

# Purchasing Card Minimum Guidelines(1)

<b>Requesting a Card</b>
A purchasing card cardholder account form must be completed to start the application process. The form includes cardholder information reporting hierarchy, cardholder controls (limits), and the default accounting code for transaction charges. The cardholder's supervisor must approve the form and submit it to the liaison or the program administrator who reviews it for completeness. The program administrator approves the request and submits it to the vendor. The bank issues the card in about ten days and mails it to the administrator who retains it in safekeeping until provided to the cardholder. Cards are issued to cardholders after mandatory training is completed and a cardholder agreement is signed.
<b>Training and Agreements</b>
All new cardholders and their approving official are required to attend training on the use of the procurement card. The training includes: description of the program, expectations for cardholders and approving officials, use of mandatory and permissive price agreements, prohibited purchases, statement review and reconciliation, and attendee sign-in and evaluation of training.
All cardholders and approving officials are also required to sign cardholder and/or approving official agreements before a card is issued. These agreements outline important responsibilities and expectations. The agreements must be submitted to the program administrator or his or her designee and maintained in a secure file.
<b>Credit Limits</b>
Credit limits and other controls are established when the card is authorized and approved. The card may not be used for single purchases costing more than \$5,000. Agencies may establish lower single-purchase limits. Each card will have the following spending limits based on anticipated needs: 1) single dollar purchase limit - \$x,xxx or less, as determined by the program administrator or recommended by the supervisor; 2) spending dollar limit per monthly cycle; 3) dollar amount per day (optional); 4) maximum number of authorizations per day; and 5) maximum number of transactions per monthly cycle.
<b>Transaction Documentation</b>
The cardholder is responsible for ensuring that every transaction has valid supporting documentation. Valid source documentation includes: 1) an itemized receipt and card transaction slip from the vendor; 2) a signed delivery packing slip; 3) order forms for dues, subscriptions, registrations, or similar documents; 4) detailed invoice showing credit card payment; 5) email confirmation from the merchant.
Source documentation must include: 1) merchant name; 2) date of purchase; 3) description, price, and quantity of each item purchased; 4) total cost of the order; 5) cardholder name and/or card number; 6) signature of cardholder or designee demonstrating receipt; 7) official function form, if applicable; and 8) explanation of the reason for the purchase, if it appears unusual.
<b>Tracking Purchases</b>
The program administrator should establish guidelines on the manner to track purchases. Two alternative approaches to tracking purchases include: 1) retain documentation in a file or envelope including letters, emails, hand-prepared order information with signatures, etc.; or 2) retain the authorizing documentation and maintain a log of all purchases. Some supervisors may require employees to maintain a log. However, this may not be cost-beneficial. The program administrator should consider the additional cost of maintaining a log contrasted with any potential benefit.
<b>Reconciling the Statement</b>
At the close of each billing period (agency cycle date), the cardholder will either receive or prepare (print) an individual statement, listing purchases posted within the billing cycle. Purchases made near the end of the billing cycle may not appear on the statement.
The cardholder must review transactions as follows: 1) verify that each listed charge is valid and matches the transaction documentation; 2) ensure that account coding is accurate unless the agency assigns this responsibility to others such as the allocator or approving official; 3) identify any disputed charges; 4) reconcile credits in the same manner as charge transactions; 5) attach all supporting documentation and a copy of the transaction log (if used) to the statement; and, 6) sign the statement and forward it to the approving official.

(1) The information contained herein was extracted from the State of Colorado Procurement Program Performance audit dated August 2003 conducted by the State Auditor. The minimum guidelines were set by the State Department of Personnel and Administration.

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<b>Allocating/Reallocating Transactions</b>
Agencies need to develop a process for reallocating charges to other account codes. A default accounting code is established when a card is authorized. Transaction charges are initially posted to the default accounting code. However, cardholders may determine that the charges should be recorded under a different account code string if the default codes do not apply.
<b>Approving Official Review</b>
Approving officials must review and sign-off (approve) each account statement. Review each statement to ensure: 1) supporting documentation is attached for each transaction including disputed transaction or lost or unavailable transaction information forms; 2) transactions are in accordance with guidelines and there are no violations such as personal purchases, split or cash transactions, and/or patterns of lost documentation; and, 3) violations should be reported to the liaison or program administrator in accordance with department/agency guidelines.
<b>Record Retention</b>
Cardholder statements with supporting documentation and signed by the cardholder and approving official will be stored in accordance with department or agency guidelines. Records will be retained for the current fiscal year and three additional fiscal years. Transactions involving federal or grant funds may require a longer retention period.
<b>Payment and Reconciliation</b>
The agency needs to establish and document a mechanism for making monthly payments by electronic funds transfer (wire) or Automated Clearinghouse (ACH) to an account designated by Bank One. In accordance with contractual terms, payments should be made within 14 days of the cycle date.
<b>Personal Services - 1099 Reporting</b>
The state procurement card may be used for the purchase of services in those agencies that are prepared to capture payments in a 1099 reporting system.
<b>Program Monitoring and Audit</b>
The agency program administrators should develop and document an approach and methodology for routinely reviewing selected transactions and the activities of program participants to ensure overall compliance with the program. The results of reviews (audits) should be documented and retained for review by other program participants and/or internal and external auditors. Records should be retained for a period of three years plus the current fiscal year.
<b>Violations and Consequences</b>
It is the cardholder's responsibility to purchase only items that are necessary to carry out the cardholder's job requirements and to comply with state procurement rules, fiscal rules, and program guidelines. Program administrators in conjunction with their human resource organization should consider developing and documenting guidelines for disciplinary action for violations of rules and program guidelines. Disciplinary actions should be uniformly and consistently applied throughout the agency. Violations and disciplinary action should be documented and maintained in a secure file.

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