

Commonwealth of Kentucky Procurement Card Program Policies and Procedures Guide



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Updated 07/22/2024



Preface

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Table of Contents

Commonwealth of Kentucky	1
Procurement Card Program Policies and Procedures Guide.....	1
1 – Overview.....	4
Introduction.....	4
How It Works	4
2 – Custodian/Department and Travel Cards	6
Custodian Procurement Card Controls and Requirements	6
Travel Cards.....	6
Purchasing Parameters	7
Request for Controller’s Exception/Approval.....	9
Gift Card Purchasing Policy	9
Proof of Purchase Documentation	10
Inventory	11
Reconciliation of Procurement Card Activity	11
Agency Procurement Card Program Administrator Responsibilities.....	12
Agency Site Administrator Responsibilities	13
Approver Responsibilities	13
Cardholder Responsibilities	14
Custodian Responsibilities.....	15
Custodial Card User Responsibilities.....	17
Disputed vs Fraudulent Transactions.....	18
Reporting a Lost or Stolen Procurement Card	18
Security	19
Procurement Card Internal Controls	19





Commonwealth of Kentucky Procurement Card Program

1 – Overview

[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 of Merchant Category Code (MCC) by the Commonwealth). A Procurement Card (PCard) may be issued to a Commonwealth of Kentucky employee, a custodian, or an active Kentucky National Guard member ([FAP 111-58-00 2.a.](#)).

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 3.c.](#) which is incorporated by reference in [200 KAR 5:021](#). All PCards 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 FAP 111-58-00 and its related *Kentucky Revised Statutes* and *Kentucky Administrative Regulations*.

A participating site shall sign a [Commonwealth of Kentucky Procurement Card Program Agency 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 purchase approved commodities directly from vendors, with the charges assigned to the default accounting structure designated for each PCard. All department charges are created as PRCC transactions in the Commonwealth's ERP (eMARS) by the Office of the Controller.

As a result of this process, PRCC transactions are made available on the Transaction Catalog (DOCATLG) in eMARS for the Agency PCard/Site Administrator. This individual is responsible for reconciling the receipts for purchase and ensuring the proper accounting structure is assigned to each transaction. If the default accounting structure is not correct, the administrator may change it. The administrator must ensure all PRCC transactions for a cycle are approved to final status in sufficient time to meet the payment due date to the card issuing bank.

[How It Works](#)

The PCard Program simplifies the procurement and disbursement process by facilitating point-of-demand procurement. Procurement responsibility is delegated to the ordering department, enabling an authorized cardholder 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 3.d.](#) and agency guidelines, as well as supervisory approval needed for various purchases.

The PCard program provides enhanced control for all transactions by producing immediate decision on three specific authorization criteria as explained below. When the supplier at the point-of-sale requests a





Commonwealth of Kentucky Procurement Card Program

purchase authorization, the transaction is validated against pre-set limits and restrictions established by the Controller’s Office and the Agency. All transactions are instantaneously approved or declined based on the following procurement card authorization criteria:

- Single purchase limit (total dollar amount of the transaction)
- Spending limit per cycle (total dollar amount that can be spent in one cycle)
- Merchant Category Code (MCC) restrictions

Note: Suppliers are assigned a Merchant Category Code (MCC), which represents their type of business/industry. Commonwealth of Kentucky procurement cards are issued with the 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 declined immediately, provided proper authorization is performed by the vendor.

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: Procedure to request exception to the restricted MCCs is covered on page 10 of this guide.





2 – Custodian/Department and Travel Cards

Custodian Procurement Card Controls and Requirements

Per [FAP 111-58-00](#), a Custodial/Department PCard may be issued to a functional unit within a 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/Department 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. Prior to issuing a Custodial/Department card, a [Custodial/Department Card Agreement](#) must be signed by the Agency/Department Head and the Controller's Office.

In addition to the restrictions that apply to all PCards, the following applies to Custodial/Department cards:

- The Agency Head or Agency Head's designee shall sign the [Custodial/Department Card Agreement](#) for the functional unit.
- The Department Head shall assign one employee in the unit to serve as the Custodial/Department Card Custodian who shall be responsible for the unit's card and have discretion to determine if an employee may use the card in conjunction with management.
- The Custodial Department Card shall be stored in a secure area with limited access. If the location of the card is unknown for any period of time, the Custodian shall notify the card issuing bank immediately.
- A user of the Custodial/Department Card should report a lost or stolen card 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 request a new card.
- Each employee using the Custodial/Department Card shall sign a [Procurement Card Cardholder/Custodian Usage Agreement](#) and shall receive a copy of [FAP 111-58-00](#), a copy of this guide, and other written information provided to cardholder in the cabinet or department prior to using the Custodial/Department Card.
- The Custodial/Department Card Custodian is responsible for ensuring all charges on the card are within Finance and Administration policy, all procurement purchasing policies, and are properly documented with receipt. Therefore, it is recommended the Custodian maintain a log of individuals obtaining/returning the card with borrower's signature and the purchase made by the borrower.

Travel Cards

Per [FAP 111-58-00 3.e.1.](#), a Procurement Card may not be used for travel related expenses in the performance of official state business without approval from the Office of the Controller. To alleviate financial hardship to employees that would incur travel expenses in the performance of official state business, the Controller's Office may authorize the issuance of a Travel Procurement Card.

If approved, the Travel Procurement Card:





Commonwealth of Kentucky Procurement Card Program

- May be issued to an Agency/Department Head and/or designated department employees who are approved by the Agency/Department Head.
- Is limited to authorized travel expenses in the performance of official state business.
- Cardholder must complete cardholder training with the agency PCard Administrator, sign the Procurement Cardholder/Custodian Agreement, sign the Travel Cardholder Agreement, and be familiar with the Commonwealth's travel policies and procedures as well as the department's internal policies.
- May be used to purchase out-of-state and in-state registrations, airfare including approved checked or carry-on baggage fees, car rental, parking, and actual lodging cost, including applicable taxes not otherwise prohibited.
- Shall NOT be used to purchase meals not included with conference registration, entertainment, alcoholic beverages, rideshare/limousine/taxi services, nor services unless otherwise specified in this agreement.
- Shall NOT be used for fuel purchase, meals, gift shop purchases, bar, room service, laundry, nor other hotel incidentals.
- Shall NOT be used for the purpose of paying vendors for allowable purchases of goods and services which are not for official state business travel.
- Shall NOT be used for personal purchases or personal travel.
- Shall NOT be used in any way in violation of the Commonwealth's procurement laws, regulations, policies and procedures and the *Executive Branch Code of Ethics*.

Purchasing Parameters

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.
- 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.

Purchases prohibited by [FAP 111-58-00](#) include:

- Travel related expenses unless an approved travel card is being used.
-





Commonwealth of Kentucky Procurement Card Program

- Entertainment related expenses unless prior approval is given by the Office of the Controller.
- Alcoholic beverages unless prior approval is given by the Office of the Controller.
- Automotive gasoline unless prior approval is given by the Office of the Controller.
- Cash advances
- Salaries and wages
- Legal services
- Lease purchases, unless expressly authorized by the Office of the Controller in accordance with Section 247 of the Kentucky Constitution.
- Insurance premiums and bonds
- Services covered by Personal Service Contract statutes 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.
- User 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:

- Ensure the purchase is a legitimate business need of the Commonwealth.
- 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.**
- Ensure the PCard purchase is within the policy and guidelines outlined by your department.
- 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.
- Inform the vendor the payment will be made by a Commonwealth of Kentucky procurement card.
- Emphasize the Commonwealth is tax-exempt from Kentucky state sales tax. Please provide the supplier with the tax exemption number.
- Purchase or order of goods/non-professional services.
- When making online 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.
- Ensure all departmental procedures regarding ordering, processing, and record retention have been followed.
- Ensure the Commonwealth's procurement laws, regulations, policies and procedures and the *Executive Branch Code of Ethics* have been followed.





- Retain all packing slips as supporting documentation, though these may not be used in lieu of a vendor receipt/invoice.
- 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 agency PCard administrator with any unresolved issues. Returns for case are not permitted. The cardholder shall also obtain a receipt showing the credit card transaction.

[Request for Controller's Exception/Approval](#)

Though [FAP 111-58-00 3.e.](#) outlines purchases that are excluded from purchase via Commonwealth procurement card, there are occasions where request for approval from the Controller may be appropriate. In such cases, the agency PCard administrator may submit a formal request to the Controller's Office for approval consideration to purchase with a procurement card.

The request should be on agency letterhead in memo style addressed to the Controller. The request should include:

- Brief description of the need and benefit to the Commonwealth.
- Funding that will be used for payment of purchase (general, federal, etc.).
- Cardholder name and last four digits of the card to be used for purchase.
- Other pertinent information.

In addition to exclusions listed in [FAP 111-58-00](#), all food purchases must be approved by the Controller. These formal requests should also be on agency letterhead in memo style addressed to the Controller. The request should include:

- Brief description of the need and benefit to the Commonwealth.
- Agenda for meeting/event if applicable.
- Funding that will be used for payment of purchase (general, federal, etc.).
- Number of attendees (breakdown of state employees and other guests if applicable).
- Total cost and price per attendee.
- Cardholder name and last four digits of card if procurement card will be used for purchase.

Note: Request and approval for exception does not circumvent Commonwealth and agency procurement policies. Requestors must ensure they are following all procurement and agency policies prior to purchase.

[Gift Card Purchasing Policy](#)

Though rare, some agencies may have the need to purchase gift cards as a part of their business operations. For example, a federal grant may outline the occasion for an agency to use the funds to purchase gift cards as incentive for the program being administered by the agency. In such cases, the





Commonwealth of Kentucky Procurement Card Program

agency PCard administrator may submit a formal request to the Controller's Office for approval consideration to purchase gift cards with a procurement card.

The request should be on agency letterhead in memo style addressed to the Controller. The request should include:

- A brief description of the program and how the gift cards will be utilized/administered to the recipients. The description must include details on eligibility requirements and the process of disbursement.
- Funding that will be used for payment of purchase (general, federal, etc.).
- If federal funds, acknowledgement that the federal program permits funds to be used to purchase gift cards for this program/purpose.
- Number of gift cards to be purchased and denomination per gift card.
- Cardholder name and last four digits of card being used to purchase gift cards.
- Gift card merchant (i.e., Kroger, Amazon, etc.).

In addition to the memo, an agency gift card policy for specific purpose must accompany the formal request. The agency gift card policy must include:

- Summary and reference of the federal program outlining the authorization to use the funds to purchase gift cards.
- Timeline for program.
- Number of gift cards to be purchased and denomination per gift card.
- Cardholder name and last four digits of card being used to purchase gift cards.
- Detail outlining inventory controls including safeguarding and storage of gift cards.
- Detail on how the agency documents disbursement of the gift cards to eligible recipients.

Note: Submission of request for approval of gift card purchase should not be assumed as approved. Purchasing gift cards via Commonwealth procurement card will be the Controller's discretion and formal approval from the Controller must be received by the agency before proceeding with any purchase of gift cards. The agency must ensure all applicable Commonwealth procurement laws, regulations, policies and procedures and the *Executive Branch Code of Ethics* are complied with when purchasing allowable gift cards.

[Proof of Purchase Documentation](#)

The Procurement Card Program facilitates a 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](#).





Commonwealth of Kentucky Procurement Card Program

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 purchase, 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 [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.
- Internal order form when department required.

Purchase of food or beverage must be accompanied by prior approval memo authorized by the Controller's Office including documentation explaining the reason for the purchase, justifying the need, and proof that the purchase benefitted the Commonwealth.

Each agency PCard administrator shall verify all cardholder and functional unit custodians, as well as designated approvers have electronically signed and completed all purpose/descriptions for each transaction in the card issuing bank's online recording system.

[Inventory](#)

It is the responsibility of the agency PCard 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) transaction will generate a fixed asset shell transaction in eMARS if the administrator changes the commodity on the relevant commodity line. It is essential that the agency PCard administrator inform the property office either verbally, by email, or electronically via a fixed asset shell transaction to ensure the items are properly inventoried.

[Reconciliation of Procurement Card Activity](#)

To ensure the accuracy of transaction posted by the bank and that accurate payment is being made by the Commonwealth to the card issuing bank, cardholders and custodians should reconcile their transactions by the end of each billing cycle.

It is the cardholder/custodian responsibility to reconcile each transaction within the card issuing bank's online system with the vendor receipt/invoice. 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.

Cardholders should enter a purpose and description for each transaction posted in the card issuing bank's online system.





Agency PCard 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 purchases on the PRCC transactions in eMARS.

Approvers should review the purchases in the card issuing bank's online application to ensure the cardholder/custodian has entered the purpose and description and marked the transaction with their approval. Additionally, the approver should review the purchase as a benefit to the Commonwealth and ensure Kentucky state sales tax has not been paid when exempt, and the purchase amount coincides with the receipt. The approver will then mark the transaction with Final Approval.

Agency PCard administrators should reconcile the total purchases for their program, ensuring all receipts are collected, all transactions have been Final Approved in the card issuing bank's online application with a purpose and description, all PRCC transactions in eMARS have been processed to final status by close of business on the scheduled date for the cycle, and retain three reports for overall reconciliation of the PCard cycle; 8010 report from eMARS, Managing Account cycle statement from card issuing bank, and the extracted data from the card issuing bank online application that includes approval and purpose and description documentation.

[Agency Procurement Card Program Administrator Responsibilities](#)

Each department head shall select an agency Procurement Card (PCard) administrator who will administer the program and manage the overall department operation and cardholder/custodian, and approver training. To ensure proper separation of duties, this individual shall not be a cardholder, custodian, nor card user. Additionally, this individual should not be the approver when possible.

The Finance and Administration Cabinet will train the agency PCard administrator how to implement and operate the agency PCard program. The agency PCard administrator's responsibilities include:

- Attend training as directed by the Finance and Administration Cabinet.
- Upon consultation with agency management, determine which of the department's employees will become cardholders/custodians.
- Execute, approve, sign, and maintain a cardholder agreement for all cardholders.
- Develop and provide mandatory training for each cardholder/custodian prior to using the issued PCard. Employees who use a custodial 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 card issuing bank for their agency.
- Order and cancel cards as appropriate within the card issuing bank application and eMARS.
- 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 and properly recorded within eMARS.
- Coordinate the disputed charges process.





Commonwealth of Kentucky Procurement Card Program

- Ensure receipts are collected for every transaction per cardholder/custodian and reconciled transactions within eMARS.
- Verify the purpose and description of every transaction is identified by each cardholder/custodian in the card issuing bank's online application.
- Verify that each cardholder/custodian and their respective approvers have electronically signed the cardholder's transaction with proper approval in the card issuing bank's online application.
- Coordinate the payment process to ensure a complete and timely remittance.
- Establishment of a procedure to provide reasonable assurance that cardholders/custodians 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 purchase that are required to be included in the fixed asset inventory are reported to the department property/fiscal officer ([KRS 45.313](#)).
- Ensure reconciliation of each cycle and proper record retention for transaction detail, approvals, payment, and charges.

Agency Site Administrator Responsibilities

An agency PCard 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, nor card user. Additionally, this individual should not be the approver when possible.

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

- Assign a default accounting template for each card.
- Ensure all card numbers and properly recorded within eMARS.
- Coordinate the payment process to ensure a complete timely remittance.
- Ensure that items purchase that are required to be included in the fixed asset inventory are reported to the department property/fiscal officer ([KRS 45.313](#)).
- Verify the purpose and description of every transaction is identified by each cardholder/custodian in the card issuing bank's online application.
- Verify that each cardholder/custodian and their respective approvers have electronically signed the cardholder's transaction with proper approval in the card issuing bank's online application.
- Ensure reconciliation of each cycle and proper record retention for transaction detail, approvals, payment, and charges.

Approver Responsibilities

Each cardholder/custodian's PCard transactions shall be approved with electronic designation.

- The approver will access the card issuing bank's online application.





Commonwealth of Kentucky Procurement Card Program

- All card transactions should have a purpose and description provided by the cardholder/custodian prior to approval.
- Approvers shall approve all transaction 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 agency PCard administrator may request approvals be applied more frequently.

Cardholder Responsibilities

Each cardholder/custodian's card is issued to a Commonwealth of Kentucky employee, a custodian, or a Kentucky National Guard member and shall not be shared or loaned. An employee issued an individual card is required to sign a [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.
- Be aware of allowable purchase on the card as referenced in [FAP 111-58-00](#), [FAP 111-55-00](#), [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 does 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 card 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 agency PCard administrator on at least a monthly basis. This frequency is at the agency PCard administrator's discretion.
- Inform the merchant that your card is Kentucky state tax exempt (when applicable) since you are an agent of the Commonwealth. Ensure that sales tax is not charged when appropriate.





Commonwealth of Kentucky Procurement Card Program

- Inspect all purchases. Returns shall be coordinated directly with the merchant. Returns for cash are NOT permitted.
- Reconcile transaction information provided by card 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 card issuing bank. Inform the agency's PCard administrator of any dispute.
- Contact the card issuing bank immediately if card is lost or stolen. Also, inform your agency PCard administrator. Failure to do so may result in penalty or removal of card. Your agency's PCard 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 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 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.

Custodian Responsibilities

The custodian shall sign a [cardholder agreement](#) and be responsible for the custodial card. The custodian has the discretion to determine if an employee may use the custodial card. To ensure compliance with Program Policies and Procedures, a Custodian shall:

- Activate card upon receipt.
- Be aware of allowable purchase on the card as referenced in [FAP 111-58-00](#), [FAP 111-55-00](#), [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.
- Ensure any employee using the custodial card signs the [Agreement for Use of Custodial Card](#) and receives a copy of [FAP 111-58-00](#), as well as any agency policy and procedures.
- Document all purchases with a detailed receipt. The credit card receipt and/or packing slip may serve as supporting documentation but does 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.





Commonwealth of Kentucky Procurement Card Program

- 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.
- Complete the purpose and description field on the card 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 agency PCard administrator on at least a monthly basis. This frequency is at the agency PCard administrator's discretion.
- Inform the merchant that your card is Kentucky state tax exempt (when applicable) since you are an agent of the Commonwealth. Ensure that sales tax is not charged when appropriate.
- Inspect all purchases. Returns shall be coordinated directly with the merchant. Returns for cash are NOT permitted.
- Reconcile transaction information provided by card 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 card issuing bank. Inform the agency's PCard administrator of any dispute.
- Contact the card issuing bank immediately if card is lost or stolen. Also, inform your agency PCard administrator. Failure to do so may result in penalty or removal of card. Your agency's PCard 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 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 administrator before you leave your position or when you no longer need a procurement card.

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

The custodian is responsible for charges placed on the custodial card. It is recommended 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 borrowed.
- The date and time the card is returned.





Commonwealth of Kentucky Procurement Card Program

- The vendor to be used.
- The items to be purchased.
- A brief business justification for purchase.
- Dollar amount charged.
- Confirmation receipt provided.

Custodial Card User Responsibilities

Each custodial card user shall sign [Agreement for Use of Custodial Card](#) and be responsible for the custodial card while in his/her possession. To ensure compliance with program policies and procedures, a custodial card user shall:

- Obtain approval for the purchase/order from the card 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 your card is Kentucky state tax exempt (when applicable) since you are an agent of the Commonwealth. Ensure that sales tax is not charged when appropriate.
- Inspect all purchases. Returns shall be coordinated directly with the merchant. Returns for cash are NOT permitted.
- Contact card issuing bank immediately if card is lost or stolen. Also, inform your agency PCard 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 to avoid the maximum limit.





Commonwealth of Kentucky Procurement Card Program

- DO NOT share the card with any other employee(s). Any employee needing to use the card must contact the card custodian.
- The card number shall not be written down, retrained, 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 custodial card may result in revocation of card (temporary or 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.

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 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 card 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 procurement card to the issuing bank, the cardholder or custodian must also immediately report the lost or stolen card to the agency PCard administrator. A card that has been reported lost or stolen that is subsequently found shall be given to the agency PCard administrator.

After reporting a lost or stolen custodial card to the card issuing bank, the custodial card user shall notify the custodian and the agency PCard 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 agree 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 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 agency PCard administrator.
- Investigate to determine possible causes of fraudulent activity.
- Contact Statewide Procurement Card Program Administrator if assistance is needed.

Procurement Card Internal Controls

[200 KAR 38:070](#) requires all agencies to develop Internal Control Plans. As part of the 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:

- Each cardholder/custodian must submit to the agency PCard administrator, on at least a monthly basis, a valid receipt for each charge. The itemized receipt or email confirmation shall be issued





Commonwealth of Kentucky Procurement Card Program

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 purchase benefited the Commonwealth. Examples of this documentation include, but are not limited to, prior approval memos, meeting minutes and board calendars.

- The cardholder/custodian and his/her approver must electronically sign approval within the card issuing bank's application designating that the purchases were received and used for the benefit of the Commonwealth and not for personal use for each procurement card cycle.
- Each cardholder/custodian will have access to a monthly statement from the card issuing bank. The cardholder/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.
 - Reconcile credits in the same manner as transactions.
- Each agency shall take appropriate disciplinary actions should any violation of this policy be identified.

