

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

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**1. Definitions:**

- a. "Agency" means a spending unit.
- b. "Agency Head" means an individual who oversees the operations of the agency.
- c. "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.
- d. "Authorized Signer" means an individual authorized to communicate with issuing bank, with respect to changes in the procurement card program for a specific agency.
- e. "Cardholder" means a Commonwealth of Kentucky employee who has a procurement card issued in his/her name and is the only person authorized for use of the card.
- f. "Custodial Card" means a shared procurement card issued to a functional unit.
- g. "Custodial Card Custodian" means a Commonwealth of Kentucky employee who has a custodial card issued in his/her name and has the responsibility of ensuring the compliance of procurement procedures for the card.
- h. "Functional Unit" means a location designated by the agency and approved by the Office of the Controller (OOC) to utilize a Custodial Card.
- i. "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.
- j. "Supervisor" means an individual who has a cardholder and/or custodian who reports to him/her.

**2. Card Issuance:**

- a. A procurement card may be issued to a Commonwealth of Kentucky employee, a custodian or a Kentucky National Guard member.
- b. The participating agency shall sign and accept the terms and conditions of the Procurement Card Program Site Agreement.
- c. If the Governor orders the Kentucky National Guard into active duty pursuant to KRS 38.030, a procurement card may be issued to a Kentucky National Guard member.
  - 1. Each participating Kentucky National Guard member shall sign and accept the terms and conditions of the Commonwealth of Kentucky Procurement Card Employee Usage Agreement.
  - 2. 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.
  - 3. The procurement card shall be cancelled at the conclusion of the Guard member's active duty.

**3. Procurement Card Uses:**

- a. The procurement card is the official purchasing card for the Commonwealth. No other purchasing cards shall be used without prior approval by the FAC.
- b. Purchases shall be for the use of the Commonwealth. No personal purchases shall be allowed.

- c. A procurement card may be used by a state employee for both the purchasing and payment of goods and services. Use of the procurement 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.
- d. The procurement card may be used for the following transactions, if within the card's preset limit established by the OOC and the department head:
  - 1. Any purchase not prohibited in Section 3.e. of this policy, and not otherwise allowed by Subsections 2. - 8. 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.
  - 2. Any purchase from a Master Agreement (MA) with the exception of the transactions referenced in Section 3.e.6.
  - 3. Any utility payment, regardless of the dollar amount.
  - 4. Registration fees for employee training and conferences.
  - 5. Out of state purchases of fuel for motor pool vehicles only if the fleet fuel credit card is not accepted. The cardholder shall attach an approved authorization for travel outside of Kentucky and a statement that the fleet fuel credit card was not accepted by the vendor to the vendor's invoice and submit with supporting documentation.
  - 6. Photocopying costs, if the employee's agency is located outside of Franklin County.
  - 7. Purchases from Kentucky Correctional Industries.
  - 8. Purchases from the Department of Education's online bookstore or other allowable online work-related websites.
- e. The procurement card shall not be used for the following transactions:
  - 1. Travel and entertainment related expenses, except the OOC may authorize cards for the purchase of airline tickets or similar costs with prior authorization.
  - 2. Alcoholic beverages.
  - 3. Automotive gasoline, except as stated in Subsection 3.d. above.
  - 4. Cash advances.
  - 5. Salaries and wages.
  - 6. Lease purchases, unless expressly authorized by the OOC, in accordance with Section 49 of the Kentucky Constitution.
  - 7. Insurance premiums and bonds.
  - 8. Services covered by Personal Service Contract (PSC) statutes and regulations.
  - 9. Printing services, unless expressly authorized by the OOC, in accordance with Section 247 of the Kentucky Constitution.
  - 10. Purchase from another Commonwealth agency, except if expressly permitted by the FAC.
  - 11. Used equipment, unless expressly authorized by the OOC.

12. Purchase from an auction, unless expressly authorized by the OOC.

#### **4. 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, custodial card custodian and procurement card user shall be informed of the level of supervisory approval needed for various purchases.
- c. An agency shall maintain the documentation for all transactions in accordance with the Kentucky Department of Libraries and Archives General Schedule for State Agencies. 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 and cardholder name or card number. If an item is purchased over the Internet or by telephone, the agency shall maintain documentation by printout and/or handwritten notes.
- 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 eProcurement 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. KRS 45.454, FAP 111-45-00, FAP 120-05-00.
- f. An agency shall reconcile all payments to the issuing bank's statement, 8010 infoAdvantage report and Visa File Extract.
- g. An agency shall ensure that all 1099 reportable purchases are coded to the proper object codes.
- h. An agency shall comply with its Internal Control Plan established in accordance with 200 KAR 38:070 in regard to procurement card transactions.
- i. To ensure the list of authorized users is accurate, agencies shall notify the OOC within five (5) business days when a procurement card is no longer needed or if the cardholder or the custodial card custodian for the agency changes. The OOC shall update the Cardholder List on a quarterly basis.

#### **5. 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. The procurement card program administrator shall:

- a. Ensure 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 FAC.
- b. Upon consultation with agency management, shall determine the agency's employees who will become cardholders and custodial card custodians.
- c. Approve and execute each Commonwealth of Kentucky Procurement Card Cardholder Usage Agreement.
- d. Develop and supervise 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. Oversee and coordinate the disputed charges process with the cardholder.

- f. Coordinate the payment process to ensure that timely remittance is made.
- g. Assure 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 the agency's procurement cards.

**6. Cardholder Responsibilities:** A cardholder shall sign and accept the terms and conditions of the Commonwealth of Kentucky Procurement Card Cardholder Usage Agreement provided by the FAC.

- a. The cardholder shall be responsible for all activity on the card.
- b. The cardholder shall not share or loan the card to any other individual.
- c. The Commonwealth is a tax-exempt institution. As an agent of the Commonwealth, a cardholder shall ensure the proper use of the Commonwealth's tax exempt registration number and shall not pay sales and use tax on any transaction.
- d. The cardholder shall retain all receipts showing each credit transaction.
- e. A cardholder shall properly inspect all shipments, if applicable. In the 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.
- f. 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.
- g. Responsibilities defined in Section 8.

**7. Custodial Card 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 OOC for each card. Justification shall include an explanation of why the card is needed and document the expected types of transactions.

- a. The agency head or the agency head's designee shall sign a Procurement Card Program Custodial Card Agreement for the functional unit card provided by the FAC.
- b. The procurement card shall be stored in a secured area with access limited.
- c. The agency head shall assign one (1) employee in the functional unit to serve as the custodial card custodian. The custodial card custodian shall sign a Commonwealth of Kentucky Procurement Card Employee Usage 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 custodial card custodian immediately.
- e. Each employee using the custodial card shall sign a Commonwealth of Kentucky Procurement Card Employee Usage 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 8.

**8. Cardholder and Custodial Card 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, at the end of each billing cycle or sooner as required by each agency site administrator, 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 the supervisor shall access his/her 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.
- 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 his/her agency procurement card program administrator to coordinate the disputed charges process.
- e. Each cardholder or custodial card custodian, who no longer needs a procurement card, shall return that card to the agency site administrator or the agency procurement card program administrator for cancellation.

**9. Oversight and Management:**

- a. The FAC shall maintain the overall responsibility for the procurement card program.
- b. The FAC may conduct an independent audit to ensure compliance with this policy by each agency.
- c. 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 OOC. A violation may result in action at the discretion of the FAC in accordance with Kentucky Revised Statutes.
- d. The FAC may review reports and documentation associated with the procurement card program. Based on card usage, the FAC may determine that an agency or cardholder shall be subject to additional review.
- e. The FAC may determine that a procurement card site shall be closed due to administration of the site not complying with policy and procedure.

Relates to: KRS 45A.100