.

Contact Us

If you have any questions, please contact your PKF O'Connor Davies client service team or:

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