# STATE PURCHASING CARD POLICY

9.43

I. Authority - The laws relating to the Purchasing Card program are contained in A.R.S. §35-131, 35-154, 41-722, and 41 -2501 et seq., and A.A.C. R2-7-101 et seq.

II. Definitions:

A. Agency - Any Department, Administration, Authority, Board, Commission, Council, Court, Registrar, Office, Institution, or other Arizona entity in the Executive, Legislative, or Judicial branch.

B. Agency Head - The chief executive officer of any agency, board or commission, who approves employee applications for the Purchasing Card. Any delegation of this authority must be documented in writing, maintained by the agency and available for review or audit.

C. Agency Purchasing Card Administrator - The employee designated to coordinate all Purchasing Card program activity at the agency level.

D. Approving Official - The employee within the agency who is responsible for directing or authorizing the activities of the Cardholder(s).

E. Cardholder - A State employee who has been issued a Purchasing Card upon approval of his or her Agency and signing the Cardholder Agreement.

F. Director - The Director of the Arizona Department of Administration and/or the Director's designee with respect to applicable functions.

G. Monthly spending limit - The maximum dollar amount a cardholder is authorized to expend over a thirty (30) day period.

H. Purchasing Card - A Purchasing Card provided through State contract to State employees. **The card is to be used only to purchase small dollar items (not to exceed $1,000.00 inclusive of tax and freight) acquired on behalf of the State for a valid public purpose.**

I. Purchasing Card Limit - The total amount of credit made available by the State Purchasing Card Agent under the terms and conditions of the State Purchasing Card contract.

J. Reconciliation - The process of matching purchase receipts to the monthly memo statement to verify all account activity is in accordance with the program guidelines and restrictions

K. Single purchase limit - The spending limit imposed on a cardholder for an individual transaction. This limit is set at a maximum of $1,000.00 inclusive of tax and freight.

L. State Employee - Any full or part time individual receiving a pay warrant from a State payroll system.

M. State Purchasing Card Agent - A financial institution with which the State has contracted to provide Purchasing Card services.

N. Transaction - A single order of one or more items, usually on a single invoice or receipt.

III. General Policies - All State employees may utilize the Purchasing Card in the manner prescribed in this policy when duly authorized by their agency to do so.

A. State agencies may authorize an employee to utilize the Purchasing Card, in accordance with the following requirements:

1. All Purchasing Card transactions should be in accordance with this Policy, the State contracts for commodities, and all other applicable financial and accounting policies and procedures.

2. As is generally the case, efficient and effective policies and procedures are essential to the success of this program. Flexibility has been provided to the Agencies to customize the policy to their needs within the overall program constraints. Accordingly, each Agency electing to use the Purchasing Card shall establish internal written policies and procedures addressing the various processes, documentation flow, and adequate controls. These written policies and procedures should address the key issues affecting the program's success, including prompt payment, appropriation and budget controls, segregation of duties and other internal controls, training, program performance, etc.

3. A State of Arizona Purchasing Card Cardholder Agreement shall be signed by every cardholder before the issue of a Purchasing Card (see GAO Form PC-100).

4. The use of the Purchasing Card by employees of a State agency for any purpose other than those authorized for a valid public purpose to conduct State business is strictly prohibited.

5. The most economical method of purchasing is to be selected in terms of expense to the State.

6. Employee travel, in-state and out-of-state, is conducted in accordance with the State Travel Policy, as defined in the State of Arizona Accounting Manual, Section II-D, regardless of the expenditure amount. Employees are prohibited from using the Purchasing Card for any travel or travel related expenditure.

7. When the Purchasing Card is used to conduct State business, the Cardholder shall:

   a) Maintain all receipts, as applicable.
   b) Reconcile monthly memo statement against the purchasing activity conducted on the Purchasing Card during that time frame (e.g. match receipts or log to statement).
   c) The reconciliations must be prepared in an agency-prescribed format.
   d) Forward the reconciled memo statement and the original receipts to the appropriate authorized party within the agency for processing of payment within the allotted timeframe, as specified by the agency's Purchasing Card policy.

8. All records shall be maintained in accordance with established record retention requirements.

B. <u>Eligible purchases</u> - The Purchasing Card may be used for both State contract and non-contract purchases up to $1,000.00 (inclusive of tax and freight), as long as the card is accepted by the vendor.

C. <u>Limitations</u> - Allowable expenses on the Purchasing Card are subject to the following restrictions:

1. No cash advances are allowed under any circumstances.
2. Cardholders shall purchase items on State contract only from the State Contract vendor; items not on State Contract shall be purchased using such competition (i.e. price comparisons) as is practicable under the circumstances.
3. The Arizona Procurement Code and agency procurement policies apply and shall be utilized.
4. No transaction shall exceed $1,000.00. Dividing transactions or purchases to circumvent this dollar limitation is prohibited.
5. No prohibited items (e.g. professional services, alcohol, food, gasoline, travel, car rental, personal or non-State items) may be purchased.
6. Other agency limitations or requirements shall apply.

D. <u>Emergency</u> - The Director or the Director's designee may authorize exceptions as required. Requests must be made in advance when possible and should be submitted in writing from the Agency Head. Requests must include the Cardholder's name, a description of the situation and justification for the emergency procurement in the manner prescribed for emergencies in the A.A.C. R2-7-339 and 340. All emergency requests on accounting issues may be sent directly to the State Comptroller and will be resolved in accordance with applicable statutes, policies, and procedures.

E. Card Misuse - When the Purchasing Card is misused, the agency shall document the misuse and:

1. Seek full restitution plus interest.
2. Follow appropriate established disciplinary procedures, up to and including termination.
3. Document all appropriate files.
4. Forward the documentation to the Attorney General's Office for prosecution consideration.

## IV. Terms and Conditions

A. Agency Responsibilities:

1. The principal of separation of duties must be observed. The authority for approving disbursement of agency funds cannot be assigned to the Cardholder.

2. Issuance of Purchasing Cards to employees must be controlled, documented and limited to those employees identified by the State agency as appropriate. Authorization of employee applications and the setting of purchasing limits is the responsibility of the Agency Head. Any delegation of this authority must be documented in writing. This documentation must be maintained by the agency and be available for audit and review.

3. Agencies are required to establish internal written policies to assure that all statements are submitted to the accounts payable function in a timely manner to avoid incurring any delinquency fees or charges. All late fees are the responsibility of the agency.

4. Agencies are required to establish internal written policies to ensure that use of the Purchasing Card does not result in obligations in excess of appropriations.

5. Agencies are required to ensure that appropriate encumbrances to cover Purchasing Card activities are issued prior to releasing Purchasing Cards to employees.

6. Cardholders must be trained on the appropriate use of the card, state contract requirements, and established written policies and procedures, prior to being issued a Purchasing Card.

7. The Agency Purchasing Card Administrator is responsible for the distribution of Purchasing Card applications to employees, documentation of the application's authorization or denial, submission of authorized applications to the State Purchasing Card Agent, and monitoring compliance with the Agency and State Purchasing Card policies.

8. Each agency must maintain records in the personnel file or a file for audit purposes of each employee who has applied for, received or been denied a Purchasing Card. Cardholder records shall be reviewed semi-annually to ensure that employees are still eligible. The card should be canceled immediately when the employees are determined to be no longer eligible for the program.

9. Each agency must have procedures to ensure cancellation of Purchasing Cards issued to employees who leave their Agency through transfer, resignation, retirement or termination. The Agency Purchasing Card Administrator shall recover the card, notify the contracted vendor, and cancel the card. Cancellation must occur no later than the last day of employment. These procedures must include a monthly comparison of employees who have left the agency with employees who have been issued purchasing cards. If an employee leaves State service and the Purchasing Card is not returned, the Agency Program Coordinator must put a hold on any wage due to the employee, up to maximum limit on the Purchasing Card.

10. Maintain payment records made to the contracted vendor with supporting documentation.

11. Review and match detail on statements to the detail submitted by the employee.

12. Make payments in accordance with the required payment time frame. Any late fees or delinquency payments due to non-payment of card transactions are the responsibility of the agency.

B. Cardholder Responsibilities:

1. The Purchasing Card will be available only to eligible State employees. Each Agency determines employee eligibility. Each eligible employee must apply for the Purchasing Card individually. No organizational or department cards shall be issued.

2. The Purchasing Card is to be used solely for authorized State expenditures incurred while conducting State business during authorized duty hours. The Purchasing Card may not be used for travel expenses. State contracts must be utilized and applicable Arizona State Procurement Code provisions must be followed.

3. The Cardholder is liable for charges under the Purchasing Card if the expenditure is determined to be in violation of the State statutes, Terms and Conditions of the Purchasing Card contract, the Arizona State Procurement Code or for personal use.

4. ATM cash advances, the purchase of traveler's checks, and/or other negotiable instrument is not allowed.

5. Card privileges are a management prerogative that may be canceled, restricted or revoked at any time for any reason by agency management.

6. The Purchasing Card must immediately be surrendered upon transfer to another State Agency, resignation, retirement or termination from State service. If the Purchasing Card is not surrendered upon such separation, the employee consents for the withholding of the amount of the Purchasing Card limit from any wage due the employee, providing the reconciliation by the Agency of the final monthly memo state for the Card. Use of the Purchasing Card after separation from State service constitutes Card misuse as set forth in Section III.E.

7. Prior to receiving a card, employees must sign an affidavit of acknowledgment and understanding of the policies and procedures for use of the Purchasing Card (State of Arizona Purchasing Card Cardholder Agreement). This document authorizes withholding of money from wages if the card is misused or not returned upon separation from State employment.

8. Cardholders shall on a monthly basis reconcile all charges against statements. If original receipts are not available due to loss or are illegible, the Cardholder must complete an affidavit detailing the purchase date, vendor, product, cost, tax, total and reason the receipt is not available. This affidavit shall be forwarded with the reconciled statement as required in agency policy.

9. Cardholders shall resolve any discrepancies on the monthly statement, including charges for items returned to vendors, credit vouchers not appearing on the statement, and disputes with either the vendor or the Purchasing Card Contractor.

10. Purchasing Cards are assigned to individual employees. It is the Cardholder's responsibility to ensure the security of the Purchasing Card and to ensure the use of the Purchasing Card is in compliance with this policy and applicable statutes, rules and agency policies. Transferring, borrowing or lending a Purchasing Card is prohibited.

11. If the Purchasing Card is lost, misplaced or stolen, it must be reported immediately to the Agency Program Coordinator and the State Purchasing Card Agent.

12. Improper use of the Purchasing Card is subject to the appropriate disciplinary actions (up to and including dismissal and prosecution).

The above represents the minimum compliance requirements of the Arizona Department of Administration for individuals utilizing the Purchasing Card. Each agency may impose additional restrictions on the use of the Card.

## V. Compliance Reviews

Pursuant to A.R.S. 41-735, the General Accounting Office may perform internal audits for all agencies that utilize the Purchasing Card program. The following information will be reviewed:

### A. Required General Information

1. Agency
2. Employee's name and address
3. Signed cardholder agreement
4. Reconciled detailed statements
5. Employee signature
6. Authorized signature
7. Cost center

### B. Required Transaction Information

1. All supporting documents, receipts, and approved exception memos as needed.
2. Emergency approvals and documentation as required by the Arizona Procurement Code.
3. Claim documents with reconciled memo statement attached.
4. Agency summary (e.g. vendor invoice verified to cardholder detail).