State of Oklahoma
Purchase Card Program

Purchase Card Advantages

- Time and Cost Savings
- Purchases paid electronically, reducing transactions costs and paperwork
- No fees or interest charged to the State
- Program offers annual revenue sharing based upon:
  - Total dollar and average agency transaction value.
  - Frequency of payment
  - 2007 rebate (all participants) - $1,605,907.57

Purchase Card Program Overview

- Program began as pilot program in 2000 and became permanent in 2001. In 2004 legislation passed authorizing a Statewide Contract P/Card.
- Statewide Contract SW00200– Mandatory contract - Agencies, counties, school districts, cities, may choose to participate.

Purchase Card Program Overview

- Types of Cards Available:
  - Standard P-Card
    - Used for low dollar purchases
    - Card limit $2500.00 (or less)
  - Statewide Contract P-Card
    - Used for purchasing from Statewide Contracts issued by DCS/Central Purchasing
    - Purchases can be any amount
  - Travel P-Card
    - Used for airfare and/or lodging
    - Card limit $2500.00 for either airfare or lodging.

Purchase Card Definitions

- Cycle – A period of time ending on the same date. P-Card cycle ends on the 27th of each month.
- Memo Statement – A document available in PathwayNet listing the P-Card account activity.
- Merchant Category Code (MCC) – A standard code used by the credit card industry to categorize merchants based on the type of goods or services they provide.

Purchase Card Definitions

- Merchant Category Code Group (MCCG) – A defined group of merchant category codes used to control whether or not cardholders can make purchases from particular types of merchants.
  - Restrictions to certain MCCGs can be set at the State level or the Agency level.

Purchase Card Definitions

- Split Purchasing – is the dividing of a known quantity or failing to consolidate a known quantity of goods or services with the intent to evade the competitive bidding requirement. – Split purchasing is a felony.
  - If a state agency makes a purchase received in components, the purchase price is the total price for all components.
  - Dividing an acquisition for the purpose of avoiding the limit on the card is a violation of Title 74, Section 85.5(L).

Purchase Card Definitions

- Transaction – A single purchase or credit
- Transaction Documentation – All documents pertaining to a transaction.
  - Transaction documentation is used to reconcile the purchases at the end of the billing cycle. Transaction documentation consists of itemized purchase receipts, receiving documents, credits, written approvals, etc.

Purchase Card Organization

- Personnel associated with the P-Card Program must be full-time or permanent part-time employees.
- All participants in the P-Card Program are required to attend training provided by DCS, Central Purchasing.
  - Training must be completed every five years.

Purchase Card Organization

- Purchase Card Employee Agreement
  - Everyone associated with the P-Card Program must sign the State of Oklahoma P-Card Employee Agreement form prior to assuming their duties and being issued p-cards.
  - A separate agreement form must be signed for every role a person holds in the program. (P-Card Administrators, back-up Administrators, authorized signers, approving officials, and cardholders)

Purchase Card Organization

- Terms and Conditions of the Purchase Card Employee Agreement include:
  - Personal responsibility for the safekeeping of all p-cards assigned to me. No one else is permitted to use the p-card assigned to me.
  - Must obtain certain supplies from required sources, such as State Use, OCI, and mandatory contracts.
  - I am personally liable for any inappropriate purchases made by me, and will reimburse the State for any purchases deemed inappropriate.

Purchase Card Organization

- Employee Purchase Card Agreement terms and conditions (continued)
  - I will use the card only within the limits and restrictions placed on it.
  - Failure to follow any of the terms and conditions may result in revocation of the card, disciplinary action, termination of employment, and/or criminal charges.
  - I will surrender my P-Card(s) upon transfer to another State agency, termination of employment with the State, or upon request by my supervisor, Agency Approving Official, Agency P-Card Administrator or the State Purchasing Director.

Purchase Card Operations

- Cardholders – Purchase cards should only be issued to those employees who have the <u>need to actually purchase goods and services</u> for official use by the State.
- Methods of Purchase
  - Walk-in
  - Telephone
  - Secure Internet Site – for example, a lockbox is present or the URL contains https) – Do not send email disclosing the full account information.

Purchase Card Operations

- Transaction Approval
  - Standard P-Card transactions must be approved monthly by the Approving Official.
  - Statewide Contract P-Card transactions must be approved in writing by the Approving Official prior to making a purchase of goods or services with the Statewide Contract P-Card.
  - Travel P-Card transactions must be approved in writing prior to making a purchase of airfare or lodging.

Purchase Card Operations

- Merchant Preferences
  - State Use Committee – State agencies shall make P-Card purchases from merchants on the State Use Committee procurement Schedule.
  - Oklahoma Corrections Industries (OCI) – State agencies shall make purchases from OCI if the vendor is deemed lowest and best. Obtain a quote from OCI to show compliance.
  - Mandatory Statewide Contracts – State agencies shall make purchases from mandatory statewide contracts regardless of the purchase price unless the State Purchasing Director has issued a waiver.

Purchase Card Operations

- Prohibited Purchases
  - Split Purchases
  - Transportation (except the Travel P-Card may be used to acquire airfare through a Travel Agent on Statewide contract. The P-Card may be used to rent a vehicle when purchased through the Statewide Contract for Vehicle Rental (SW771).
  - Entertainment
  - Per diem food and beverages
  - Cash, cash advances, ATMs

Purchase Card Operations

- Prohibited Purchases (continued)
  - Goods or services for personal use
  - Any transaction exceeding the limits established on an individual P-Card.
  - Motor Fuel
  - Automotive General Maintenance (Statewide Contract SW101 for Automated Fleet Fuel Management System)
  - Automatic Drafts
  - Postage or PO Box Office Rental
  - Gift Certificates – This does not apply to gift certificate purchases made pursuant to 74 OS 4121 for employee recognition.

Purchase Card Operations

- Uses of the P-Card
  - Conference and Training Fees – The P-Card may be used for expenses required to host a conference, as well as for conference registration and training course fees. If advanced pre-payment is considered, it must be in accordance with OSF Procedures.
  - Conference Host – The P-Card may be used to contract for conference equipment, conference/training rooms, conference/training set-up services, or conference/training materials.
  - Conference Attendance – The P-Card may be used to register for conference attendance and for payment of training course fees.

Purchase Card Operations

- Uses of the P-Card
  - Regulated Utilities – State agencies may use the P-card to pay for regulated utilities. Effective November 1, 2008, there is no limit on the amount of the transaction. If the amount exceeds $2500.00 per transaction, the statewide p-card may be used.
  - Non-Regulated Utilities – State agencies may pay non-regulated utilities with the Standard P-Card if the yearly total is less than $2500.00.

  (The Oklahoma Corporation Commission website identifies the regulated and non-regulated utilities.)

Purchase Card Operations

- Computer acquisitions using the Statewide Contract P-Card requires prior approval from OSF when the price exceeds $25,000.00.
- Any telecommunication acquisition requires prior approval from OSF.

Purchase Card Operations

- State of Oklahoma Sales Tax – purchases are exempt from Oklahoma sales taxes. The cardholder should check all receipts to ensure they are not being charged sales tax. Request a credit from the vendor for any sales tax charged.
- Agency purchases made out of state are not exempt from that state's sales tax, however it is possible some states may not charge state sales tax on transactions depending on reciprocal statutes, tax laws, etc.

Purchase Card Operations

- Transaction Flow
  - Cardholder makes the purchase
  - The merchant delivers goods or services and submits a transaction or credit to the card company
  - The credit card company (JP Morgan Chase – MasterCard) pays the merchant.
  - The cardholder updates the note field in PathwayNet for each Statewide Contract P-Card and Travel P-Card transaction. This should be done at least weekly. (PathwayNet training is provided to the cardholder by the agency P-Card Administrator or other agency designated person.)

Purchase Card Operations

- Transaction Flow (continued)
  - The Agency P-Card Administrator or Accountant accesses PathwayNet for funding verification and reconciliation.
  - At the end of the cycle, the Cardholder reconciles receipts with the cardholder statement (Rpt. 121). The cardholder signs and dates the statement verifying responsibility for the purchases and proper reconciliation and forwards to their Approving Official.

Purchase Card Operations

- Transaction Flow (Continued)
  - The Approving Official reviews the receipts and cardholder statement for accuracy, appropriateness of the purchase and whether the transactions were conducted according to State Statutes, rules, P-Card Procedures and sound business practice. The Approving Official signs the statement indicating concurrence with the reconciled statement, then forwards this to the agency accounting. (Approving Officials must be a least one level above the cardholder and must be current in their training.)

Purchase Card Operations

- Transaction Flow (Continued)
  - The agency makes a single monthly payment for the amount of the statement to JP Morgan Chase.
    - Payment must be made in full even if an item is in dispute.
    - All documentation must be retained.
    - Any credits will appear on a subsequent statement.

Purchase Card Operations

- Receipts – Must have a receipt for all purchases.
  - Receipts shall be itemized and give a detailed description of the item purchased. (If the purchase is a telephone or internet order, an order confirmation or packing slip can serve as the receipt.) Receipts must contain at a minimum:
    - Vendor
    - Date of Purchase
    - Description
    - Unit price and quantity
    - Transaction Total

Purchase Card Operations

- Receiving Document Requirements
  - The receipt for all purchases by P-Card must be signed, dated and marked "Received".
  - It is recommended the agency have a second person verify receipt of goods or services.
  - All receiving documents should be kept by the cardholder for the monthly reconciliation process.

Purchase Card Operations

- Receipts – If the receipt is not a detailed and itemized receipt, the cardholder shall:
  - Request the vendor attach a written itemization – vendor signs the receipt.
  - If the vendor refuses to provide an itemized receipt the cardholder shall attach a written itemization and a statement explaining why they were unable to obtain a receipt. The written itemization shall be signed by the cardholder's Approving Official.

Purchase Card Operations

- Missing Receipts
  - The cardholder may contact JPMorgan Chase Customer Service at 800-316-6056 to obtain a missing or lost receipt. There is a $5.00 charge (price subject to change). The agency may pass this charge to the cardholder. The charge will appear on the next memo statement as a bank fee.

Purchase Card Operations

- Returns, Credits and Disputed Transactions
  - The cardholder should contact the merchant to receive a credit. (A credit will show up on a later statement.)
  - If the cardholder is unable to resolve the dispute with the merchant, they should contact JPMorgan Chase no later than 30 days after the original transaction date, complete a Transaction Dispute Form and submit the form to the bank. Keep a copy of the form for your memo statement .

Purchase Card Operations

- Lost or Stolen Cards – Notify JP Morgan Chase immediately (800-316-6056). The State Agency is responsible for purchases on lost or stolen Purchase Cards until the bank has been notified.
  - Record the date and time JP Morgan Chase was notified as well as the name of the service representative.
  - Complete a Lost or Stolen P-Card Notification form and give it to the Agency P-Card Administrator.

Purchase Card Operations

- Cardholders Short Checklist
  - Do you have approval to make the purchase?
  - Is the purchase you wish to make prohibited?
  - Have you checked to see if the item you wish to buy is available through State Use, OCI, or on a mandatory contract?
  - Is the purchase within the limits of your card?
  - Is the price fair and reasonable?
  - Do you have an itemized receipt?
  - Were you charged taxes?
  - Have you signed and dated the receipt?
  - Have you made the necessary notes in PathwayNet for purchases made with a Travel or Statewide P-Card?

State of Oklahoma
Purchase Card Program – Program Administrators and Accounting Personnel

Purchase Card Implementation

- Internal Purchasing Procedures – Agency Purchase Card procedures shall be made a part of the agency's internal purchasing procedures within six months of becoming part of the purchase card program.

Purchase Card Implementation

- Agency designates a P-Card Administrator and Back-up Administrator at the time of the purchase card program implementation.
  - If there is a change in the P-Card Administrator or back-up Administrator, the agency must submit a "Commercial Card Company Record Form" to Central Purchasing
  - Agency must also submit a "Commercial Card Authorized Signer" form to Central Purchasing. Include as Authorized Signers only the Agency P-Card Administrator and back-up. Do not include State Agency Approving Officials, back ups or cardholders.

Purchase Card Operations

- State Agency P-Card Administrator is responsible for the management of the agency's p-card program.
  - It is the responsibility of the State Agency P-Card Administrator to ensure employees are re-trained by DCS, every five years from the date of last training.

Purchase Card Operations

- Agency P-Card Administrator Responsibilities.
  - Establishing program policies and procedures
  - Processing authorized requests for p-cards, maintaining control over active cards, and closing accounts in accordance with operating procedures
  - Establishing and maintaining usage controls (MCCGs, limits, etc.) as well as determining if cardholder still has a justified need for the P-Card.

Purchase Card Operations

- Agency P-Card Administrator Responsibilities (continued)
  - Processing and retaining program reports and State P-Card Employee Agreements
  - Periodically reviewing list of cardholders and summary reports to identify unauthorized use
  - Exercising control over the program by periodically auditing a random selection of cardholder's monthly bank memo statement and transaction documentation.

Purchase Card Operations

- Training Requirements
  - Standard P-Card – All employees associated with the P-Card Program at least once every five years.
  - Statewide Contract P-Card – Statewide p-card holders, Approving Officials, P-Card Administrators, back-ups – every five years.
  - Travel P-Card – Travel coordinators, Travel p-card holders, Approving Officials, P-Card Administrators, back-ups – every five years.
  - PathwayNet Training – Anyone who must access PathwayNet. Training provided by the Agency P-Card Administrator – Agency P-Card Administrator trained by State P-Card Administrator. Training as needed.

Purchase Card Implementation

- Ordering New Cards
  - The "Commercial Card Cardholder Account Form" can be used to order new cards or cards can be ordered electronically through PathwayNet. (Keep copies of all mailed, faxed or electronically submitted card applications.)
  - When ordering new cards the card limit and single transaction limit shall be set at $5.00 and can be adjusted by the P-Card Administrator upon receipt of the card. The single purchase limit shall not exceed $2500.00 unless it is a Statewide Contract P-Card.

Purchase Card Implementation

- Card Limits and Controls:
  - State agencies are required to establish the following controls and limits on each P-Card.
    - Credit Limit (Dollar amount per cycle.)
    - Single Purchase Limit (Dollar amount per transaction.)
    - Merchant Category Code Group (MCCG).

Purchase Card Implementation

- Card Limits and Controls
  - Standard P-Card – Statutory single purchase limit of $2500.00. May be set at less than $2500.00 if desired.
  - Statewide P-Card – No mandatory limit. P-Card Administrator shall set the limits based on the agency's need or past usage. Can only be used for making purchases from statewide contracts issued by Central Purchasing or regulated utilities.

Purchase Card Implementation

- Card Limits and Controls (continued)
  - Travel P-Card – Single purchase limit of $2500.00.
    - Used to purchase airfare with a travel agency listed on Statewide Contract for Travel Agency Services (SW100) – Exceptions will be covered in depth in the Travel/Lodging training.
    - Used to purchase lodging – Single purchase limit of $2500.00 per employee – Must follow guidelines of the State Travel Reimbursement Act, the OSF State Travel Procedures and these P-Card Procedures.

Purchase Card Implementation

- Card Limits and Controls – Travel P-Card (continued)
  - Except for airfare and lodging all other travel-related expenses are prohibited. State employees traveling on official state business are responsible for paying out-of-pocket for all other travel related expenses. If inadvertent personal charges are charged to the Travel P-Card, the traveler shall reimburse the State. – PathwayNet must be updated with a brief description of the services purchased.

Purchase Card Implementation

- Card Limits and Controls (continued)
  - All those associated with the P-Card Program must sign a Purchase Card Employee Agreement form prior to assuming their duties or being issued P-Cards.
  - The Agency P-Card Administrator shall maintain the original signed agreement and provide the employee with a copy. The cardholder's card limits shall be contained in the form.
  - The Agency P-Card Administrator shall note changes in the employee program role or card status on page 2 of the original agreement when they occur. (i.e. – card cancelled, termination, change in position, etc.)

Purchase Card Operations

- Card Security
  - Use of the card is limited to the person whose name is embossed on the card. The card shall not be loaned to another person.
  - In the event a cardholder will be absent from work for an extended period, the agency should place a temporary hold on the card in PathwayNet.
  - It is recommend that the cardholder not carry the P-Card on their person outside normal duty hours.

Purchase Card Operations

- Card Security (continued)
  - If a cardholder changes jobs, the P-Card shall be returned to the State Agency P-Card Administrator.
    - Card must be canceled
    - User ID in PathwayNet must be locked (indicate the date on the P-Card Employee Agreement)
    - Notify the State P-Card Administrator of the card cancellation and account closure.

Financial Operations

- Advance Pre-Payments
  - P-Card purchases are subject to Office of State Finance Procedures Manual.
  - Payment to a claimant prior to the actual performance of work or receipt of the product constitutes lending of credit or monies by the state and violates the Oklahoma Constitution.

Financial Operations

- Advance Pre-Payments Exceptions:
  - Subscriptions to magazines, periodicals, or books. Six week lead time prior to subscription commencement or expiration.
  - Payments to US Government requiring prepayment.
  - Payments to fair boards or other organizations, by agencies seeking booth rental at shows for the purpose of advertising or promoting the State of Oklahoma, will be considered by OSF if the facts are documented.

Financial Operations

- Advance Pre-payments Exceptions (cont.)
  - Payments to official testing organizations requiring prepayment for attendance and/or grading or documents, for higher education or regulatory boards.
  - Registration fees for conferences, meetings, seminars, and similar events when the organization requires pre-registration along with payment and will not accept a state purchase order/contract in lieu of payment. Documentation on the vendor's stationary describing this fact must be sent with the claim to OSF for consideration of approval or disapproval.

Financial Operations

- Advance Pre-Payments Exceptions (Cont.)
  - Registration fees when a discounted fee is offered if registration is paid in advance. The registration fee must (1) result in a discount to the state; (2) allow for substitution of the participant, and (3) provide for 100% refund should the event be cancelled.
  - Documentation on the sponsor's stationary describing these facts should accompany the claim submitted for payment.

Financial Operations

- Agency shall establish encumbrances as "authority order" purchase orders in PeopleSoft.
- A minimum of one authority must be created for each type of P-Card in use.

Financial Operations

- Remember to follow the prior encumbrance requirement (sufficient balance implied) to be in compliance with the encumbrance law.
- The administrative head of an agency shall be personally liable for obligations incurred in excess of the authorization (funds encumbered)
- The Director of OSF shall never authorize payment of claims for purchases not supported by an encumbrance and any invoice or claim dated prior to the date of the encumbrance shall be rejected.

Financial Operations

- State agencies shall establish internal procedures to ensure each payment voucher uses valid account codes.
  - On-line review and correction of account codes and funding lines should be done using PathwayNet at least weekly or possibly daily.

Financial Operations

- The Purchase Card closing period is the 27th of each month, unless it is a holiday or other non-banking day, then the closing is the following banking day.
- Agencies must edit PathwayNet with funding information by the deadline set by OSF. (I send this information to the P-Card Administrators by email.)
- Agencies create vouchers for the full amount of the memo statement and send to OSF. (Usually by the 6th of each month.)

Financial Operations

- Each state agency shall make one, single monthly payment to the appropriate P-Card vendor.
- Late payment or non-payment of P-Card purchases will result in an agency's cards being frozen or cancelled, and may include additional action to obtain payment and/or any interest accrued.

Financial Operations

- Account information may be viewed and reports generated at the PathwayNet system website for 13 months. Agencies shall establish a procedure for maintaining necessary data before it is removed from the PathwayNet server. Upon completion of the monthly reconciliation process, the agency shall generate a Transaction Detail Report (RPT 161) to be retained for auditing purposes.

Records Retention

- Records are to be securely maintained in a central location and include, but not limited to memo statements, transaction receipts, dispute documents, approvals, and other pertinent documents whether in paper or electronic form for seven fiscal years. If an audit, litigation or other action is started before the end of the seven year period, the records are required to be retained for an additional two years.

Inventory

- State agencies shall establish procedures to ensure items acquired using the P-Card and exceeding $500.00 in cost, or a different amount if approved by the State Purchasing Director are added to the inventory schedule pursuant to Title 74, Section 110.1.

Exception Request

- State agencies requesting an exception to the State Purchase Card Procedures shall submit DCS/Purchasing Form 030 to the State Purchasing Director.

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