

# MANAGEMENT DIRECTIVE

## Commonwealth of Pennsylvania Governor's Office

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| <b>Subject:</b><br>Commonwealth Purchasing Card Program   | <b>Number:</b><br>310.23 Amended   |
| <b>Date:</b><br>April 5, 2013   | <b>By Direction of:</b><br><br>Charles B. Zogby, Secretary of the Budget |
| <b>Contact Agency:</b><br>Office of the Budget, Office of Comptroller Operations, Bureau of Accounting and Financial Management, Telephone 717.787.6496 |  |

**This directive establishes policy, responsibilities, and procedures for the operation of the Commonwealth Purchasing Card Program. Marginal dots are excluded due to major changes.**

1. **PURPOSE.** To provide policy, responsibilities, and procedures for the operation of the Commonwealth Purchasing Card Program (the Program).
2. **SCOPE.** This directive applies to all departments, boards, commissions, and councils (hereinafter referred to as "agencies") under the Governor's jurisdiction and any other agencies participating in the Program.
3. **OBJECTIVES.**
  - a. To provide an efficient method to pay for goods and services procured in accordance with *Manual 215.3, Procurement Handbook*.
  - b. To ensure the commonwealth's ability to maximize rebates earned on purchasing card transactions.
4. **DEFINITIONS.**
  - a. **Agency Coordinator.** The individual assigned by an agency head or designee to act as the Program manager and liaison between the agency and the card issuer, Treasury Department, and Office of the Budget (OB), Office of Comptroller Operations.
  - b. **Billing Cycle.** A period of approximately 30 days established by the card issuer and upon which the monthly memo statement is based.

- c. **Card Issuer.** The bank that issues the purchasing card.
- d. **Cardholder.** An employee who is authorized to pay for goods and services on behalf of the commonwealth using a purchasing card.
- e. **Chief Procurement Officer.** The director of the Department of General Services (DGS), Bureau of Procurement.
- f. **Credit Limit.** The maximum dollar amount available on a single purchasing card.
- g. **Deputy Secretary for Comptroller Operations.** OB, Office of Comptroller Operations, Chief Accounting Officer.
- h. **Emergency Circumstance.** Any situation in which an agency must procure goods or services essential to the health and safety of citizens within the commonwealth.
- i. **Memo Statement.** A summary of purchasing card transactions that have taken place during a billing cycle, including transaction dates, posting dates, transaction descriptions, reference numbers, and transaction amounts.
- j. **Purchasing Card.** A credit card issued in the name of a commonwealth employee or entity and used by agency personnel to pay for goods and services acquired in accordance with commonwealth procurement policy.
- k. **Purchasing Card Violation (Violation).** Any instance of noncompliance with purchasing card policy and procedures including, but not limited to, splitting purchases to avoid the transaction limit, use of the purchasing card for purposes not permitted by sections 5.f. and 5.g. of this directive (including use for personal gain), exposing the complete purchasing card account number, and failure to reconcile a memo statement timely.
- l. **Transaction Limit.** The maximum dollar amount permitted for a single purchasing card purchase.
- m. **Utility Card.** A purchasing card designated for payments charged to specific [utility merchant category code \(MCC\) numbers](#).

## 5. POLICY.

- a. Agency participation in the Program is subject to the approval of the Deputy Secretary for Comptroller Operations.
- b. Agencies may authorize the issuance of purchasing cards to employees whose job responsibilities include paying for goods and services for the commonwealth. Purchasing cards assigned to employees whose authorization has been revoked must be destroyed and the corresponding accounts locked by the card issuer.
- c. **Cardholders and agency coordinators must be properly trained in the policies and procedures governing the use of purchasing cards.**

**d. Purchasing Card Violations.**

- (1) Each violation shall be evaluated by the Office of the Budget, Office of Comptroller Operations, Bureau of Accounting and Financial Management (BAFM) individually and in the context of any past violation(s) to determine the severity of the violation. The response to a violation or pattern of violations shall depend upon the nature, frequency, and severity of the violation(s) and may include:
    - (a) Written notice of the violation;
    - (b) Mandatory completion of Web-based purchasing card training;
    - (c) Suspension or revocation of the cardholder's purchasing card;
    - (d) Personnel actions, up to and including termination of the cardholder and/or agency coordinator.
  - (2) Violations may result in immediate suspension or revocation of a purchasing card by BAFM with no prior consultation with the agency. If a purchasing card is suspended or revoked, the agency shall be notified promptly.
  - (3) A corrective action plan shall be required upon the determination of a violation. Suspended purchasing cards shall not be reinstated until a corrective action plan has been approved by BAFM and implemented by the agency. Corrective action plans shall, at minimum, include increased monitoring of cardholder files and the cardholder's completion of Web-based purchasing card training.
  - (4) The cardholder may be required to reimburse the commonwealth for any use of the purchasing card that results in personal gain.
- e. Purchasing cards must be kept in secure locations to minimize the risk of loss or theft. Purchasing card information, including account numbers and cardholder data, must be safeguarded to prevent fraud or misuse. Vendors should be instructed not to keep purchasing card numbers on file.
- f. Purchasing cards shall be used to pay for the procurement of goods and services in accordance with Part I, Chapter 27 of *Manual 215.3, Procurement Handbook*. Purchasing cards shall also be used to pay for the procurement of goods and services listed in Part I, Chapter 1, Sections C.5. and C.6. of *Manual 215.3, Procurement Handbook*, provided the conditions for approved usage in Part I, Chapter 27 are met. Purchasing cards **shall not be used** to pay for gift cards or other types of awards prohibited by *Management Directive 505.23, Employee Recognition Program*.
- g. Utility cards shall be used only for payments that can be appropriately charged to the utility MCC numbers permitted for each card.

h. The potential rebate amount (See current purchasing card rebate rate) and administrative efficiencies gained from using the purchasing card must exceed the fees a company may charge in order to use the purchasing card.

i. **Purchasing Card Limits.**

(1) **Non-Utility Purchasing Cards.** The transaction limit for materials and service procurements shall be equal to the threshold identified in Part I, Chapter 27 of *Manual 215.3, Procurement Handbook*; the transaction limit for construction procurements shall be equal to the threshold identified in Part IV, Chapter 2 of *Manual 215.3, Procurement Handbook*. Transaction limits may be adjusted in emergency circumstances, as described in section 5.j. of this directive, and for transaction limit waivers approved by the Chief Procurement Officer and Deputy Secretary for Comptroller Operations.

(2) **Utility Cards.** Transaction limits shall be established by each agency.

(3) Credit limits shall be equal to the expected monthly spend plus twenty-five percent. Credit limits that exceed \$100,000 must be approved by BAFM. Credit limits may be increased in the emergency circumstances described in section 5.j. of this directive.

j. **Emergency Circumstances.**

(1) **In General.** Agencies may increase transaction limits and credit limits only with prior approval of their deputy secretary for administration and BAFM. In emergency circumstances, purchases exceeding the transaction limit for materials and service procurements are permitted when the vendor requires immediate payment for the goods or services needed. If the vendor can invoice the commonwealth after the fact, the purchasing card shall not be used. A purchase made in emergency circumstances that exceeds the transaction limit for materials and service procurements must be reported to BAFM within one business day. All other requirements of Part I, Chapter 27 of *Manual 215.3, Procurement Handbook* remain in effect.

(2) **Disaster Proclamations.** When the Governor issues a disaster proclamation, agencies may increase transaction limits and credit limits with the approval of their deputy secretary of administration and notify BAFM within one business day of the increase. The requirements in section 5.j.(1) of this directive for purchases exceeding the transaction limit for materials and service procurements also apply when the Governor issues a disaster proclamation.

(3) **Other Emergency Purchases.** Emergency purchases described in Part II, Chapter 6 of *Manual 215.3, Procurement Handbook* may be made with the purchasing card with approval from DGS, Bureau of Procurement.

k. Purchasing card receipts must be reconciled monthly to the memo statement provided by the card issuer. This reconciliation shall be reviewed and approved by a supervisor.

- l. Agencies must provide purchasing card receipts and supporting documentation requested by the Treasury Department; Department of the Auditor General; the Office of Inspector General; or OB, Office of Comptroller Operations, in accordance with responsibilities and procedures in this directive.
- m. Monthly payments to the card issuer will be made centrally from the purchasing fund and charged to the SAP accounting code assigned in the online card management system or to a default SAP accounting code for each agency. Agencies can distribute costs to accounts via the online card management system for up to one and one-half days after the close of the billing cycle.
- n. Agencies will reimburse the purchasing fund via cost allocation in accordance with *Management Directive 310.25, Transfers of Revenues and Expenses in SAP* at the end of each billing cycle.
- o. The use of a purchasing card has no effect on the cardholder's personal credit.
- p. Purchasing card rebates shall be processed as refunds of expenditures using a methodology that allocates the refunds back to the SAP funds where the original expenditures were charged.

## 6. RESPONSIBILITIES.

### a. Agency Heads or Designees shall:

- (1) Appoint an agency coordinator.
- (2) Develop a corrective action plan and approve disciplinary action, if applicable, when a cardholder and/or agency coordinator has not complied with purchasing card policy and procedures.
- (3) Approve reimbursement to the purchasing fund through the SAP cost allocation process.
- (4) Ensure funds are available to reimburse the purchasing fund for the agency's purchasing card purchases, or suspend purchasing card activity if funds are not available.
- (5) Ensure budget offices are allocating purchasing card rebate refunds back to the SAP funds where the original expenditures were charged.

### b. Agency Coordinators shall:

- (1) Provide a [Purchasing Card Cardholder Implementation Form](#) and the [Employee Purchasing Card Usage Guidelines](#) to each employee authorized to use a purchasing card on behalf of the agency.
- (2) Process Purchasing Card Cardholder Implementation Forms.
- (3) Receive purchasing cards from the card issuer, verify the accuracy of each card, and distribute cards to the appropriate cardholders. Destroy inaccurate cards and request replacements from the card issuer.

- (4) Use the online card management system to activate purchasing cards, set appropriate transaction limits and credit limits, enter the appropriate SAP accounting code charged for purchasing card transactions, and ensure mailing addresses for memo statements are current.
- (5) Report to BAFM any emergency circumstance requiring a purchasing card transaction limit in excess of the amount established by section 5.i.(1) of this directive.
- (6) Monitor cardholder purchases for compliance with *Manual 215.3, Procurement Handbook* through sampling electronic data provided by the card issuer and notify BAFM of purchasing card transactions that violate this directive or *Manual 215.3, Procurement Handbook*.
- (7) Certify quarterly that all purchasing card receipts have been reconciled each month to the memo statements provided by the card issuer.
- (8) Ensure the agency implements approved corrective action plans in cases of cardholder violations.
- (9) Recover and destroy cards from former cardholders who are no longer authorized to use purchasing cards.
- (10) Report recovered and destroyed cards to the card issuer and verify that the card issuer has locked the corresponding accounts.
- (11) Report to the merchant and the card issuer any disputed charges appearing on a memo statement.
- (12) Establish in the online card management system the hierarchy for purchasing transaction reporting used by the card issuer to provide activity reports.
- (13) Monitor the agency default accounting code and ensure availability of funds for future purchasing card purchases.
- (14) Ensure cardholders are properly trained and advised of all matters concerning the use of purchasing cards.
- (15) Document detailed internal procedures for handling a billing statement error or discrepancy.
- (16) Provide assistance, upon request from the Treasury Department or the Office of the Budget, Office of Comptroller Operations, Bureau of Payable Services (BPS) to ensure that Treasury Department audit requests are fulfilled within two business days.
- (17) Ensure same day correction of SAP intermediate document (IDOC) errors upon notification by the Office of the Budget, Office of Comptroller Operations, Bureau of Quality Assurance and Process Improvement.
- (18) Provide the SAP accounting code for depositing the quarterly rebate from the card issuer.

- (19) Establish procedures for retention and disposition of purchasing card receipts in accordance with commonwealth records retention and disposition schedules.
- (20) Maintain a list of agency cardholders in accordance with commonwealth records retention and disposition schedules.
- (21) Request approval from BAFM to establish individual credit limits in excess of \$100,000.

**c. Cardholders shall:**

- (1) Complete a Purchasing Card Cardholder Implementation Form and agree to the Employee Purchasing Card Usage Guidelines.
- (2) Keep the purchasing card in a secure location and safeguard purchasing card information. Instruct vendors not to keep purchasing card numbers on file.
- (3) Use purchasing cards to pay for goods and services procured in accordance with *Manual 215.3, Procurement Handbook* and this directive.
- (4) Complete [Form REV-1220, Pennsylvania Exemption Certificate](#) and provide a copy of the form to each merchant when using a purchasing card for the first time.
- (5) Provide purchasing card receipts and applicable supporting documentation to the Treasury Department within two business days of receiving a Treasury Department request. Invoices provided for Treasury Department audit must be stamped "certified original" prior to submission.
- (6) Provide purchasing card receipts and applicable supporting documentation to BPS within two business days of receiving a BPS request.
- (7) Organize purchasing card receipts by date and reconcile the receipts to the memo statement from the card issuer.
- (8) Report to the agency coordinator, merchant, and card issuer any disputed charges appearing on the monthly memo statement. Refer to the [Instructions for Dispute of Charges](#) for guidance on disputing charges with the card issuer.
- (9) Immediately report lost or stolen cards to the agency coordinator and to the toll-free number provided by the card issuer.
- (10) Immediately surrender the purchasing card to the agency coordinator upon agency determination that the cardholder is no longer authorized to use the card.

- (11) Retain and dispose of purchasing card receipts in accordance with agency procedures and applicable commonwealth records retention and disposition schedules.

**d. Department of General Services shall:**

- (1) Serve as the contracting officer, as defined by Part I, Chapter 2 of *Manual 215.3, Procurement Handbook*, for the Program.
- (2) Authorize the use of the purchasing fund for payment of purchasing card invoices.
- (3) Ensure DGS statewide contracts are created such that the respective vendors have the ability to accept purchasing cards.
- (4) Develop and maintain training materials jointly with the Office of Budget, Office of Training and Workforce Development.
- (5) Evaluate agency requests for waivers to the transaction limit.

**e. Treasury Department shall:**

- (1) Audit the supporting documentation provided by agencies for purchasing card transactions.
- (2) Notify BAFM if requested purchasing card receipts or other supporting documentation are not provided within two business days.
- (3) Process electronic funds transfer payments to the card issuer in accordance with established procedures.

**f. Deputy Secretary for Comptroller Operations shall:**

- (1) Evaluate requests to participate in the Program.
- (2) Evaluate requests for waivers to the transaction limit.

**g. Office of the Budget, Office of Comptroller Operations.**

**(1) Bureau of Accounting and Financial Management shall:**

- (a) Serve as the Purchasing Card Program Administrator and as a liaison between agencies, the card issuer, and the Treasury Department.
- (b) Evaluate the nature, frequency, and severity of violations and determine the appropriate response, including suspension or revocation of the purchasing card.
- (c) Evaluate agency corrective action plans and notify the agency of approval or disapproval.
- (d) Approve designees as agency coordinators and provide documentation of approval to the card issuer.

- (e) Monitor card issuer reports for activity and Program effectiveness.
- (f) Establish and implement procedures for the processing of end-of-cycle invoices in accordance with contract terms and conditions.
- (g) Receive notification from the Treasury Department when purchasing card receipts are not provided within two business days of the Treasury Department request and work with respective agency coordinators to obtain requested information.
- (h) Evaluate requests to establish credit limits in excess of \$100,000.
- (i) Develop and maintain training materials jointly with DGS.
- (j) Process cost allocations in accordance with *Management Directive 310.25, Transfers of Revenues and Expenses in SAP* for agency reimbursements to the purchasing fund and consult agencies as needed to resolve related IDOC errors to avoid delays in purchasing fund reimbursement.
- (k) Reimburse agencies for any credits due from the purchasing fund.
- (l) Receive, deposit, record, and allocate rebate payments.
- (m) Assist agencies to resolve IDOC errors.
- (n) Assist agencies in monitoring appropriations to ensure availability of funds for future purchasing card purchases.

**(2) Bureau of Payable Services shall:**

- (a) Process end-of-cycle invoices in accordance with established procedures.
- (b) Audit purchasing card transaction details. Audit procedures shall primarily consist of risk-based judgmental sampling, analytical review, random sampling, or other procedures designed to ensure the propriety of these transactions.
- (c) Request additional support from agencies as needed to ensure audited purchasing card transactions comply with this directive and *Manual 215.3, Procurement Handbook*.
- (d) Notify BAFM of purchasing card transactions that violate this directive or *Manual 215.3, Procurement Handbook*.
- (e) Provide assistance to ensure that Treasury Department audit requests are fulfilled within two business days to prevent delayed payments to vendors.

**(3) Bureau of Quality Assurance and Process Improvement** shall:

- (a)** Perform a monthly post-audit of select purchasing card transactions.
- (b)** Notify BAFM of purchasing card transactions that violate this directive or *Manual 215.3, Procurement Handbook*.
- (c)** Monitor agencies' implementation of and compliance with corrective action plans, when applicable, in accordance with section 5.d.(3) of this directive.

**(4) Office of Training and Workforce Development** shall:

- (a)** Conduct general purchasing card training sessions for new and existing agency coordinators and cardholders.
- (b)** Conduct specialized training to address violations of this directive or *Manual 215.3, Procurement Handbook*.

**7. PROCEDURES.** Agencies participating in the Program are required to follow procedures established by *Manual 215.3, Procurement Handbook* and applicable agency purchasing card manuals.

**This directive replaces, in its entirety, *Management Directive 310.23*, dated May 11, 2009.**