

# Statewide Purchasing Card Policy



Department of Administrative Services

State Purchasing Division

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# State of Georgia

## Purchasing Card Program Policy

### I. Program Overview

The State of Georgia Purchasing Card (P-Card) Program provides charge cards and commercial purchasing card accounts designed to enable authorized, permanent State of Georgia employees to make purchases of supplies, materials, equipment, and services for State business use. The program streamlines payments by eliminating the administrative burdens and costs associated with traditional methods of payment.

The P-Card Program (Program) utilizes Visa<sup>®</sup> purchasing card commercial accounts with and without plastic cards issued by Bank of America (Bank) pursuant to a contract awarded to the Bank by the Department of Administrative Services (DOAS) State Purchasing Division in July 2005. P-Cards and related accounts can only be used for official State of Georgia business and cards must be surrendered and/or accounts closed upon termination of employment for any reason or upon demand by the State of Georgia or by the cardholder's employer.

This P-Card program is the only purchasing card program authorized for use by employees of any State Agencies, the Board of Regents, Colleges, Universities, and technical schools, referred to as "State Entity", "Entity", "Entities", or "Program users" in this policy. It includes traditional card based accounts, Ghost Accounts and other cardless products including but not limited to ePayables.

All Entities are required to use the Works<sup>™</sup> Payment Manager (Works<sup>™</sup>) system provided by the Bank, or other system approved by State Purchasing Division, for card administration, account maintenance and monthly billing statement reconciliation. (Exception: Entities utilizing Team Georgia Marketplace<sup>™</sup> will reconcile P-Card transactions with the PeopleSoft application integrated into Team Georgia Marketplace<sup>™</sup>; for Team Georgia Marketplace<sup>™</sup> participants only, Works<sup>™</sup> is required only for account management.)

The terms of the contract with Bank of America also permit State Authorities and Commissions, local governments (counties), municipalities ("Local Entities") to use the program. DOAS recommends that local entities participating in the program adopt and adhere to this Statewide Purchasing Card Policy; however, DOAS also recognizes that local governments are ultimately accountable not to DOAS but to the county Boards of Commissioners, city councils, or other governing bodies which approve local government budgets and oversee local government financial affairs. Accordingly, it is the responsibility of the appropriate governing body to put into place a purchasing card policy and ensure their local entity adheres to that policy.

The State Cards Program Manager approves all participation in the program.

All program official forms mentioned in this policy can be found on the State Purchasing Division web site at <http://statepurchasing.doas.ga.gov>. The versions on the web site will always be the latest versions.

## **II. Use of Purchasing Card Accounts for Personal Purchases Prohibited**

Under no circumstances is a cardholder or program participant permitted to use the P-Card or related accounts for personal purchases. (Personal purchases are defined as purchases of goods or services intended for non-work related use or use other than official State business.) Using the P-Card and or related accounts for personal purchases may result in disciplinary action, up to and including termination from State employment and criminal prosecution. The Official Code of Georgia, Annotated (O.C.G.A.), §50-5-80 states that any person who knowingly uses state funds for personal purchases under \$500 is guilty of a misdemeanor. A person who knowingly uses state funds for personal purchases of \$500 or more is guilty of a felony punishable by one to 20 years in prison. Supervisors or other approving officials who knowingly, or through willful neglect, approve personal or fraudulent purchases are subject to the same disciplinary actions as those making the purchases.

Criminal background checks are to be done on all account holders as explained in Section VII, Legal Issues, paragraph B, of this Policy.

## **III. Statewide Program Administration**

### ***A. State Purchasing Card Program Policy***

The DOAS State Purchasing Division (SPD) administers the contract on a statewide level. In this capacity, SPD personnel serve as resources for all program users in the areas of policy development and implementation, day-to-day administration of the program on a statewide level, audit, staff development, and account holder training.

SPD has developed this State Purchasing Card Program Policy (Policy) to establish minimum standards for use of the P-Card and related accounts in order to ensure compliance with all applicable State laws pertaining to purchasing as contained in the Georgia Procurement Manual (GPM), issued by SPD. The version of the Policy posted on the SPD web site will always be the official Policy governing the P-Card program. The effective date of the policy will be in the footer of the document. SPD will maintain an archive of previous versions of the Policy, which will be available upon request should the need arise.

### ***B. State Cards Program Manager***

The DOAS State Cards Program Manager will:

1. Develop the State Purchasing Card Program Policy.
2. Review the Policy at least annually to ensure that it is in keeping with “best practices” in the purchasing card industry and that it allows participants in the Program to utilize the P-Card and related accounts to their utmost advantage in the procurement process within sufficient control guidelines.
3. Work with other areas of SPD and with other Program users to determine new ways that the P-Card Program can be used within legal and Policy requirements.
4. Serve as a central point of contact on all issues of policy and procedure. This position is the official liaison between the Bank and all Program users.

5. Communicate all Program and Policy changes to Program users.
6. Review or assign a designee to review all requests for exceptions to this Policy and decide on the appropriateness of each request.
  - i. Approvals for the following policy exceptions are coordinated through the local Card Program Administrator once original approval is granted by the State Cards Program Manager:
    - (a) Increases in spending limits above State-mandated levels
    - (b) Approval to use the P-Card Program to pay for vehicle repairs and maintenance
    - (c) Permanent activation of a Merchant Category Code
  - ii. All other types of policy exceptions must receive prior, written approval from the State Cards Program Manager or his or her designee for each occurrence
7. Develop and maintain statewide Program forms.
8. Collaborate with the DOAS Professional Development unit to develop and maintain statewide training materials and manuals.

### ***C. Process Improvement and Audits***

1. The DOAS Process Improvement and Audits unit conducts periodic reviews of the programs at Entities under SPD purchasing authority. Reviews take a risk-based approach and focus on the level of compliance with State Policy, adequacy of and compliance with internal policies and procedures, and evaluation of internal controls.
2. The unit issues reports providing an assessment of the Program, makes recommendations for improvement when warranted, and works with the Program personnel to implement action plans to make corrections or other improvements to the Program.
3. In those cases where it is determined that internal controls are not adequate, Process Improvement and Audits has the authority to require policy improvements and/or place other restrictions on the local card program until such controls are developed, documented, and implemented.

### ***D. Professional Development***

1. The DOAS Professional Development unit assists in developing and delivering training on the P-Card Program on a statewide basis.
2. The Bank is responsible for the implementation and initial training on the Works™ system. The DOAS Professional Development unit will provide additional training in the system as needed.
3. Collaborate with the State Cards Program Manager and with DOAS Process Improvement to develop training materials for administrators, supervisors, cardholders, account users, and auditors.



## **IV. State Entity Program Roles and Responsibilities**

The Agency Procurement Officer (APO) or the College/University Procurement Officer (CUPO) serves as the official liaison between the Entity and the State Cards Program Manager for all matters related to the local Program. This individual usually serves as the Purchasing Card Program Administrator (Administrator), although any or all of the following administrative responsibilities may be delegated to one or more Card Program Coordinators, depending on the size and complexity of the local program.

### **A. Card Program Administrator Responsibilities**

1. Program Administration
  - i. Develop the internal policy governing the use of the P-Card Program, to include, the following minimum requirements:
    - (a) In compliance with the Georgia Procurement Manual (GPM), analyze the state entity's current and forecasted purchases (composed of any and all divisions/departments of the state entity) on at least a quarterly basis to identify supplies, materials, equipment, and services which must be sourced through the competitive bidding process.
    - (b) Monitor the state entity's compliance with the GPM and, when areas of non-compliance are found, determine the appropriate course of action needed to correct the non-compliance, document the action plan, and detail the correction action(s) taken.
    - (c) Ensure compliance with the State Purchasing Card Policy;
    - (d) Provide for unique needs based on mission;
    - (e) Define responsibilities of Program personnel;
    - (f) Define criteria for obtaining a P-Card or related account;
    - (g) Define acceptable use of the P-Card and related accounts that cannot be less restrictive than State Purchasing Card Policy;
    - (h) Provide a method for reporting suspected misuse or fraudulent use;
    - (i) List in detail consequences of misuse or fraudulent use;
    - (j) Create a provision for review of the internal policy for adequacy at least annually; and
    - (k) Create a provision for audit or other independent review of all areas of program administration and transactions at least annually.
  - ii. Work with management throughout the organization to determine the appropriate spending limits for the Program as a whole and for individual account holders based on budget constraints, job responsibilities, historical spending patterns, and overall procurement practices.
  - iii. Register as Card Program Administrator with State Cards Program Manager using Form SPD-CC001, Designation of Card Program

Administrator. After initial registration, notify State Cards Program Manager of any changes in local Program Administrator information using Form SPD-CC001, Designation of Card Program Administrator.

- iv. Designate the following Program administrative positions as needed and ensure coordination among the positions:
    - (a) Card Program Coordinators;
    - (b) Electronic Contact to handle data transmission matters; and
    - (c) Settlement Contact to handle monthly payment matters.
  - v. Work with management to identify job titles/positions within the organization that require a P-Card account or that would be good candidates for use of the P-Card and related accounts.
  - vi. Develop written internal procedures for requesting P-Cards, Ghost Cards and other accounts and approving cardholders. The appropriate form is the Purchasing Card Profile, Form SPD-PC002.
2. Program Compliance
- i. Establish written procedures to ensure compliance with, or request exceptions to, State purchasing laws and regulations, the Georgia Procurement Manual, the State Purchasing Card Policy, and the internal purchasing card policy.
  - ii. Coordinate any exceptions to the State Purchasing Card Policy with the State Cards Program Manager or his or her designee.
    - (a) Initiate all requests using the Special Approval Request, Form SPD-PC003.
    - (b) Document review of the status of all exceptions on an annual basis to determine if the exceptions should still be granted and notify SPD of any revocations.
  - iii. Ensure that the Entity has sufficiently documented internal controls and other measures (e.g. audits) to prevent and/or detect misuse or fraudulent use of the P-Card and related accounts.
  - iv. Establish written procedures to ensure security over P-Card account information to include:
    - (a) Ordering and receiving new and replacement cards;
    - (b) Reporting lost or stolen cards and/or compromised accounts to the Bank and to the Program Administrator and/or Coordinator(s);
    - (c) Collecting and destroying cards when cardholders transfer to jobs not requiring a P-Card, resign, or are terminated; and
    - (d) Canceling cards in the Works™ system immediately upon notification of theft/loss of the card or upon termination of cardholder's employment for any reason.
  - v. Establish written procedures to ensure that misuse or fraudulent use of a P-Card or related account is documented. Minimum requirements include:
    - (a) Documentation of the transaction (e.g. copies of receipts, invoices);

- (b) Evidence of who conducted the transaction, who approved the transaction, and when and how the misuse or fraud was discovered;
  - (c) Documentation of personnel actions taken (e.g. account holder was terminated); and
  - (d) Notifying the Bank immediately when fraud or account misuse occurs in order to properly meet the Bank's guidelines regarding Bank reimbursement of transactions related to fraud or account misuse.
- 3. Appropriate limits on the number of cardholders assigned to a supervisor or approving official in order to ensure adequate review of business need and documentation (transaction logs, receipts/invoices, and monthly billing statement) for each purchase.
- 4. Training – Develop an Entity-specific training program for all program users and supervisors/approving officials to include:
  - i. Mandatory Cardholder Agreement specifying terms and conditions for use of the card and related accounts;
  - ii. State Purchasing Card Policy;
  - iii. Internal purchasing card policy;
  - iv. User manual; and
  - v. Familiarity with all forms, including the Sales and Use Tax Exemption form and transaction log.
- 5. Using the P-Card and related accounts
  - i. Establish written internal procedures covering how to use the P-Card account(s), including telephone, fax, and Internet orders as well as Ghost Cards if applicable, in order to maintain security over P-Card account information.
  - ii. Monitor accounts for inactivity and close accounts that are no longer needed.
  - iii. Establish written internal procedures for compliance with State Policy regarding documentation of transactions.
- 6. Accounting Requirements
  - i. Designate the storage location for all original transaction documentation.
  - ii. Establish billing discrepancy procedures, including disputed transactions.
  - iii. Establish reconciliation procedures between cardholders, supervisors/approving officials, and Accounts Payable to ensure timely payment of the corporate monthly billing statement.
    - (a) Use of generic "P-Card" general ledger account is prohibited
    - (b) All transactions should be allocated to the appropriate expenditure account in order to allow for the accurate monitoring of agency spend in adherence with the Georgia Procurement Manual.

## ***B. Supervisors / Approving Officials***

Supervisors or other persons assigned the responsibility of reviewing account transactions must have a thorough knowledge of the job responsibilities of the cardholders under his/her supervision in order to determine if purchases are reasonable in terms of types of purchases made. Before approving the purchasing card log and/or monthly billing statement, the supervisor must carefully review all documentation.

Supervisor responsibilities include:

1. Maintain knowledge of State Purchasing Card Policy and internal policies and procedures on use of the P-Card and related accounts.
2. Request P-Cards and/or related accounts for employees under his/her supervision.
3. Notify the Program Administrator when a cardholder resigns, transfers, or is terminated from employment.
4. Monitor transactions and account activity to ensure that all purchases are for legitimate State business use. Transactions must be reviewed in a timely manner. DOAS recommends weekly review, but transactions must be reviewed at least monthly. Timely review is required to identify fraud or misuse and is necessary to qualify for the liability protection included with the program.
5. Review all documentation to ensure:
  - i. Invoices/receipts and transaction logs have the required information;
  - ii. State Sales and Use Tax was not charged;
  - iii. Purchases were for legitimate State business use;
  - iv. Transaction logs and monthly billing statements contain the cardholder's original signature;
  - v. Sign the monthly billing statement and/or the transaction logs signifying review and approval for payment. This responsibility cannot be delegated to another person;
  - vi. All signatures must be original signatures. Signatures made with rubber stamps are prohibited;
  - vii. Submit all documentation and monthly billing statements for payment according to internally established procedures to ensure timely payment of the corporate billing statement.

**Note regarding Transaction Logs:** For Team Georgia Marketplace™ entities reconciling transactions in PeopleSoft, the OPO201B query will meet the requirements of the 'transaction log' provided that:

1. Either a receipt or invoice must be scanned into the system for each transaction and attached on the reconciliation page.
  - a. If the ability to scan is not available, a detailed comment must be entered on the reconciliation screen along with a reference as to where the hard copy of the invoice or receipt can be found.
2. A comment for each transaction stating the purpose of the transaction must be added.

For non-Team Georgia Marketplace™ entities, the WORKS "Payable Allocation" report will meet the requirements of the "transaction log"

provided that comments are entered for each transaction stating the purpose of the transactions and the item(s). Receipt or invoice hard copies must be maintained and accessible.

Entities adhering to the paperless process described above may use 'electronic sign off' within the respective systems to comply with this requirement. Appropriate workflow in Team Georgia Marketplace™ or WORKS will constitute electronic sign off.

### ***C. Cardholders and Related Account Users***

All program participants are de facto purchasing agents for the State of Georgia and their individual employers. Accordingly, all participants must have a minimum understanding of State purchasing laws, State Purchasing Division rules and regulations as contained in the Georgia Procurement Manual, and internal purchasing rules. Program participants must also be familiar with the provisions of O.C.G.A. §45-10-1 et seq. regarding State Employee Code of Ethics and Conflicts of Interest.

Cardholder responsibilities include:

1. Maintain security of the account number, expiration date, and security code at all times.
2. Maintain knowledge of State Purchasing Card Policy and internal policies and procedures.
3. Ensure all purchases are allowable purchases according to State and internal purchasing card program policies.
4. Ensure all purchases comply with purchasing requirements of the Georgia Procurement Manual concerning Order of Precedence and Competitive Bidding.
5. Obtain "best value" for the State when making purchases with the P-Card account.
6. Maintain all documentation required by State and internal purchasing card policies. Minimum documentation requirements are:
  - i. Monthly or weekly transaction log as determined by the Program Administrator and purchasing volume;
  - ii. Itemized receipt or invoice;
    - (a) If receipt has been lost and a duplicate cannot be obtained, the local PA can determine if internal policy will allow use of the Lost Receipt Affidavit, Form SPD-PC005. If allowed, a single cardholder can use the form no more than three times in one fiscal year.
    - (b) Use of the form more than three times in one fiscal year will result in suspension of account privileges.
  - iii. Monthly billing statement sent to the cardholder from the Bank.
7. Sign the transaction log and the monthly billing statement. All signatures must be original signatures. Signatures made with rubber stamps are prohibited.
8. Submit all documentation to the supervisor or other approving official by internally established deadlines in order to ensure timely payment of the monthly billing statement.

**Note regarding Transaction Logs:** For Team Georgia Marketplace™ entities reconciling transactions in PeopleSoft, the OPO201B query will meet the requirements of the ‘transaction log’ provided that:

3. Either a receipt or invoice must be scanned into the system for each transaction and attached on the reconciliation page.
  - a. If the ability to scan is not available, a detailed comment must be entered on the reconciliation screen along with a reference as to where the hard copy of the invoice or receipt can be found.
4. A comment for each transaction stating the purpose of the transaction must be added.

For non-Team Georgia Marketplace™ entities, the WORKS “Payable Allocation” report will meet the requirements of the “transaction log” provided that comments are entered for each transaction stating the purpose of the transactions and the item(s). Receipt or invoice hard copies must be maintained and accessible.

Entities adhering to the paperless process described above may use ‘electronic sign off’ within the respective systems to comply with this requirement. Appropriate workflow in Team Georgia Marketplace™ or WORKS will constitute electronic sign off.

## **V. Use of the Card and Related Accounts**

This Policy establishes appropriate and inappropriate uses of program accounts. All purchases made through the program must be for official State business. Internal policies governing use of accounts can be more, but not less, restrictive than State Policy.

When plastic cards are issued, only the employee whose name appears on the face of the P-Card is authorized to initiate transactions with the card. Use of the card by any other person is considered misuse of the card, even if the purchase is for legitimate State business. For Ghost Card accounts and other types of program accounts, only individuals identified as account users or custodians may use the accounts. Use of the accounts by any other person is considered misuse of the accounts, even if the purchase is for legitimate State business.

Use of any P-Card program accounts for personal purchases is strictly prohibited and will result in disciplinary action, including termination of employment and criminal prosecution.

### **A. Recommended Purchases**

For Team Georgia Marketplace entities, use of the P-Card is highly recommended when making purchases under the following circumstances:

1. From Statewide Contracts via the virtual catalog from a vendor identified as accepting the P-Card
2. From Statewide Contracts via face-to-face transactions with vendors that accept the P-Card
3. From Agency Contracts when ePro is used to create a requisition for a non-virtual catalog purchase and the vendor accepts the P-Card (We also recommend the P-Card be used for one-time purchases made via ePro.)

## ***B. Allowable Purchases***

The P-Card and related accounts can be used for official purchases of supplies, materials, equipment, or services, where not otherwise prohibited or restricted. All purchases must be within assigned spending limits unless prior, written approval is received to exceed these limits. Card Program Administrators can manage spending limits up to \$5,000 without approval from SPD. Any Single Transaction Limit of \$5,000 or more for Open Market Purchases must receive prior written approval from the State Cards Program Manager using the Special Approval Request, Form SPD-PC003.

Allowable purchases include:

1. Equipment – Single units under \$1,000 for State Agencies, Commissions, or Boards, and under \$3,000 for colleges and universities under the authority of the Board of Regents. Agency policy must address inclusion in or exclusion of specific types of equipment from any asset inventory systems. (Exception: Entities utilizing Team Georgia Marketplace™ may exceed these thresholds as Team Georgia Marketplace™ allows for the flagging of purchases for the asset inventory system in PeopleSoft. Those state entities not utilizing Team Georgia Marketplace™ must obtain written approval from the State Cards Program Manager or his/her designee prior to the purchase in order to exceed these thresholds.)
2. Software – Data plans, software, or applications (i.e. “apps”) for State-issued devices such as smart phones (e.g. iPhone, Android, blackberry) and tablets (e.g. iPads) ONLY. Purchases cannot be made for personal devices even if used for State business.
3. Supplies and materials up to the cardholder’s approved Single Transaction Limit and/or approved cycle limit.
4. Single purchase of supplies and materials over \$5,000 provided:
  - i. For purchases from Statewide Contract (SWC), Agency Contract, or mandatory source:
    - (a) No prior approval from the State Cards Program Manager is needed to exceed \$5,000. **Note:** Changes to single transaction limits and monthly cycle limits may be made to accommodate these purchases at the discretion of the P-Card Program Administrator.
    - (b) Documentation must include reference to the SWC or Agency contract number.
  - ii. For Open-Market Purchases:
    - (a) Purchase has been competitively bid using eSource, the Georgia Procurement Registry, or other electronic solicitation tools; and
    - (b) Program participants have prior, written approval from the local Program Administrator, his/her supervisor, and the State Cards Program Manager using Form SPD-PC003, Purchasing Card Special Approval Request, to exceed the State Single Transaction Limit (STL); and
    - (c) Documentation must include a reference to the solicitation number.

5. Airline tickets and vehicle rentals for State personnel traveling on official State business as defined in the State Travel Regulations published by the State Accounting Office and the Office of Planning and Budget. All rentals must be from one of the Mandatory Statewide Contracts unless approved through the Waiver from Statewide Contract process as defined in Section 1.3.1.1 in the Georgia Procurement Manual.
6. Special approval is not needed for the following types of purchases, within approved spending limits, for Colleges, Universities, and technical schools when such purchases are for official student activities:
  - i. Food and lodging for student activities (but not faculty, staff, coaches, other school employees, volunteers, or other persons not related to the school) when on official school business (e.g. athletic team travel). Documentation must follow guidelines for “group meals” in the State Travel Regulations:
    - (a) Itemized receipt showing all meals purchased
    - (b) Roster of participants showing name and signature of each student (for activities not open to the entire campus – e.g. athletic teams, student clubs)
    - (c) Copy of team schedule or other documentation showing that the meal was an authorized student activity
  - ii. Food for official research, laboratory animals, or instructional (classroom) use.
  - iii. Alcoholic beverages (such as cooking wine, etc.) for instructional or classroom use only and only when the following steps are taken:
    - (a) Document the purchase showing that the purchase was for instructional use
    - (b) Create and document steps to ensure that the alcohol is completely used, disposed of or properly secured between usage to prevent consumption in non-classroom or for non-instructional purposes
    - (c) Where possible, purchase the alcohol from instructional/culinary supply sources versus a “beverage” or “package” store
7. Food provided for consumption at events or services provided to the general public, state benefit recipients and/or state program participants (other than State employees), or purchased for resale in gift shops, bookstores, etc., and other non-employee meal related use.
8. Purchases of goods or services intended for official State of Georgia work-related use which are not otherwise excluded in the Prohibited Purchases section.

### ***C. Prohibited Purchases***

The following types of purchases are strictly prohibited by State policy. No exceptions will be granted unless otherwise indicated. This list must be included in lists of prohibited purchases in policies at the local program level:



1. Personal purchases of any kind (Personal purchases are defined as purchases of goods or services intended for non-work related use or use other than official State business.)
2. Data plans, software, or applications (i.e. “apps”) for non-State Entity issued devices, including, but not limited to, smart phones (e.g. iPhone, Android, blackberry), laptop computers, or tablets (e.g. iPad).
3. Cash advances including use of the card, card number or account number at Automated Teller Machines (ATMs), inside bank branches or at cash advance, quasi-cash and money transfer locations such as Western Union, Telecheck, etc.
4. Gift cards, stored value cards, calling cards, pre-paid cards or similar products
5. Employee travel expenses, including lodging, transportation, and meals, except as specifically covered under Allowable Purchases
6. Entertainment, including in-room movies, except as specifically covered under Allowable Purchases
7. Alcoholic beverages except as specifically allowed in B.5.iii, above
8. Tobacco products
9. Fuel, mechanical repairs, and maintenance of State-owned or rental vehicles (Exceptions may be granted upon verification of procedures to enter costs into Vital, the State’s fleet management system administered by the DOAS Office of Fleet Management.) **Note:**
  - i. Non-mechanical body shop repairs not covered under the state’s vehicle maintenance contract may be paid for with a purchasing card.
  - ii. Allowable auto parts purchases must follow the process outlined in the [auto parts flow chart](#).
10. Food for consumption by State employees unless the purchase qualifies as a “group meal” according to the State Accounting Office Group Meal Policy
11. Memberships and/or fees to wholesale shopping clubs or “warehouse” type retailers

#### ***D. Declared Emergencies and Natural Disasters***

The GPM grants authority to forego standard procurement requirements for needs arising from unforeseen causes. In cases involving the welfare of the general public, extreme weather conditions, or official declared emergencies, the Program Administrators are allowed to obtain after-the-fact approval for exceptions to this Policy.

1. The Program Administrator must submit the Form SPD-PC003, Special Approval Request, to notify the State Cards Program Manager within 72 hours of any actions taken in response to these emergencies and the nature of the actions taken.
2. Documentation for transactions must follow guidelines for emergency purchases as contained in the Georgia Procurement Manual, including use of Form SPD-NI005, Emergency Justification Form, available in the SPD Official Forms section of Agency Resources on the State Purchasing Division web site.

### ***E. Sole Source / Sole Brand Purchases***

The P-Card and related accounts may be used for purchases resulting from sole source or sole brand acquisitions provided those goods/services are not identified in the prohibited subsection. Guidelines for Sole Source and Sole Brand purchases are found in the Georgia Procurement Manual.

1. Any request for a Single Transaction Limit of \$5,000 or more that would qualify as a Sole Source and/or Sole Brand must include Form SPD-NI003a, Sole Brand Justification, or Form SPD-NI004a, Sole Source Intent to Award Justification, or both as applicable.
2. These forms, and instructions for use, are available on the State Purchasing Division web site. These forms must also be attached to the transaction log and/or monthly billing statement as documentation for the transaction.

### ***F. Exempt Purchases***

The P-Card and related accounts may be used to purchase exempt goods/services (a list of exemptions is provided in Chapter 2 of the Georgia Procurement Manual) to the extent those exempt goods/services are not identified in the prohibited subsection.

### ***G. Clarification on Credit Card Fees and Convenience Fees***

Many vendors charge a “credit card processing fee” or “convenience fee” for accepting credit cards including the State Purchasing Card or P-Card. These types of fees are strictly regulated by Visa and MasterCard (also called the Associations).

“Convenience fees” for certain transactions can be paid if they are charged in compliance with Visa rules. (The State of Georgia P-Card and related accounts are Bank of America Visa accounts, so Visa regulations apply.) Other fees, such as “credit card fees”, “processing fees” or “surcharges” for example, are not allowed by Visa regulations and are therefore not permitted on the P-Card or related accounts.

According to Visa’s Card Acceptance and Chargeback Management Guidelines for Merchants (Merchants is synonymous with Vendors) available on Visa’s website, credit card surcharges are not allowed. Merchants “may not impose any surcharge on a Visa transaction.” Convenience fees, however, are allowed under certain circumstances.

According to the website:

For merchants who offer an alternate payment channel (i.e., mail, telephone, or e-commerce) for customers to pay for goods or services, a convenience fee may be added to the transaction amount. If the merchant chooses to assess a convenience fee to its customers, the merchant must adhere to the following rules:

- The fee is being charged for a bona fide convenience of using an alternative payment channel outside the merchant’s normal business practice.
- The fee:

- must be disclosed to the customer as a charge for the alternative payment channel convenience
  - is applied only to non face-to-face transactions
  - must be a flat or fixed amount, regardless of the amount of the payment due
  - is applied to all forms of payment products accepted in the alternative payment channel
  - is included as part of the total transaction amount
  - cannot be added to a recurring transaction
  - is assessed by the merchant that provides the goods or services to the cardholder and not a third party
- The customer must be given the opportunity to cancel prior to the completion of the transaction

Visa is very clear about what a convenience fee is and how and when they can be charged. As a result, many vendors that charge fees do so incorrectly and are therefore out of compliance with Visa regulations.

Examples of common violations of Visa's convenience fee policy include, but are not limited to, the following:

- Charging a tiered or percentage based fee. Only a flat fee regardless of the transaction amount is allowed.
- Charging a fee for transaction below or above a certain dollar amount. Convenience fees must be charged on all transaction regardless of amount.
- Charging the fee in person, for face-to-face or point of sale transactions. The fees can only be applied to transactions via the mail, telephone or internet.
- Charging only for Visa or credit card transactions. Convenience fees must be applied to all payment methods accepted via that channel.
- Calling the fee a "processing fee", "credit card fee", "surcharge" or anything other than a "convenience fee". The fee is designed to offset the cost of the convenience, not the cost of accepting credit cards.
- Charging higher prices for credit card purchases versus checks or cash. **Note:** Vendors may offer a "cash discount" to customers paying with cash, in person.
- Charging a convenience fee via the internet when that is the vendor's only "normal business practice". If the vendor only sells on the internet, there is no convenience versus coming in to a retail location, so no convenience fee can be charged.

There are many ways a vendor's actions can fall outside Visa's guidelines. As such, only vendors in compliance with the guidelines shall be allowed to receive convenience fees via the P-Card and/or related accounts.

One example of an allowable convenience fee is a utility that charges a convenience fee for paying a bill via the phone or internet versus having to come to an office and drop off a payment. As long as the convenience fee is a flat fee and is charged to all transactions accepted

via the phone or internet (such as all card types, electronic checks, etc.), it is acceptable on a P-Card transactions.

Convenience fees charged in accordance with the Visa guidelines quoted above are permitted on the P-Card or related accounts. All other charges, surcharges or fees are prohibited and should not be paid with a P-Card or related accounts. For clarifications, please consult your entity's P-Card Administrator or contact the State Cards Program Manager. Violations of the Visa guidelines should be reported to the State Cards Program Manager as merchants can be reported to Visa through Bank of America.

## ***H. Ghost Card Accounts***

The term "Ghost Cards" refers to a cardless P-Card account established for the payment of monthly or other periodic charges to an established vendor of a State entity.

In cooperation with the State Cards Program Manager and the Bank, an entity's Program Administrator may establish a Ghost Card account with an identified vendor used to pay recurring charges based on services or goods purchased periodically (including monthly) from the vendor through an entity contract, statewide contract, a sole source/mandatory source purchase or for other allowable purchases. Ghost Cards provide a secure payment method restricted for use with the identified vendor and secured through numerous account restrictions including spending limits, Merchant Category Code (MCC) restrictions and the absence of a physical card.

Ghost cards may be considered when there is a one-to-one relationship between the vendor and the State entity and the vendor provides goods or services through an established relationship, often sending a monthly invoice for those goods or services. Examples of vendors suitable for payment via a Ghost Card include, but are not limited to, wireless device and wireless service providers, utilities, bulk fuel providers, landlords, food service, temporary service and other vendors.

Please contact the State Cards Program Manager for more information on Ghost Cards or for assistance in setting up Ghost Card accounts.

## **VI. Program Compliance**

### ***A. Merchant Category Code Authorizations***

Merchant Category Codes (MCC's) are assigned by a merchant's or vendor's merchant bank based on the type of goods or services that merchant or vendor typically provides. Allowing or blocking certain MCC's, while not a fail-safe protection against unauthorized use of the card and related accounts, does provide a measure of protection against unauthorized or prohibited purchases.

1. The State Cards Program Manager establishes the State-authorized MCC groups that will be available to all Entities. Only those MCC's associated with merchants

that provide the goods and services specifically allowed by this Policy are eligible for inclusion in State-authorized groups. Transactions at non-authorized MCC's are denied at the point-of-sale.

2. The State Cards Program Manager will conduct periodic evaluations of authorized MCC's in order to maximize appropriate use of the P-Card and related accounts. The Program Manager will consult with other procurement and card program personnel within State Purchasing Division and/or outside State Purchasing Division when establishing or modifying these groups.
3. Entities can request activation of additional MCC's for inclusion in a State-authorized group and/or approval to create an MCC group to meet specific needs. Program Administrators can request prior, written approval for exceptions to this policy using Form SPD-PC003, Special Approval Request.

## ***B. Internal Controls***

Each Entity's internal purchasing card policy must establish an internal control structure that ensures compliance with State purchasing laws, State Purchasing Division rules and regulations as found in the Georgia Procurement Manual, State Purchasing Card Policy, and internal policy.

Internal controls must include:

1. Appropriate separation of duties between making transactions (cardholders), review and approval of transactions for payment (approving officials), and payment of the monthly billing statement (Accounts Payable).
2. Weekly independent review of all account maintenance activity if the Card Program Administrator is also a cardholder.
3. Appropriate hierarchical review and approval of purchases by someone with supervisory authority over the cardholder and/or with the authority to question purchases if needed.
4. No cardholder can provide approval for payment for his/her transactions or of the corporate monthly billing statement. Review and approval responsibilities cannot be delegated to someone else.
5. Appropriate limits on the number of cardholders assigned to a supervisor or approving official in order to ensure adequate review of business need and documentation (transaction logs, receipts/invoices, and monthly billing statement) for each purchase.
6. Provision for an annual independent audit or review of the purchasing card program by the Card Program Administrator, Internal Audit unit, or other unit assigned audit responsibilities. Reviews must address:
  - i. Adequacy of internal policies and procedures;
  - ii. Appropriateness of cardholder spending limits;
  - iii. Adequacy of review, reconciliation, and payment procedures; and
  - iv. Adequacy of documentation for transactions.

## ***C. Cardholder Spending (Credit) Limits***

Spending limits enable management to provide cardholders with the purchasing power to accomplish the needs of the job without exposing the State or the organization to unnecessary

risk. Spending limits should be based on job responsibilities of the cardholder and/or of the job title. Cardholder spending limits must be reviewed at least annually to determine that actual usage is consistent with spending limits.

Spending limits that are available are:

1. Cycle (Credit) Limit – The cycle limit is a mandatory spending limit that restricts the amount of purchases a cardholder can make in one billing cycle.
  - i. The cycle limit cannot be less than the cardholder’s Single Transaction Limit.
  - ii. A cardholder’s cycle limit cannot be more than \$25,000 without prior, written approval from the State Cards Program Manager.
  - iii. Please see Section IV.A.1.ii for guidance establishing a cycle limit per cardholder.
2. Single Transaction Limit (STL) – The STL is a mandatory spending limit imposed on each cardholder account.
  - i. A cardholder’s STL must be less than \$5,000. The local Program Administrator can establish organization-wide and/or individual spending limits less than this, as determined by overall procurement and card program goals.
  - ii. Program Administrators can grant approval for individual limits greater than or equal to \$5,000 for purchases from Statewide Contracts (SWC), Agency contracts, or mandatory sources since the bid process has already been conducted.
  - iii. Program Administrators must request prior, written approval from the State Cards Program Manager for all other STL’s greater than or equal to \$5,000 with documentation of appropriate competitive bid procedures, including use of eSource and/or the Georgia Procurement Registry (GPR).
3. Number of Transactions per Day (Optional) - Management can choose to impose a maximum number of transactions on a cardholder account in order to control use of the P-Card and related accounts.

#### ***D. Account Issuance Requirements***

1. Issuance is limited to one Purchasing Card per cardholder. (Exceptions may be made for Ghost Accounts, AP Cards or ePayables, etc.)
2. Cardholders must be permanent, part-time or full-time State employees whose job requires the use of a purchasing card or related account. There will be no exceptions to the following:
  - i. Neither cards nor accounts will be issued to student employees, temporary workers, or contractors.
  - ii. Cards and related accounts will not be issued in the name of a Department or work unit to be shared by multiple employees.
  - iii. Neither cards nor related accounts will be issued to employees of foundations associated with any Entity.

3. An employee's supervisor and the local Card Program Administrator must approve a cardholder's application for a P-Card or related account. The appropriate P-Card application form is Form SPD-PC002, Purchasing Card Profile, or approved equivalent that contains at least the same information.
4. All training requirements as described in this Policy must be met before an employee receives the P-Card or is given access to a related account.

## **VII. Legal Issues**

### ***A. Failure to Comply with Laws, Policies, and Procedures***

Cardholders, program users, cardholders or supervisors/approving officials who knowingly, or through willful neglect, fail to comply with the following may be subject to suspension or termination of account privileges or other disciplinary action, up to and including termination of employment and criminal prosecution to the fullest extent of the law.

1. Official Code of Georgia, Annotated (O.C.G.A.), sections related to governmental purchasing
2. Applicable requirements of the Georgia Procurement Manual
3. State Purchasing Card Policy
4. Internal policies and procedures governing procurement and the Purchasing Card Program.

The State Cards Program Manager and State Purchasing Division reserve the right to withdraw any authority or delegated approval due to non-compliance with applicable laws, rules, regulations, policies, and procedures, or the terms of any conditional approval.

### ***B. Cardholder Background Checks***

O.C.G.A. §50-5-83(b)(12) requires criminal background checks on all employees hired for positions that are eligible for P-Cards. DOAS requires that these requirements be met for all employees using P-Card related accounts and products such as Ghost Cards, AP Cards and/or ePayables. Although State Entities are not required to run background checks on cardholders at the time of card renewal (every two years), this practice is highly recommended. This also applies to employees who use ghost cards, Accounts Payable Cards, and ePayables accounts.

### ***C. Cardholder Credit Checks***

In addition to background checks for all cardholders, O.C.G.A. §50-5-83(b)(12) also requires credit checks on all employees issued a purchasing card or who use ghost cards, Accounts Payable Cards, or ePayables cards. Credit checks must be run as an "employment inquiry" so as not to affect the employee's credit score/rating. Although not required, it is recommended that credit checks also be run at the time of card renewal.

### ***D. Competitive Solicitation***

1. O.C.G.A. §50-5-69 requires competitive bidding for all open-market purchases anticipated to be \$25,000 or more. However, O.C.G.A. § 50-5-83 sets the legal Single Transaction Limit for a P-Card transaction at \$5,000 unless made against a

Statewide Contract or in compliance with State procurement policy. Use of the P-Card as a method of payment does not relieve the program participant or the Entity of these responsibilities.

- i. Because of the legal Single Transaction Limit, all cardholders must have a Single Transaction Limit (STL) of less than \$5,000, except as noted below in Section D.2.
  - ii. Cardholders are prohibited from splitting a transaction between two or more transactions on a single account or two or more transactions on multiple accounts on the same day or on separate days in order to circumvent any Single Transaction Limit, regardless of the level.
2. Where job responsibilities require cardholders to make single purchases of \$5,000 or more:
  - i. The State Entity Card Program Administrator can approve Single Transaction Limits over \$5,000 with the approval of the cardholder's supervisor and the APO/CUPO when the purchases will be from a statewide contract, an Agency contract, or a mandatory source. However, this approval does not apply to open-market purchases.
  - ii. The State Entity Card Program Administrator must use Form SPD-PC003, Special Approval Request, to obtain one-time approval from the State Cards Program Manager for any single open-market purchase of \$5,000 or more.
3. Cardholders who need to make open-market purchases of \$25,000 or more must use the appropriate bid process for any purchase greater than or equal to \$25,000. Complete bid requirements are found in the Georgia Procurement Manual.
  - i. For any purchase of \$5,000 or more, cardholders must use the eSource system or the Georgia Procurement Registry to obtain bids from the appropriate number of bidders.
  - ii. One-time approval to exceed \$5,000 will be granted upon submission of proof of the competitive bid process. Transaction documentation must include evidence of the appropriate bid process and be available for audit by the State Cards Program Manager, the SPD Process Improvement unit, or Internal Audit personnel.

### ***E. Payment of State Sales and Use Tax***

1. O.C.G.A. §48-8-3(1) exempts purchases made by Agencies from State Sales and Use Tax when payment is made with appropriated funds.
2. O.C.G.A. §48-8-3(8) exempts purchases made by the Board of Regents, Colleges, and Universities from State Sales and Use Tax.
3. Cardholders must present the Department of Revenue Sales and Use Tax Exemption, Form ST-5, to merchants upon request. This form is available on the Department of Revenue web site at [etax.dor.ga.gov](http://etax.dor.ga.gov) by searching for ST-5.
4. Cardholders are responsible for ensuring that merchants do not charge tax.
  - i. If taxes are charged, the cardholder must contact the merchant to obtain a credit to the account.



- ii. Credits cannot be obtained by any other method, including, but not limited to, cash, gift card, gift certificate, or store credit.
- iii. Documentation of attempts to obtain credit for any State Sales and Use Tax charged in error must be maintained with the documentation for the transaction where the tax was charged.

### ***F. Records Retention Requirements***

The Office of the Secretary of State maintains the official Records Retention Schedule for the State of Georgia. This information is available on their web site at [sos.georgia.gov](http://sos.georgia.gov) by searching for Records Retention Schedule.

1. Documents related to transactions are accounting records and must be maintained according to the requirements of Accounts Payable Files.
2. Documents related to the issuance of accounts to employees are accounting records and must be maintained according to the requirements of Credit Card Administration Records.

### ***G. Internal Revenue Service 1099 Reporting***

Effective in 2011, the IRS announced changes to the Internal Revenue Code, Section 6050W, which affects sections 6041 and 6041A of Internal Revenue Service rules. This change shifts the burden of payment reporting requirements to the credit card account transaction acquirer's bank (the supplier's merchant bank) instead of the card end users when credit cards are used as the form of payment for reportable transactions. As a result, beginning with transactions that occur in 2011 and are reportable beginning January 2012, state program participants are no longer required to report P-Card transactions. Instead, the acquiring banks that process the transactions for suppliers will assume this responsibility. This change applies only to credit card transactions – ***reporting for all other payment methods including checks, ACH and others will remain the responsibility of the entity making payment.*** Please consult the tax specialists in your entity for further information and details regarding these changes.

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