



45.20 Required Procedures for Purchase Card Programs

45.20.10

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Minimum requirements

This section contains the minimum requirements that should be included in an agency's purchase card policies and procedures. These requirements also apply to non-travel purchases on one cards. Refer to Subsection 85.36.20 for a description of the one card. Agencies may establish supplemental policies and procedures that are more stringent than the requirements established in this chapter.

45.20.15

October 1, 2007

Card issuance, changes and cancellation

45.20.15.a

All purchasing card services should be obtained through participation in the statewide contract administered by GA-OSP, unless there is a specific authority which authorizes an agency to independently contract for purchase card services. An agency electing to participate in the GA-OSP purchase card contract should contact GA-OSP to obtain the necessary forms and information.

The agency program administrator may order the purchase card(s) after completing all necessary implementation forms. Cards are issued to cardholders or card custodians after they have been provided with a copy of the agency policies and procedures for purchase cards, they have signed a card user agreement form, and they have received training on purchase card use. All cards should be delivered to the agency program administrator for distribution.

45.20.15.b

Credit limits and other controls are established when the card is authorized and approved. Card users should contact their supervisor if card limits are restricting purchases that are required to perform job responsibilities, or to update changes in work address, etc. The card user's supervisor should approve all changes.

45.20.15.c

It may be prudent to cancel and obtain all new purchase card numbers periodically (e.g., every three years).

45.20.15.d **Individually assigned cards**

For agencies with individually assigned cards, cardholders going on seasonal leave without pay should turn in their cards for secure storage by the agency until they return. The approving officials should notify the agency program administrator when cardholders are on seasonal leave. The agency program administrator should then notify the issuing bank or reduce the monthly purchase limit to \$1. Failure to notify the issuing bank or to reduce the monthly purchase limit to \$1 may result in agency responsibility for all charges.

Agencies are required to make a reasonable attempt to physically recover purchase cards from employees who terminate or are reassigned. Agencies should destroy the plastic card and immediately cancel it with the issuing bank. The card user agreement form that was signed when the employee received the card should be completed with an agency signature verifying that the card has been returned by the employee.

45.20.15.e **Department cards**

For agencies with department cards, agencies should consider obtaining new cards if the cards were under the control of a person who terminates, depending on the circumstances of the termination.

45.20.20

July 1, 2008

Controls

45.20.20.a

Internal controls

An agency should establish internal controls to address the use of the purchase card as a means of expending state funds. The following is the minimum level of controls acceptable:

- Maintaining a list of all cardholders, card custodians, and designated card users in the agency.
- Card users shall be given a copy of the agency purchase card policies and procedures, should sign a card user agreement form, and should complete training prior to a purchase card being issued and used.
- All cards should be ordered by and delivered to the agency program administrator for distribution to card users.

45
Purchase Cards

- Promptly recording, properly classifying, and promptly reconciling all transactions.
- Assigning key duties and responsibilities to ensure a proper separation of duties.
- Safeguarding purchase cards and account numbers against loss, theft, and unauthorized use. Cards should be kept by the cardholder or card custodian in a secure (locked) location when not in use.
- Agencies utilizing department cards should create and maintain a department card log to track card use. Designated card users should check out and check in the card on a department card log and describe the business purpose for each use in order to make a purchase.
- Making a reasonable attempt to physically recover and destroy purchase cards from terminating or reassigned employees.
- Setting spending limits for card users.
- Reconciling and approving card statements at least monthly.

45.20.20.b

Spending limits and other controls

Spending limits and other controls are set by the agency and the issuing bank when the card is authorized and approved. Limits can be set at the agency or card level, and can include:

- Single transaction purchase limit – Restricts the cost of an individual purchase against a pre-set limit on a card.
- Spending limit per cycle – Restricts the total amount of purchases in a month against a pre-set limit on a card.
- Merchant Category Code (MCC) – An MCC code is a 4-digit number assigned by a merchant’s charge card processor according to category or type of business a merchant conducts. By designating each MCC as allowable or restricted, the card user is blocked out at the point-of-sale for all unauthorized merchant types.
- Maximum number of daily transactions – Restricts the number of purchases in a day against a pre-set limit.

- Maximum number of transactions per cycle – Restricts the number of purchases in a month against a pre-set limit.
- Aggregate spending limit per cycle – Restricts the total amount of purchases in a month against a pre-set limit for the agency. For agencies using the GA-OSP contract, the aggregate limit for purchase cards for each agency is established by GA-OSP per WAC 236-48-252.

45.20.25

October 1, 2007

Purchase card misuse

It is the card user's responsibility to purchase only items that are necessary to carry out their job requirements and to comply with all state and agency statutes, rules, policies, and procedures.

The approving official, in consultation with the hiring authority and the agency program administrator, is responsible for taking appropriate disciplinary actions, consistent with applicable policies, for misuse of the purchase card. Card users who improperly use a purchase card may be subject to prosecution and penalties to the full extent provided for by law.

45.20.30

July 1, 2008

Transaction log

Agencies must utilize a purchase card transaction log to record each purchase made using the purchase card. The log may be a manual log that the agency develops and/or maintains, or an online tracking log. The transaction log should contain all information necessary to reconcile transactions to the online data or the monthly card statement. All supporting documents (sales receipt, charge slips, cash register slips, order forms, receiving reports, etc.) should be kept and should be readily available when requested. Any items returned should also be recorded on the log.

45.20.35

July 1, 2008

Payment for purchase card transactions

The agency program administrator will establish procedures to ensure timely, accurate, and cost effective payment of the purchase card bill.

The agency fiscal staff should ensure that goods or services are received prior to payment of the purchase card bill. Refer to Subsection 85.32.20.b. Generally goods and services are not to be prepaid (paid for before receiving) unless expressly allowed by statute. Some examples of when prepayments are allowed include:

- **Maintenance Service Contracts** – Pursuant to RCW 43.88.160(5), under certain conditions, payments for equipment maintenance services may be made up to twelve months in advance.
- **Postage, Books and Periodicals** – Pursuant to RCW 42.24.035, agencies may make payment for the costs of postage, books and periodicals in a manner consistent with normal business practices, but in the case of subscriptions, for periods not in excess of three years.
- **Airline and Other Common Carrier Tickets** – May be purchased in advance under certain conditions as described in Subsection 10.50.40.

Each agency determines their cycle and due dates with the issuing bank. Purchase card payments are to be made by the established due date. The terms are net 30 days from the statement date. If agencies fail to make timely payments, the issuing bank can charge a late payment fee of 1 percent per month on the amount overdue or a minimum of \$1.00 under RCW 39.76.010.

Payments should be made in a manner that maximizes the use of the funds to the state while ensuring timely payment and avoiding finance charges. Agencies should consider how early payments may negatively impact their investment earnings on their account balances. Agencies should also consider obtaining statements electronically from the issuing bank to allow for more time for reconciliation and timely payment.

45.20.40

October 1, 2007

Rebate/incentive programs

Each agency should establish a policy for accounting for any rebates/incentives received from any merchants or the issuing bank. The policy should address the individual business needs of the agency and should cover how the rebates are to be recorded. Note that all merchant losses on agency accounts may be deducted by the issuing bank when determining agency rebate amounts. Therefore an agency should make a reasonable effort to ensure that unauthorized or disputed transactions are promptly reported.

Rebates should be recorded as either a recovery of expenditures or miscellaneous revenue depending on the timing of the receipt of the rebate and/or the source of funds expended for the purchase card transactions.

45.20.45

July 1, 2008

Disputed items

Agencies should immediately notify the merchant of any items in dispute. If the agency is unable to get satisfaction from the merchant, the amount should be disputed with the issuing bank. Disputed items must be communicated to the issuing bank within 60 days after the date on the statement on which the disputed or incorrect charge first appeared.

45.20.50

October 1, 2007

Reconciliation, documentation, and records retention

The issuing bank shall provide online purchase card transaction information, as well as a summarized monthly card statement for each card that displays detail transactions made during the current billing cycle. Responsibility for reconciliation of the card statement rests with the cardholder or card custodian. The cardholder or card custodian should reconcile purchases made during the billing cycle by matching the bank statement or online purchase card transaction data to their purchase card transaction log and the documentation obtained from the merchant on purchases. The cardholder or card custodian should secure and retain documentation supporting purchases charged to the purchase card. The approving official should review, sign, and date the reconciliation within a specified period of time, as specified by the agency. Disputed items should be reported to the bank within 60 days of the statement cycle date in accordance with contract terms.

A pattern of missing documentation should result in the loss of purchase card privileges. Agencies are required to monitor and cancel the purchase card for card users who frequently do not provide appropriate purchase card supporting documentation.

In addition, the agency may wish to utilize the issuing bank's secure online reporting features to facilitate interim reviews and monitoring for unauthorized usage.

Card statements with supporting documentation approved by the cardholder or card custodian and the approving official are to be retained in accordance with agency procedures and state records retention laws. The general records retention schedule for purchasing records is to be followed. Transactions involving federal or grant funds may require a longer retention period. Records must be available for review or audit on request.

45.20.55

October 1, 2007

Lost or stolen cards

If a purchase card is lost or stolen, the cardholder, card custodian, or designated card user should immediately notify the issuing bank and the agency program administrator. Failure to notify the issuing bank may result in agency responsibility for all charges.

Refer to Section 20.30 for procedures to follow for suspected losses of public funds or property.

45.20.60

October 1, 2007

Post audit

Purchase card transactions are subject to audit for compliance with the terms and conditions of the purchase card program. Agencies are required to retain all source documents for all purchases made using the purchase card. Records must be available for audit on request.