

Commonwealth of Kentucky Procurement Card Program Policies and Procedures Guide



Customer Resource Center

502-564-9641

Finance.crcgroup@ky.gov

<https://finance.ky.gov/services/statewideacct/Pages/default.aspx>



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Commonwealth of Kentucky Procurement Card Program

Introduction

The *Commonwealth of Kentucky Procurement Card Program* is designed to improve efficiency in processing low dollar purchases from any vendor that accepts a VISA credit card (unless restricted by policy or *Merchant Category Code (MCC)* by the Commonwealth). A *Procurement Card (PCard)* may be issued to a Commonwealth of Kentucky employee, a *Functional Unit* or an active *Kentucky National Guard* member.

The *PCard* may be used for both the purchase of goods and services. This includes any non-restricted commodity as set out in *FAP 111-58-00 Procurement Card Program*, which is incorporated by reference in *200 KAR 5:021 Finance and Administration Cabinet Manual of Policies and Procedures and this User's Guide*. All procurement cards shall be used in accordance with the Commonwealth's procurement laws, regulations, policies and procedures and the *Executive Branch Code of Ethics*. Each department shall ensure that its employees adhere to the *FAP 111-58-00* and its related *Kentucky Revised Statutes* and *Kentucky Administrative Regulations*.

A participating department shall sign a *Commonwealth of Kentucky Procurement Card Site Agreement* to accept its terms and conditions, which are later filed and signed by the Finance and Administration Cabinet's Office of the Controller.

This program enables agencies to make purchases of approved commodities directly from vendors, with the charges assigned to the default accounting structure designated for each *PCard*. All department charges are loaded each weekday by the Office of the Controller.

As a result of this process, *PRCC* documents are created and made available on the *Document Catalog* in eMARS for the *Program* and/or *Site Administrator*. This individual is responsible for reconciling the receipts for purchases and ensuring that the proper accounting structure is assigned to each transaction. If the default accounting structure is not correct, the administrator may change it. He/she must ensure that all *PCard* documents for a cycle are approved (FINAL status) in sufficient time to pay the bank by the due date for that cycle.

How It Works

The *PCard Program* simplifies the procurement and disbursement processes by facilitating point-of-demand procurement. Procurement responsibility is delegated to the ordering department, enabling an authorized *Cardholder* or *Procurement Card Custodian* to place an order directly with the vendor. Each participating agency shall ensure all *Cardholders* and procurement card users are informed of allowable purchases according to *FAP 111-58-00* and agency guidelines, as well as supervisory approval needed for various purchases.

The *PCard Program* provides enhanced control for all transactions by producing immediate decisions on three specific authorization criteria as explained below. When the supplier at the point-of-sale requests a purchase authorization, the transaction is validated against pre-set limits and restrictions established by the Controller's Office and the *Department Head*. All transactions are instantaneously approved or declined based on the following procurement card authorization criteria:

1. Single purchase limit
2. Spending limit per cycle
3. Merchant Category Code (MCC) restrictions*

*Suppliers are assigned a *Merchant Category Code (MCC)*, which represents their type of business/industry. Commonwealth of Kentucky procurement cards are issued with a *MCC* group of *KYSTANDARD Exclude*, which is explained in the following chart. If a *Cardholder* attempts to use a supplier with any of the following codes, the transactions will be denied immediately, provided proper authorization is performed by the vendor.

KYSTANDARD

3000-3299	Airlines
3300-3499	Automobile/Vehicle Rental
3501-3999	Hotels and Motels
5811-5812	Eating Places, Restaurants
5813	Bars, Cocktail Lounges, Discotheques, Nightclubs, and Taverns – Drinking Places (Alcoholic Beverages)
5814	Quick Payment Service – Fast-Food Restaurants
5921	Package Stores, Beer, Wine, Liquor
6010-6012	Financial Institutions
6211	Security Brokers/Dealers
6381	Insurance Premiums
6399	Insurance (Not elsewhere classified)
7011	Lodging
7800,7801, 7995, 9754	Gambling, Horse Racing, Casino, Dog Track. State Lotto, On-Line Gambling

NOTE: Any department requiring a card with a *MCC Group* other than *KYSTANDARD* must send a request to the Office of the Controller for approval.

Departments must ensure that for every *Cardholder* and functional unit procurement card, the *Cardholder Controls Merchant Category Code Group* on the account is *KYSTANDARD*. Additional groups may be added with approval of the Office of the Controller.

Custodian Procurement Card Controls and Requirements

Per *FAP 111-58-00*, a *Custodial/Dept PCard* may be issued to a functional unit within the Site. A functional unit is defined as a location designated by the agency and approved by the Office of the Controller to utilize a *Custodial/Dept Card*. Unlike an individually issued *PCard* that has an employee's name embossed on the card, a *PCard* issued to a functional unit may be shared among employees of that unit. To obtain a *Custodial/Dept Card*, written justification for the card shall be forwarded to and prior approval obtained from the Office of the Controller. This justification must include:

- 1) Why the card is needed
- 2) The anticipated types of transactions
- 3) How the unit functions within the cabinet or department

In addition to restrictions that apply to all *PCards*, the following restrictions apply to *Custodial/Dept* cards:

- The *Agency Head* or the *Agency Head's Designee* shall sign a *Custodial/Department Card Agreement* for the functional unit provided by the Finance and Administration Cabinet.

The *Department Head* shall assign one employee in the unit to serve as the *Custodial/Dept Card Custodian* who shall be responsible for the unit's card and have discretion to determine if an employee may use the card.

- The *Custodial/Dept Card* shall be stored in a secured area with access limited. If the location of the card is unknown for any period of time, the *Custodial/Dept Card Custodian* shall notify the issuing bank immediately.

NOTE: A user of the *Custodial/Dept Card* may report a card lost or stolen and should if this occurs while in the user's possession. However, the card will not be reissued by the issuing bank until the *Custodian* or the *Program Administrator* requests a new card.

- Each employee using the *Custodian Card* shall sign a *Procurement Card User Agreement* and shall receive a copy of *FAP 111-58-00* and other written information provided to *Cardholders* in the cabinet or department prior to using the *Functional Unit's* procurement card.

NOTE: The *Custodial/Dept Card Custodian* is responsible for ensuring all charges on the card are within Finance and Administration policy and are properly documented with a receipt. Therefore, it is recommended that the custodian keep a log of individuals using the card and the purchased made by that individual.

Ordering Process

The *Procurement Card Program* is an allowable purchasing method for approved goods and services that generally fall within the department's small purchase delegation.

Allowable purchases include:

- Any purchase not prohibited by *FAP 111-58-00* that is within the limits established for the card and the department's purchasing authority.
- Any purchase from a *Master Agreement*, not prohibited by *FAP 111-58-00* or the terms and conditions of the *Master Agreement*.
- Utility payments, regardless of the dollar amount.
- Registration fees for employee training and conferences.
- Out of state purchases of fuel for motor pool vehicles only, if the state fleet management fuel card is not accepted. The *Cardholder* or *PCard* user 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 the transaction receipt.
- Photocopying costs, if the employee's department is located outside of Franklin County.
- Purchases from Kentucky Correctional Industries.
- Purchases from the Department of Education's online bookstore or other allowable online work-related websites.

Note: *PCards* used to pay utilities or orders against *Master Agreements* may have a single purchase limit in excess of the department's *Small Purchase Authority*. However, these cards require prior approval by the Office of the Controller. Request, including justification, should be e-mailed to bethany.crockett@ky.gov.

Purchases prohibited by *FAP 111-58-00* include:

- Travel and entertainment related expenses, except the Office of the Controller may authorize cards for the purchase of airline tickets, lodging or similar costs, with prior justification,
- Alcoholic beverages,
- Automotive gasoline, except purchases of motor pool vehicles where the state's *Fleet Management Fuel Card* is not accepted,
- Cash advances,
- Salaries and wages,
- Legal services,
- Lease purchases, unless expressly authorized by the Office of the Controller, in accordance with *Section 49* of the *Kentucky Constitution*,
- Insurance premiums and bonds,
- Services covered by *Personal Service Contract* statues and regulations,
- Printing Services, unless expressly authorized by the Office of the Controller, in accordance with *Section 247* of the *Kentucky Constitution*,

Purchases from another Commonwealth agency, unless authorized by the Office of the Controller,

- Used equipment, unless authorized by the Office of the Controller,
- Purchases from auction, unless authorized by the Office of the Controller.

It is **essential** that the following procedures be followed when using the procurement card:

1. Ensure the purchase is a legitimate business need of the Commonwealth.
2. Confirm the purchase is appropriate for the *PCard* by reviewing the list of restricted goods and services. **If the purchase does not meet the criteria, the procurement card shall not be used.**
3. Ensure the *PCard* purchase is within the policy and guidelines outlined by your department.
4. If the purchase is greater than the department's *Small Purchase Authority Single Quote Limit*, ensure the order is documented thoroughly citing any active *Master Agreement*.
5. Inform the vendor that payment will be made by a Commonwealth of Kentucky *PCard*.
6. Emphasize that the Commonwealth is a tax-exempt. If the supplier requests the Commonwealth's Kentucky *State Sales and Use Tax Exemption Number*, please provide the supplier with the tax number shown on the front of the *PCard*

NOTE: The Finance and Administration Cabinet's *Sales Tax Exempt Number* is printed on the front of each card. A copy of this *State Sales Tax Exemption* form is posted at: <https://finance.ky.gov/services/statewideacct/Pages/ProcurementCards.aspx>.

7. Purchase or order goods/non-professional services.
8. When making on-line purchases, be sure to use reputable, work-related sites. Ensure the complete shipping address and instructions are provided to the vendor. Follow all procurement policies and procedures.

NOTE: For internet or phone orders, ensure card number is safeguarded. Be sure and obtain a valid receipt.

9. Ensure all departmental procedures regarding ordering, processing, and record retention have been followed (see *Proof of Purchase Documentation*).
10. Retain all packing slips as supporting documentation (packing slips may **not** be used in lieu of a vendor receipt and/or invoice).
11. When a shipment is received, it is the responsibility of the *Cardholder* to properly inspect the shipment. In case of returns, the *Cardholder* is responsible for coordinating the return directly with the supplier and contacting the department *Program Administrator* with any unresolved issues. Returns for cash are not permitted. The *Cardholder* shall also obtain a receipt showing the credit transaction.

Proof of Purchase Documentation

The *Procurement Card Program* facilitates point of demand procurement, providing authorized *Cardholders* the ability to purchase specific goods and services directly from a supplier. With this authority comes the responsibility of maintaining adequate documentation. Each department is responsible for assigning responsibility for record retention in accordance with the *General Schedule for State Agencies, FAP 111-28-00* and *FAP 120-21-00*.

Documentation **must** be maintained as agreed in the *Document Retention Delegation Agreement* with the Controller's Office. Documentation for each transaction shall include the vendor's name, date of purchase, description of each item purchased, price of each item purchased, total cost, Cardholder name or last four digits of the PCard number.

Documentation **must** provide details that support the purchase as a legitimate business expense within the guidelines of the program (*FAP 111-58-00*). Supporting documentation should include, but shall not be limited to, the following items:

- Cashier's receipt or vendor invoice identifying the items purchased,
- Receipts for credit transactions,
- Packing slip (for goods received) or service report for any service performed, when department-required,
- Order form or application, when department-required, or
- Internal order form, when department-required.

Purchases of food or beverage must be accompanied by documentation explaining the reason for the purchase, justifying the need, and proof that the purchase benefited the Commonwealth. Examples would include prior approval memo, meeting minutes and board calendars.

Each department *Procurement Card Program Administrator* shall verify all *Cardholders* and functional unit *Custodians*; and their supervisors have electronically signed and completed all descriptions and purposes for each transaction in the issuing bank's on line recording system. The *Cardholders*, *Functional Unit's* PCard Custodian, and respective supervisors shall complete descriptions and signing within four business days after the close of the cycle.

NOTE: All purchases must be documented by a valid vendor receipt identifying goods or services purchased. *Cardholders*, *Custodians* and *PCard Users* are responsible for getting receipts to the Program and/or Site Administrator. The *Cardholder*, *Custodian* or *PCard User* may be held liable for purchases not substantiated by a valid receipt.

Inventory

It is the responsibility of the department *Program Administrator* to communicate all purchases of fixed assets and/or tangible/traceable items to the department property officer or *Fiscal Officer*. The *PCard* payment (*PRCC*) document will generate a fixed asset shell document in eMARS, if the Administrator changes the commodity on the relevant commodity line. It is essential that the department *Program Administrator* inform the property officer either verbally, by e-mail or electronically via a fixed asset shell document to ensure the items are properly inventoried.

Reconciliation of Procurement Card Activity

To ensure the accuracy of transactions posted by the bank and that accurate payment is being made to the issuing bank by the Commonwealth, *Cardholders* and the *Custodian* should reconcile their transactions at the end of each billing cycle.

It is the *Cardholder's* and *Custodian's* responsibility to reconcile each transaction on the issuing bank's on-line system with the vendor receipt and/or invoice. .. In addition, *Cardholders/Custodians* will download a statement from the issuing bank at the end of each billing cycle, which includes all transactions posted for that cycle. Any questioned charge should first be addressed with the vendor shown on the statement and an attempt made to reach a resolution. If a resolution cannot be reached with the vendor, the *Cardholder* should file a dispute with the bank.

Procurement Card Program Administrators are responsible for ensuring *Cardholders'* purchases are within the guidelines of the program and that payment to the issuing bank is accurate and timely. Therefore, administrators should reconcile each receipt against the transactions on the procurement card payment (*PRCC*) documents.

Procurement Card Program Administrator Responsibilities

Each department head shall select a *Procurement Card (PCard) Program Administrator* who will administer the program and manage the overall department operation and *Cardholder* training. To ensure proper separation of duties, this individual shall not be a *Cardholder, Custodian or PCard User*.

The Finance and Administration Cabinet will train the department *PCard Program Administrator* how to implement and operate the *Procurement Card Program*. The *Procurement Card Program Administrator's* responsibilities include (but are not limited to) the following:

- *Procurement Card Program Administrators* shall attend training as directed by the Finance and Administration Cabinet.
- Upon consultation with department management will determine which of the department's employees will become *Cardholders* and *Custodians*.
- Execute, approve, sign, and maintain a *Cardholder Agreement* for all *Cardholders*.
- Develop and provide mandatory training for each *Cardholder* and *Custodian* prior to using the issued procurement card. Employees who use a *Custodial/Dept Card* shall be trained prior to making a purchase. This training includes *Cardholder/user* duties, responsibilities, and procurement policies.
- Serve as the primary contact with issuing Bank. Provide instructions to the bank on the activities for all cards and billing accounts.
- Add, change, or delete cards as necessary.
- Maintain an appropriate internal control framework related to the safeguarding of card(s) and card usage.
- Maintain proper card controls.
- Assign a default accounting template for each card.
- Ensure all card numbers are properly recorded within eMARS.
- Coordinate the disputed charges process.
- Ensure receipts are collected for every transaction per *Cardholder* or *Custodian* and reconciled to transactions within eMARS.
- Verify that the description and purpose of every transaction is identified by each *Cardholder* or *Custodian* on the *bank's on-line system*.
- Verify that each *Cardholder* or *Custodian* and their respective supervisors have electronically signed the *Cardholder's* transactions on the *bank's on-line system*.
- Coordinate the payment process to ensure a complete timely remittance.
- Establishment of a procedure to provide reasonable assurances that *Cardholders* receive no monetary benefits from use of the card and that all purchases are within *FAP 111-58-00* and departmental policy and procedure.
- Ensure that items purchased that are required to be included in the fixed asset inventory are reported to the department *Property Officer* or *Fiscal Officer (KRS 45.313)*.

Site Administrator Responsibilities

A *Program Administrator* may designate an individual to be responsible for reconciling procurement card activity. To ensure proper separation of duties, this individual shall not be a *Cardholder*, *Custodian* or *PCard User*.

The procurement site administrator's responsibilities may include (but are not limited too) the following:

- Assign a default accounting template for each card.
- Ensure all card numbers are properly recorded within eMARS.
- Coordinate the payment process to ensure a complete timely remittance.
- Ensure that items purchased that are required to be included in the fixed asset inventory are reported to the department *Property Officer* or *Fiscal Officer (KRS 45.313)*.
- Maintain proper card controls.
- Ensure receipts are collected for every transaction per *Cardholder* and *Custodian* and reconciled to transactions within eMARS.
- Verify that the description and purpose of every transaction is identified by each *Cardholder* or *Custodian* on the *issuing bank's on-line system*.
- Verify that each *Cardholder* or *Custodian* and their respective supervisors have electronically signed the *Cardholder's* transactions on the *bank's on-line system*.

Supervisor/Approver Responsibilities

Each *Cardholder* and *Custodian's* *PCard* transactions shall be approved.

- The supervisor/approver will access the [bank's on-line system](#).
- All card transactions should have a purpose and description provided by the *Cardholder* or *Custodian*.
- Supervisors shall approve all transactions that were received by and for the benefit of the Commonwealth.
- All approvals need to be completed by the end of each *PCard* cycle. The department's *Program Administrator* may request approvals be applied more frequently.

Individual Cardholder Responsibilities

Each individual procurement card is issued exclusively to a state employee and shall **NOT** be shared or loaned. An employee issued an individual card is required to sign a *Procurement Card Cardholder Agreement* accepting the terms and conditions provided by the Finance and Administration Cabinet. An individual card embossed with the employee's name shall be issued and used exclusively by that employee.

To ensure compliance with *Program Policies and Procedures*, an individual *Cardholder* shall:

- Activate card upon receipt (**Website or phone number provided by issuing bank**).
- Be aware of allowable purchases on the card as referenced in *FAP 111-58-00*, *FAP 111-55-00*, and *FAP 220-10-00* and any departmental policy and procedures.
- Be aware and not violate any procurement laws, regulations, policies, procedures or the *Executive Branch Code of Ethics*.
- Document all purchases with a detailed receipt. The credit card receipt and/or packing slip may serve as supporting documentation, but may not serve as a valid receipt unless all detailed information is provided on the credit card receipt and/or packing slip.
- Provide additional documentation for purchases of food or beverage that justify the need, explain the reason for the purchase, and proof that they benefited the Commonwealth.
- Ensure shipping and handling charges are included in the stated price.
- Ensure any purchase greater than the department's *Small Purchase Authority Single Quote Limit*, is documented thoroughly, citing any active *Master Agreement*, proper purchasing authority, policy or FAP.
- Provide merchants with the complete shipping address and instructions when ordering via internet, telephone, or placing catalog orders.
- Complete the purpose and description field on the *issuing bank's on-line system* attesting that the purchases were for the benefit of the Commonwealth and not for personal use. Submit for approval (electronically sign) each of your transactions.
- Submit receipts to the *Program Administrator* on at least a monthly basis. This frequency is at the *PCard Administrator's* discretion.
- Inform the merchant that your card is tax exempt since you are an agent of the Commonwealth. (Tax exempt number is on the front of the card.) A copy of the certificate must be sent to the vendor upon request. **Ensure that sales tax is not charged.**
- Inspect all purchases. Returns shall be coordinated directly with the merchant. Returns for cash are **NOT** permitted.
- Reconcile transaction information provided by issuing Bank against all receipts and invoices to ensure accuracy. Questions regarding disputes should first be addressed with the merchant. If resolution cannot be reached with the merchant, a dispute must be filed with the issuing Bank. Inform the agency's *Program Administrator* of any dispute.
- Contact the issuing bank immediately if card is lost or stolen. Also, inform your department's *PCard Program Administrator*. Failure to do so may result in penalty or removal of card. Your agency's PCard Program Administrator will provide a toll free number to report lost/stolen cards at the time cardholder training.

- DO **NOT** use a procurement card for personal purposes.
- DO **NOT** split a transaction in order to avoid the maximum limit.
- Document upon or attach to the receipt each credit received (i.e. defective item, wrong item sent, etc.).
- Ensure the card and card number is properly secured at all times.
- Notify your department *PCard Program Administrator* before you leave your position or when you no longer need a procurement card.

NOTE: Improper use of the procurement card may result in revocation of card (temporary or permanent) and disciplinary action, up to and including termination of employment.

Responsibilities of the Custodial/Dept Card Custodian

The *Custodial/Dept Card* custodian shall sign a *Procurement Card Cardholder Usage Agreement* and be responsible for the *Custodial/Dept Card*. The *Custodian* has the discretion to determine if an employee may use the *Custodial/Dept Card*. To ensure compliance with *Program Policies and Procedures*, a *Custodian* shall:

- Activate card upon receipt (***Website or phone number provided by issuing bank***).
- Be aware of allowable purchases on the card as referenced in *FAP 111-58-00*, *FAP 111-55-00*, and *FAP 220-10-00* and any departmental policy and procedures.
- Be aware and ensure any procurement laws, regulations, policies, procedures or the *Executive Branch Code of Ethics* are not violated.
- Ensure any employee using the custodian card signs an *Procurement Card User Agreement* and receives a copy of *FAP 111-58-00* and any departmental policy and procedures.
- Ensure all purchases are documented with a detailed receipt. The credit card receipt and/or packing slip may serve as supporting documentation, but may not serve as a valid receipt unless all detailed information is provided on the credit card receipt and/or packing slip.
- Ensure additional documentation is provided for purchases of food or beverage that justify the need, explain the reason for the purchase and proof that they benefited the Commonwealth.
- If the purchase is greater than the department's *Small Purchase Authority Single Quote Limit*, ensure the order is documented thoroughly, citing any active *Master Agreement*, proper purchasing authority, policy or FAP.
- Complete the purpose and description field on the [*issuing bank's on-line system*](#) and submit for approval (electronically sign) each of your transactions. By doing so, you are attesting that the purchases were received for the use and for the benefit of the Commonwealth and not for personal use.
- Ensure receipts are submitted to the *Program Administrator* on at least a monthly basis. This frequency is at the *PCard Administrator's* discretion. **Ensure that sales tax is not charged.**
- Ensure returns are properly documented and there are no cash returns.

- Reconcile transaction information provided by issuing Bank against all receipts and invoices to ensure accuracy. Questions regarding disputes should first be addressed with the merchant. If resolution cannot be reached with the merchant, a dispute must be filed with issuing Bank. Inform the agency's *Program Administrator* of any dispute.
- Contact issuing Bank immediately if card is lost or stolen. Also, inform your department's *Procurement Card Program Administrator*. A toll free number to report lost/stolen cards will be provided by the department's PCard Program Administrator at the time of cardholder training.
- Ensure card is **NOT** used for personal purposes.
- Ensure transactions are **NOT** split in order to avoid the maximum limit.
- Ensure the card and card number is properly secured at all times.
- Notify your department *Procurement Card Program Administrator* before you leave your position or when the *Custodial/Dept Card* is no longer needed.

NOTE: Improper use of the *Custodian Card* may result in revocation of card (temporary and permanent) and disciplinary action, up to and including termination of employment.

Since the Custodian is responsible for charges placed on the *Functional Unit's Custodial/Dept Card*, it is recommended that the custodian maintain a log that identifies the following:

- The card user's name;
- The card user's signature;
- The date and time the card is logged out;
- The date and time the card is logged back in;
- The vendor to be used;
- The items to be purchased.
- Receipt provided

Responsibilities of the Custodial/Dept Card Users

Each *Custodian Card* user shall sign a Procurement Card User *Agreement* and be responsible for the *Custodial/Dept Card* while in his/her possession. To ensure compliance *with Program Policies and Procedures*, a *Custodian Card* user shall:

- Obtain approval for the purchase/order from your department's *Custodian*.
- Be aware of allowable purchases on the card as referenced in *FAP 111-58-00*, *FAP 111-55-00*, and *FAP 220-10-00* and any departmental policy and procedures.
- Be aware and not violate any procurement laws, regulations, policies, procedures or the *Executive Branch Code of Ethics*.
- Document all purchases with a detailed receipt. The credit card receipt and/or packing slip may serve as supporting documentation, but may not serve as a valid receipt unless all detailed information is provided on the credit card receipt and/or packing slip. Document upon or attach to the receipt each credit received (i.e. defective item, wrong item sent, etc.).
- Provide additional documentation for purchases of food or beverage that justify the need, explain the reason for the purchase, and proof that they benefited the Commonwealth.
- Ensure shipping and handling charges are included in the stated price.
- Ensure any purchase greater than the department's *Small Purchase Authority Single Quote Limit*, is documented thoroughly, citing any active *Master Agreement*, proper purchasing authority, policy or FAP.
- Provide merchants with the complete shipping address and instructions when ordering via internet, telephone or placing catalog orders.
- Inform the merchant that the card is tax exempt since you are an agent of the Commonwealth. (Tax exempt number is on the front of the card.) A copy of the certificate must be sent to the vendor upon request. **Ensure that sales tax is not charged.**
- Inspect all purchases. Returns shall be coordinated directly with the merchant. Returns for cash are **NOT** permitted.
- Contact issuing Bank immediately if card is lost or stolen. Also, inform your department's *Procurement Card Program Administrator*. A toll free number to report lost/stolen cards will be provided by the department's PCard Program Administrator at the time of cardholder training.
- DO **NOT** use a procurement card for personal purposes.
- DO **NOT** split a transaction in order to avoid the maximum limit.
- Do **NOT** share the card with any other employee. Any employee needing to use the card must contact the department's card *Custodian*.
- The card number shall not be written down, retained, or used at the discretion of an employee.
- Return the card with proper documentation of your purchase to the *Custodian* immediately upon completion of the transaction.
- Ensure the card and card number is properly secured at all times.

NOTE: Improper use of the *Custodian Card* may result in revocation of card (temporary and permanent) and disciplinary action, up to and including termination of employment.

Disputed vs Fraudulent Transactions

Disputed and fraudulent transactions are different in nature and must be treated differently.

A disputed transaction is usually a mistake and can be resolved by the merchant in most cases. Examples of disputes included duplicate charges where the merchant may have accidentally swiped the card twice or an on-line charge was made and shipped but the goods were never received. There are other, but these are some common examples.

For a dispute, the cardholder should contact the merchant first for resolution. If a resolution cannot be reached with the merchant, then a dispute claim may be filed through the issuing bank's on-line system. The cardholder may contact the agency's PCard Program Administrator for assistance.

Fraudulent charges are criminal in nature. They usually arise from external sources when the card number is compromised or the card plastic itself is duplicated. Other fraud may occur internally when an individual from inside the agency is purposefully using the card for purchases not approved by the agency. Fraud should be reported to the issuing bank immediately. For security purposes, fraud should be reported by phone as soon as the charges are recognized. The dispute process should not be used.

It is likely that external fraud may be identified by the issuing bank first and reported to the cardholder and/or administrator. If suspicious charges appear and the bank cannot reach either party, the card may be closed abruptly to prevent further fraudulent activity. Unfortunately, these criminals are very clever and resourceful. Card numbers get compromised more often than we would like even with the best security measures. That is why it is very important the cardholders, custodians and approvers be diligent in reviewing transactions within the on-line system and report any suspicious activity immediately.

If suspicious activity is found to be the result of internal fraud, the agency must cancel the card immediately. The agency should have internal controls in place to handle the disciplinary actions related to the employee or employees responsible for the fraud. The agency may consult with the Office of the Controller if needed. Most issuing banks have insurance to cover the losses incurred due to internal fraud, however, this usually will require termination of the employee(s).

Reporting a Lost or Stolen Procurement Card

It is the responsibility of the *Cardholder*, *Custodian*, or *Custodial Card* user to report the loss of a *PCard* immediately to the issuing bank. The Commonwealth is responsible for all charges on a card up to the point it is reported lost or stolen. Therefore, it is imperative that all card users report the lost or stolen card to issuing bank immediately.

The issuing bank has a 24/7, toll-free number available to report lost/stolen cards. The *Cardholder*, *Custodian* or *Custodial Card* User should contact this number immediately upon realizing a card has been lost or stolen (i.e. weekend, after business hours). After reporting a lost or stolen individual procurement card to the issuing bank, the *Cardholder* or *Custodian* must also immediately report the lost or stolen card to the department *Program Administrator*. A card that has been reported lost or stolen that is subsequently found shall be given to the department *Program Administrator*.

After reporting a lost or stolen *Custodial/Dept* card to the issuing bank, the *Custodial Card* user shall notify the *Custodian* and the department *Procurement Card Program Administrator*.

Security

It is important that card users remember to safeguard not only their card, but also their card number. A card or card number in the wrong hands can result in fraudulent charges. Therefore, to minimize the risk of fraud, *Cardholders* should adhere to the following:

- Keep procurement card in a safe location,
- Do not loan or share cards unless the card has been approved as a *Custodial/Dept Card*,
- Do not email full card numbers
- Ensure all written documentation (forms, reports, statements, receipts, etc.) containing card numbers is stored in a safe location, and
- Destroy any written documentation containing card numbers that is not needed.

It is also important to be diligent and mindful of phishing attempts. It seems criminals make daily attempts to obtain card information either via email, phone calls or text. *Cardholders* and administrators should be cautious and not provide card information to merchants unless the transaction is initiated by them. Card information should never be provided via email or text.

If fraudulent charges appear against a card:

- Report the charge(s) via phone to the issuing bank immediately,
- Report the charges to your department *Procurement Card Program Administrator*,
- Investigate to determine possible causes of fraudulent activity.
- Contact Statewide Procurement Card Program Administrator if assistance is needed.

Statewide *Procurement Card Program Administrator*

1-877-973-4357 or
1-502-564-9641

Procurement Card Internal Controls

200 KAR 38:070 requires all agencies to develop *Internal Control Plans*. As part of the overall plan, agencies are also required to include internal controls related specifically to *PCard* transactions. At a minimum, agency plans should include the controls as discussed in 200 KAR 38:070 *Section 2*, as well as the following minimum procedures:

- a) Each *Cardholder* and *Custodian* must submit to the department card *PCard 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 are allowed to be documented by an order form.). Purchases of food or beverage must be accompanied by documentation explaining the reason for the purchase, justification of the need, and proof that the *Cardholder*' purchase benefited the Commonwealth. Examples of this documentation include, but are not limited to, prior approval memos, meeting minutes and board calendars
- b) The *Cardholder* or *Custodian* and his/her immediate supervisor must electronically sign a statement that the purchases were received and used for the benefit of the Commonwealth and not for personal use for each procurement card cycle.
- c) Each *Cardholder* and *Custodian* will receive a monthly statement from the issuing bank. The *Cardholder* and *Custodian* should:
 - Verify that each listed charge on the statement is valid and matches the transaction documentation (i.e., itemized receipts),
 - Identify any disputed charges, and
 - Reconcile credits in the same manner as transactions.
- d) Each department shall take appropriate disciplinary actions whenever any violation of this policy is identified.

FAP 111-58-00

PROCUREMENT CARD PROGRAM

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. "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.
- g) "Functional Unit" means a location designated by the agency and approved by the Office of the Controller (OOC) to utilize a Custodial Card.
- h) "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.
- i) "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. Page 85
 - 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. 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.

- e) 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.
- f) 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*