

**FAP 111-58-00
PROCUREMENT CARD PROGRAM**

PROCUREMENT CARD PROGRAM DEFINITIONS

“Agency” means a spending unit.

“Agency Head” means an individual who oversees the operations of the agency.

“Agency Site Administrator” means an individual responsible for processing the Procurement Card documents, including receiving and reconciling receipts with transactions and ensuring payment to issuing bank is on time.

“Authorized Signer” means an individual authorized to communicate with issuing bank, with respect to changes in the procurement card program for a specific agency.

“Cardholder” means a Commonwealth of Kentucky employee who has a procurement card issued in their name and is the only person authorized for use of the card.

“Custodial Card” means a shared procurement card issued to a functional unit.

“Custodian” means a Commonwealth of Kentucky employee who has a custodial card issued in their name and has the responsibility of ensuring the compliance of procurement procedures for the card.

“Functional Unit” means a location designated by the agency and approved by the Office of the Controller to utilize a Custodial Card.

“Procurement Card Program Administrator” means a designated individual within an agency who is responsible for overseeing and administering the functions of the Procurement Card Program.

“Supervisor” means an individual who has a cardholder and/or custodian who reports to them.

A procurement card may be used by a state employee for both the purchasing of goods and services, and the payment for those purchases. Use of this card shall be in accordance with the Commonwealth’s procurement laws, regulations, policies and procedures and the Executive Branch Code of Ethics, except as modified herein. Each agency shall ensure that its employees adhere to this policy. Additionally, each agency shall take appropriate disciplinary actions whenever any violation of this policy is identified, and report such violation(s) and action(s) to the Office of the Controller. A violation may result in action at the discretion of the Finance and Administration Cabinet in accordance with Kentucky Revised Statutes.

A procurement card is deemed to be the official purchasing card for the Commonwealth. No other purchasing cards should be used without prior approval by the Finance and Administration Cabinet.

1. A participating agency shall sign and accept the terms and conditions of the Commonwealth of Kentucky Procurement Card Site Agreement. A procurement card may be issued to a Commonwealth of Kentucky employee, a custodian, or a Kentucky National Guard member as authorized in section 2 of this policy.
2. A card may be issued to a Kentucky National Guard member, if the Governor orders the Kentucky National Guard into active duty pursuant to KRS 38.030. Each participating National Guard member shall sign and accept the terms and conditions of the Commonwealth of Kentucky Procurement Card Cardholder Agreement. The procurement card program administrator of the Department of Military Affairs shall retain the card in a central location when not being used by the Kentucky National Guard member on active duty. The card shall be cancelled at the conclusion of the Guard member’s active duty.

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3. The procurement card may be used for the following transactions, if within the card limit:
 - a. Any purchase not prohibited in section 4 of this policy, and not otherwise allowed by subsections b-h of this section, that is no greater than the limit established for the card or the agency's small purchase authority, single quote limit; whichever is less.
 - b. Any purchase from a Master Agreement or Catalog Master Agreement, with the exception of 4 (g).
 - c. Any utility payment, regardless of the dollar amount.
 - d. Registration fees for employee training and conferences.
 - e. Out of state purchases of fuel for motor pool vehicles only if the state fleet management fuel card is not accepted. The cardholder shall attach an approved authorization for travel outside of Kentucky and a statement that the fleet management card was not accepted by the vendor to the vendor's invoice and submit with supporting documentation.
 - f. Photocopying costs if the employee's agency is located outside of Franklin County.
 - g. Purchases from Kentucky Correctional Industries.
 - h. Purchases from the Department of Education's online bookstore, or other allowable online work-related websites.

4. The procurement card **shall not** be used for the following transactions:
 - a. Travel and entertainment related expenses, except the Office of the Controller may authorize cards for the purchase of airline tickets or similar costs, with prior justification.
 - b. Alcoholic beverages.
 - c. Automotive gasoline, except as stated in subsection 3 (e) above.
 - d. Cash Advances.
 - e. Salaries and Wages.
 - f. Legal Services.
 - g. Lease purchases, unless expressly authorized by the Office of the Controller, in accordance with Section 49 of the Kentucky Constitution.
 - h. Insurance premiums and bonds.
 - i. Services covered by Personal Service Contract statutes and regulations.
 - j. Printing services, unless expressly authorized by the Office of the Controller, in accordance with Section 247 of the Kentucky Constitution.
 - k. Purchase from another Commonwealth agency, except if expressly permitted by the Finance and Administration Cabinet.
 - l. Used equipment, unless expressly authorized by the Office of the Controller.

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- m. Purchase from an auction, unless expressly authorized by the Office of the Controller.
5. Purchases shall be for the use of the Commonwealth. No personal purchases shall be allowed.
6. **Agency Responsibilities:**
 - a. Each head of an agency that is issued a procurement card shall select an agency procurement card program administrator who shall administer the program. To ensure proper separation of duties, the agency procurement card program administrator shall not be a cardholder.
 - b. Each cardholder and procurement card user shall be informed about the level of supervisory approval needed for various purchases.
 - c. An agency shall maintain the documentation for all transactions in accordance with the General Schedule for State Agencies, FAP 111-28-00 and FAP 120-21-00. Receipts for source documentation shall include the vendor's name, date of purchase, description of each item purchased, price of each item purchased, total cost, cardholder name or card number. Purchasing items from the Internet or telephone does not negate the need for keeping supporting documentation.
 - d. An agency shall ensure that the proper accounting structure is charged for the purchase.
 - e. An agency shall process payments in the state's procurement system in sufficient time to pay the issuing financial institution. If authorization is not received in sufficient time, the agency shall be responsible for payment of interest charges.
 - f. An agency shall ensure that all 1099 reportable purchases are coded to the proper object codes.
 - g. An agency shall comply with its Internal Control Plan established in accordance with 200 KAR 38:070 in regard to procurement card transactions.
7. **Procurement Card Program Administrator Responsibilities:** The agency procurement card program administrator shall manage the overall agency operation of the agency's procurement card program, including oversight of duties performed by the agency site administrator. Duties to include but not be limited to the following:
 - a. Ensure that agency procurement card program administrators, authorized signers and agency site administrators attend training on the implementation and operation of the procurement card program as directed and provided by the Finance and Administration Cabinet.
 - b. Upon consultation with agency management will determine the agency's employees who will become cardholders and custodians.
 - c. Approval and execution of each Cardholder Agreement.
 - d. Development and provision of mandatory training for each cardholder and custodial card custodian prior to issuance of the procurement card. Employees who may use a custodial card shall be trained prior to use of the card. The cardholder training shall cover duties, responsibilities and procurement policies.
 - e. Oversight and coordination with the cardholder of the disputed charges process.

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- f. Coordination of the payment process to ensure that timely remittance is made.
 - g. Assurance that purchased items required to be included in the fixed asset inventory are reported to the agency property officer or fiscal officer.
 - h. Serve as the authorized signer with the financial institution providing instructions to the bank on the associated controls for their procurement cards.
- 8. Cardholder Responsibilities:** A cardholder shall sign and accept the terms and conditions of the Commonwealth of Kentucky Procurement Card Cardholder Agreement provided by the Finance and Administration Cabinet. The cardholder is responsible for all activity on the card and responsibilities include but are not limited to the following:
- a. The cardholder should not share or loan the card to any other individual.
 - b. A cardholder shall, as an agent of the Commonwealth, ensure the proper use of the Commonwealth's tax exempt registration number.
 - c. A cardholder shall properly inspect all shipments. In case of returns, a cardholder shall coordinate the return directly with the supplier and contact the agency procurement card program administrator with any unresolved issues. Returns for cash are not permitted.
 - d. A cardholder shall report a lost or stolen card immediately to the issuing bank and the agency's procurement card program administrator. A card that has been reported lost or stolen that is subsequently found shall be given to the agency procurement card program administrator.
 - e. Responsibilities defined in Section 10.
- 9. Custodian Responsibilities:** A procurement card may be issued to a custodian of a functional unit. Written justification shall be sent to and prior approval shall be obtained from the Office of the Controller for each card. Justification shall include an explanation of why the card is needed and document the expected types of transactions. In addition to the other sections of this policy, controls and restrictions on procurement cards issued to functional units are as follows:
- a. The agency head or the agency head's designee shall sign a Custodial Card Site Agreement for the functional unit card provided by the Finance and Administration Cabinet.
 - b. The procurement card shall be stored in a secured area with access limited.
 - c. The agency head shall assign one employee in the functional unit to serve as the Custodial card custodian. The custodian shall sign a Custodial Card Custodian Agreement and be responsible for the functional unit's procurement card, and shall have discretion to determine if an employee may use the card.
 - d. If the location of the card is unknown for any period of time, the employee who signed out the card shall notify the issuing bank and the procurement card custodian immediately.
 - e. Each employee using the custodial card shall sign a Custodial Card User Agreement and shall receive a copy of this policy and other written material given to other cardholders in the cabinet or agency before using the functional unit's procurement card.
 - f. Responsibilities defined in Section 10.

10. Cardholder and Custodian Responsibilities:

- a. Each cardholder and custodial card custodian shall reconcile purchases to transaction information provided by the financial institution and submit to the agency site administrator, on at least a monthly basis, a valid receipt for each charge. The itemized receipt or email confirmation shall be issued by the merchant and identify the good or service purchased. Dues and subscriptions may be documented by an order form. The receipts for each procurement card cycle shall be submitted to the agency site administrator in sufficient time to approve each payment, prior to the due date.
- b. Each procurement card cycle for which the cardholder or custodial card custodian has made purchases, the cardholder or custodial card custodian and his or her supervisor shall access their card activity and document that the purchases were received by the Commonwealth and were for the benefit of the Commonwealth and not for personal use. Each cardholder or functional unit's card custodian shall identify the purpose of the transaction.
- c. Purchases of food or beverage shall be accompanied by documentation explaining the reason for the purchase, justification of need, and proof that they benefited the Commonwealth. Examples of this documentation include, but are not limited to, prior approval memo, meeting minutes and board calendars.
- d. Each cardholder or custodial card custodian shall reconcile transaction information provided by the financial institution to all cashier receipts and invoices to ensure the accuracy of that information. The cardholder or custodial card custodian shall address any questions regarding disputed charges to the vendor reported on the procurement card billing statement and attempt to reach a resolution. If a resolution cannot be reached with the vendor, the cardholder or custodial card custodian shall notify their agency procurement card program administrator to coordinate the disputed charges process.
- e. Each cardholder or custodial card custodian, who no longer needs a card, shall return that card to the agency site administrator or the agency procurement card program administrator for cancellation.

11. Finance and Administration Cabinet Responsibilities: The Finance and Administration Cabinet shall maintain the overall responsibility for the procurement card program, and shall take the following actions to ensure that each participating agency is in compliance with this policy:

- a. The Finance and Administration Cabinet may conduct an independent audit to ensure compliance with this policy by each agency.
- b. The Finance and Administration Cabinet may review reports and documentation associated with the procurement card program. Based on card usage, the cabinet may determine that an agency or cardholder shall be subject to additional review.

(KRS 45A.100)