



Financial Management and Reporting

Agency Policies and Procedures

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Purchasing Card

Policy Objectives:

Agency policies and procedures for using the purchasing card are designed to:

- Promote accountability for the use of the purchasing card,
- Ensure adequate documentation is maintained to support payment of the purchasing card invoices,
- Specify responsibility for ensuring that the appropriate sales and use tax is paid, and
- Provide consistent and appropriate processes.

Effective Implementation Date: November 15, 2009

Background Information:

Admin's purchasing card provides cardholders with a tool to better manage procurement resources. All purchases related to travel must comply with the Department of Minnesota Management and Budget's (MMB) policies on travel, Department of Admin policies and procedures related to procurement, and with [M.S. 15.435](#).

The purchasing card assists cardholders in the purchase of goods and services as allowed by this policy. All purchases made with the purchasing card must comply with all state and agency procurement laws, rules, policies, and procedures. For example, cardholders will be expected to comply with the Certified Target Group (TG), Economically Disadvantaged (ED), and Veteran's Preference vendor programs and use vendors with state contracts as required.

The cardholder is responsible for the security of the purchasing card and all transactions made against it. The use of the purchasing card is an alternate means of payment and must not circumvent the use of state contracts, purchasing laws, rules, policies, or procedures.

All purchasing cards are subject to audit or review at anytime. Purchasing cards may be rescinded and disciplinary actions may be taken if there is any improper usage of the purchasing card, such as, but not limited to:

- Personal use of the purchasing card, which is a *criminal offense*, and
- Procurement policies, laws, rules and procedures are not followed.

An audit was completed in December 2008 on the purchasing card pilot project and full participation was approved by MMB and Admin's Materials Management Division (MMD).

This policy does not include the emergency card which is covered under FMR-4A-03, *Emergency Card Policy*.

Authority:

- [Admin Authority For Local Purchase Manual and Updates](#)
- [Statewide Policy on Expenditures by State Employees and Authorized Users](#)
- [Purchasing Card Use Policy 2.0](#)

Business Risks:

Non-compliance with this policy could increase the likelihood for:

- Improper purchases,
- Delay in payment with associated interest charges being incurred,
- Improper sales and use tax payment for goods and services,
- Breach of contractual conditions with the purchasing card contractor,
- Misappropriation of funds, and
- Disciplinary action, including termination.

Policies and Procedures:

1. Definitions
 - A. Cardholder: A state employee who has been authorized to use a state purchasing card by Admin.
 - B. Purchasing Card Contractor: The vendor authorized by state contract for the purchasing card program.
 - C. Purchasing Card Program Manager: The individual appointed to manage, coordinate and control purchasing cards within the agency.
 - D. Purchasing Card Coordinator: The individual assigned by the division to coordinate and control their division's purchasing card(s) activity.
 - E. Memo Statement: The summarized monthly account of charges against a cardholder's purchasing card provided by the purchasing card contractor.
 - F. Corporate Account Summary: The summary of all monthly Memo Statements assigned to the paying location.
 - G. Original Receipt: The first detailed source document issued to the employee/cardholder that is marked, by the vendor, indicating that the bill or invoice was paid. The original receipt is not a copy or reproduction and must include the name and address of the vendor, date(s), detailed list of items, total amount, and date paid.

- H. Paying location: The area authorized to participate in the purchasing card program.
 - I. Purchasing Log: The form that is filled out by the cardholder listing the purchases made each month with the purchasing card. It also includes the payment coding information and applicable cost accounting information.
 - J. Affidavit in Lieu of Receipt: A notarized document signed by the cardholder that details the nature of the purchase and the amount.
2. Designation and Responsibilities of the Purchasing Card Program Manager
The Financial Management and Reporting (FMR) Director shall designate an agency purchasing card program manager. The individual's responsibilities include, but are not limited to:
- A. Ensuring that the cardholder purchasing card agreement is properly completed;
 - B. Creating accounts and account access so that card requests and changes will be managed and monitored;
 - C. Establishing and communicating any additional agency restrictions or limitations;
 - D. Reviewing current authoritative guidance including policies and statutes;
 - E. Providing and documenting training to each purchasing card coordinator including tracking requirements, policy review, and deadlines;
 - F. Maintaining a list by division of coordinators, cardholders, date application sent to contractor, date of cancellation, credit card number, monthly limit, and transaction limit;
 - G. Assigning annual reconciliation of the list of purchasing cards to the contractor's information to another individual to ensure the accuracy of the information;
 - H. Confirming the current purchasing cards issued within the agency and the continued need of purchasing cards for each cardholder annually; and
 - I. Canceling a purchasing card with the contractor.
3. Designation and Responsibilities of the Purchasing Card Coordinator
Each applicable division designates a purchasing card coordinator. This individual's responsibilities include, but are not limited to:
- A. Providing and documenting training including tracking requirements, policy review, and deadlines to each cardholder and cardholder's supervisor prior to submitting the purchasing card application;
 - B. Ensuring that any disputed charges are properly credited to the account;
 - C. Reviewing the logs, records, and statements to ensure compliance with agency policies and procedures relating to the purchasing card;
 - D. Completing the FMR-013-01 [Purchasing Card Summary for Payment](#) as required by this policy or equivalent form.
 - E. Monitoring cardholders for submission of records and statements in a timely manner; and
 - F. Reviewing the use of the purchasing cards annually to ensure that the needs remain for a purchasing card for each cardholder.
4. Responsibilities of the Cardholder's Supervisor
This individual's responsibilities include, but are not limited to:
- A. Reviewing the logs, records, and memo statements to ensure compliance with agency policies and procedures relating to the purchasing card; and

- B. Monitoring cardholders for submission of records and statements in a timely manner.
5. Responsibilities of the Cardholder
- A. The cardholder makes purchases as authorized by the signed FMR-017-01 [Purchasing Card Application/Agreement](#) form in compliance with all state and agency procurement laws, rules, policies and procedures including ensuring that adequate funds are encumbered for anticipated purchasing card purchases. Cardholders are expected to adhere to the highest ethical standards when conducting state business and to follow the Code of Ethics, [M.S. 43A.38, Subd. 4](#), and related state statutes.
 - B. The cardholder is responsible for the security of the purchasing card and *all transactions* made against it.
 - C. The cardholder must complete FMR-012-01 [Purchasing Log](#) as required by this policy or equivalent.
 - D. The purchasing card is exempt from the use of the state [Direct Pay Permit](#). The cardholder must instruct the merchant to charge state sales and local use tax when applicable.
 - E. Obtaining original receipts for all purchases and submitting the receipts with the FMR-012-01 [Purchasing Log](#) to the purchasing card coordinator. If the original receipts cannot be obtained, the cardholder must try to obtain a copy of the receipt, sign, date, and note the reason that the original receipt is not available. If a copy cannot be obtained, the cardholder must complete, sign, and have notarized an FMR-003-01 [Affidavit in Lieu of Receipt](#).
6. Authorized Purchasing Dollar Limit
- A. The purchasing card has a limit of \$2,500 per transaction and a maximum of \$10,000 per monthly billing cycle. These limits can be further restricted within the divisions.
 - B. Multiple purchases of the same product from the same vendor on the same day for more than the established limit are prohibited.
7. Authorized Uses
- A. All purchases made with the purchasing card will comply with all state and agency procurement laws, rules, policies, and procedures and will be solely for business purposes. This includes Authority for Local Purchase (ALP) policies, such as the TG/ED requirements.
 - B. Authorization may be approved for the following uses:
 - 1. Travel expenses such as lodging, airline tickets, and conference registration fees. All travel related expenses must comply with state and agency travel policies and procedures. Any benefits provided by a vendor must be accumulated to the state's benefit and not the cardholder's. For example, if the purchasing card is used for airline tickets, frequent flier miles must not be accumulated by the person flying under his/her own personal account with the airline. Any miscellaneous charges by the hotel such as movies, meals, or phone calls will be paid directly by the cardholder with a personal form of payment. Meals, phone calls, gas purchases for out-of-state rental cars, and other costs eligible for reimbursement under labor agreements, will continue to be processed on employee expense reimbursement forms.

2. Necessary goods and simple services (low risk services occurring off site) except if excluded in Section 7.C below.
 3. Group meals that qualify and are approved as a special expense in accordance with FMR-4D-01 [Special Expense](#).
- C. The following categories of purchases *cannot* be purchased with the purchasing card:
1. Goods and services for personal use;
 2. Illegal activities;
 3. Non-authorized use (e.g. family member or friend) at work or away from work;
 4. Use of the purchasing card by someone other than the cardholder;
 5. Political activities, fund-raising, union-related activities;
 6. Uses that are in any way disrupting or harmful to the reputation or business of the state;
 7. Licensed equipment (e.g. vehicles, trailers, boats, snowmobiles, all terrain vehicles, etc.);
 8. Weapons, ammunition, and explosives;
 9. Maintenance/license agreements;
 10. Meals for an individual;
 11. Alcohol;
 12. Drugs;
 13. Telephone calls (either personal or business);
 14. Cash, cash advances, extension of credit;
 15. Professional/technical, consulting, construction, or high-risk services;
 16. Financial services except where it is the only means to make a valid authorized state business purchase (e.g. Pay Pal);
 17. Fixed/capital assets and sensitive items;
 18. Vehicle-related goods or services including fuel; and
 19. Printers and copiers.
- D. The purchasing card may be used for emergencies in accordance with the [Authority for Local Purchase paragraph 1.6.1](#). An emergency is a threat to public health, welfare, or safety that threatens the function of government, the protection of property, or the health or safety of people. Emergency use of the purchasing card must be reported to the purchasing card program manager no later than the next business day following the emergency. The purchasing card program manager must call MMD at 651-201-2402 and report the event.
- E. The purchasing card can be used for in-store, mail, phone, internet, and fax orders.
- F. Purchasing cards are issued to specific employees and the use of the purchasing card is non-transferrable.
- G. If the purchasing card is used in violation of this policy, the authorized cardholder shall report the matter to the purchasing card program manager and the purchasing card coordinator no later than the next business day. Violations of this policy could result in discipline up to and including discharge. In the case of a prohibited purchase, the cardholder may be required to immediately reimburse the agency for the prohibited purchase. There may be situations where such

reimbursement may not be warranted, in which case the purchasing card program manager will assess and resolve such matters on a case by case basis.

8. Application Process

- A. When it is determined by a supervisor that there is a need for a purchasing card to be issued to an employee, the supervisor requests that the employee completes and signs the FMR-017-01 [Purchasing Card Application/Agreement](#) form.
- B. The supervisor reviews, approves, signs, and retains a copy of the form. A copy of the signed form is also given to the cardholder. The original form is then forwarded to the purchasing card coordinator. After reviewing the form, the purchasing card coordinator submits the original form to the purchasing card program manager and retains a copy in his/her files.
- C. The purchasing card manager examines the form for proper information and signatures. The purchasing card program manager then sends the form to the purchasing card contractor to open an account and have a purchasing card issued to the cardholder. A copy of the form is retained and filed by the purchasing card program manager.
- D. The purchasing card coordinator trains the cardholder and the cardholder's supervisor in the use and the security of the purchasing card according to this policy. The cardholder, cardholder's supervisor, and the purchasing card coordinator will sign the FMR-011-01 [Authorized User Purchasing Card Acknowledgement of Use Agreement](#) form after the training has been provided.
- E. The cardholder receives the purchasing card, signs the back of the purchasing card, and activates the purchasing card. The cardholder must provide the purchasing card number to the purchasing card program manager and the purchasing card coordinator upon receipt.

9. Purchasing and Payment Process

- A. The cardholder must ensure that funds are encumbered prior to making allowable purchases. The direct pay sales tax permit is not used with the purchasing card. The vendor must be instructed to charge sales tax on taxable purchases by the cardholder when appropriate.
- B. When the transaction involves direct in-store purchases, the cardholder retains the original receipt for attachment to the FMR-012-01 [Purchasing Log](#) or equivalent form. When the transaction involves mail, phone, fax, or internet orders, a copy of the original order together with the signed receiving documents (i.e. packing slip) becomes the original receipt.
- C. The cardholder fills out FMR-012-01 [Purchasing Log](#) or equivalent form and attaches the related documents with the FMR-012-01 [Purchasing Log](#) or equivalent form as each transaction occurs. All related documents must be numbered to match the transaction number on the FMR-012-01 [Purchasing Log](#) or equivalent form. If there are any missing invoices/receipts, FMR-003-01 [Affidavit in Lieu of Receipt](#) form must be completed and attached to the FMR-012-01 [Purchasing Log](#) or equivalent form.
- D. If sales tax has not been charged properly by the vendor, the cardholder fills out the FI-00572-01 [Payment of Sales Tax](#) form, makes a copy of the receipt, and retains both with the FMR-012-01 [Purchasing Log](#) or equivalent form.

- E. Upon receiving the memo statement, the cardholder matches it to the FMR-012-01 [Purchasing Log](#) or equivalent form and notes any discrepancies on the statement as required in the dispute process. All disputed amounts are paid even though they are disputed charges. (See Dispute Process Section 12 for more information.) The signed FMR-012-01 [Purchasing Log](#) or equivalent form, original receipts, other related records, and the memo statement must be sent to the supervisor. (Note: If a charge is not on the memo statement, make a copy of the FMR-012-01 [Purchasing Log](#) or equivalent form. Next, cross out the item(s) not charged on the memo statement on the original FMR-012-01 [Purchasing Log](#) or equivalent form and cross out all of the item(s) that were charged on the memo statement on the copy. The copy of the FMR-012-01 [Purchasing Log](#) or equivalent form will be used as back up for the payment charged in the future period.)
- F. If the cardholder plans to be out when the memo statement arrives, arrangements should be made so that the memo statement can be reconciled timely.
- G. The supervisor reviews the purchases and discusses questionable items with the cardholder. The supervisor must verify that no frequent flyer miles or any other benefits are issued to the cardholder. The supervisor must consult with division management if the purchases are inappropriate and/or violate the code of ethics. The supervisor, manager, or division director may conduct an investigation, if appropriate, to determine: 1) if a substantial violation occurred and 2) what disciplinary action is appropriate. This should be done in consultation with Admin's FMR director, purchasing card program manager, Human Resources director, and any other appropriate personnel based on the circumstances. If canceling the purchasing card, the supervisor immediately contacts the purchasing card coordinator who contacts the purchasing card program manager. (See Canceling a Purchasing Card below for more information.)
- H. The cardholder's supervisor reviews the memo statement, FMR-012-01 [Purchasing Log](#) or equivalent form with attached original receipts and related documents to ensure compliance with procurement policies and rules and the purchasing card policy. The cardholder's supervisor signs the FMR-012-01 [Purchasing Log](#) or equivalent form after verifying the information and resolving any questionable items. The memo statement, FMR-012-01 [Purchasing Log](#) or equivalent form, receipts, and other related records are then forwarded to the purchasing card coordinator.
- I. The purchasing card coordinator reviews the FMR-012-01 [Purchasing Log](#) or equivalent form with all attached related documents for compliance with procurement policies, rules, and the purchasing card policy. The purchasing card coordinator signs the FMR-012-01 [Purchasing Log](#) or equivalent form after verifying the information and resolving any questionable items.
- J. The purchasing card coordinator summarizes the logs of the paying location to match the corporate account summary using the FMR-013-01 [Purchasing Summary for Payment](#) form. The purchasing card coordinator will make adjustments as necessary for any rebates received on the corporate account summary. The purchasing card coordinator then forwards all documents to division's accounts payable unit.

- K. The division's accounts payable unit processes the invoice for payment using the correct object code for each item through the state's accounting system. This unit also processes FI-00572-01 [Payment of Sales Tax](#) form, if applicable, for payment for tax to the Department of Revenue in accordance with MAPS Policy and Procedure 0807-01, [State Taxes on State Agency Payments](#) and FMR-4A-01, [Ordering, Receiving, and Payment Processing \(Three-Way Match\)](#). The accounts payable unit retains the logs, original receipts, invoices and any other related documents in accordance with the record retention schedule.
10. Rebates
- A. Rebates received from the purchasing card contractor will be allocated to the accounts based on the fiscal quarter's expenditures from the [US Bank Purchasing Card Rebate](#) Crystal report in accordance with MAPS Policy and Procedure 0702-09 [Credit Agreements](#) and 0702-09PR [Processing a Rebate](#).
11. Purchasing Card Not Accepted
- A. The cardholder may contact the purchasing card contractor's customer service representative in order to determine why a charge is not accepted.
- B. The purchasing card program manager may be contacted for further assistance.
12. Dispute Process
- A. The cardholder contacts the applicable vendor within 10 calendar days of receiving the memo statement and requests resolution of the charges. All disputed amounts and contacts are recorded on the FMR-012-01 [Purchasing Log](#) or equivalent form. If the invoice is reasonable, even with the disputed item(s), the full amount of the invoice should be paid to ensure the maximum possible rebate.
- B. The cardholder must call the 1-800 number on the back of the purchasing card within 60 calendar days of receiving the original memo statement to notify them of the dispute if a credit has not been issued by the vendor. Credit should be requested and a case number will be issued for all disputes and must be noted on the FMR-012-01 [Purchasing Log](#) or equivalent form. All information provided to the purchasing card contractor must be attached to the FMR-012-01 [Purchasing Log](#) or equivalent form.
- C. The purchasing card coordinator must be notified in writing within two working days of the attempts to resolve the dispute with the vendor after the purchasing card contractor has been notified.
- D. The cardholder must submit a copy of the FMR-012-01 [Purchasing Log](#) or equivalent form with updated notes/contacts regarding the disputes with the monthly information packet.
- E. If a credit does not appear after following the dispute process, the purchasing card manager should be notified for assistance in resolution by the purchasing card coordinator.
13. Changes to Purchasing Cards
- A. Lost/Stolen Purchasing Cards
1. The cardholder immediately calls the purchasing card contractor and the purchasing card program manager and purchasing card coordinator to report the lost/stolen purchasing card.

2. The purchasing card contractor immediately blocks the further use of the purchasing card.
 3. The cardholder completes FMR-014-01 [Lost/Stolen Purchasing Card/Emergency Card Form](#) and distributes copies to the purchasing card program manager, purchasing card coordinator, and cardholder's supervisor. The purchasing card program manager will determine if a replacement purchasing card should be requested and take appropriate action.
 4. The purchasing card contractor issues a new purchasing card. Upon receipt of the new purchasing card, the cardholder notifies the purchasing card coordinator and purchasing card program manager of the purchasing card number.
- B. Damaged Purchasing Card
1. The cardholder informs the purchasing card program manager and the purchasing card coordinator of the need for a replacement purchasing card. The damaged purchasing card is forwarded to the purchasing card program manager.
 2. The purchasing card program manager contacts the purchasing card contractor to request a replacement purchasing card.
 3. The purchasing card program manager destroys the purchasing card and initials in the notes section on the FMR-017-01 [Purchasing Card Application/Agreement](#) that the damaged purchasing card was destroyed along with the date the purchasing card was destroyed.
 4. The purchasing card contractor issues a new purchasing card.
 5. The cardholder must verify that the number is the same. If the number is not the same, contact the purchasing card program manager for further instructions. If the number is the same, sign the back of the purchasing card and activate the purchasing card.
- C. Expired Purchasing Card
1. The purchasing card contractor will send each cardholder a new purchasing card prior to the expiration date on the purchasing card.
 2. The cardholder must verify that the number is the same. If the number is not the same, contact the purchasing card program manager for further instructions. If the number is the same, sign the back of the purchasing card and activate the purchasing card.
 3. The expired purchasing card is submitted to the purchasing card coordinator who will destroy the purchasing card immediately and initials in the notes section on the FMR-017-01 [Purchasing Card Application/Agreement](#) that the expired purchasing card was destroyed along with the date the purchasing card was destroyed.
- D. Changing the Limit or Type of Purchasing Card
1. The FMR-017-01 [Purchasing Card Application/Agreement](#) form must be completed by the cardholder and approved by the cardholder's supervisor.
 2. The completed form is submitted to the purchasing card program manager for processing.
- E. Canceling a Purchasing Card

1. Purchasing cards can be canceled for a number of reasons such as, but not limited to: improper usage, change of duties, continual untimely submission of the required paperwork, leaving state service, transferring to another department or division, layoff, mobility, extended leave of absence, or retirement.
 2. The purchasing card must be obtained by the cardholder's supervisor when the purchasing card is deemed cancelable. The cardholder's supervisor immediately informs the purchasing card program manager and the purchasing card coordinator of the cancellation request in writing. The supervisor forwards the purchasing card to the purchasing card coordinator.
 3. The purchasing card program manager calls the purchasing card contractor and requests the cancellation of the purchasing card.
 4. The purchasing card coordinator destroys the purchasing card immediately notes and initials the date of destruction in the notes section on the FMR-017-01 [Purchasing Card Application/Agreement](#).
 5. The purchasing card contractor blocks further use of the purchasing card.
14. Fraud
- A. Pursuant to [M.S. 609.456 Subd. 2](#), all suspected fraud with the state's purchasing card must be reported via a memo to the Office of the Legislative Auditor (OLA). This requirement includes those instances when the state's purchasing card account number has been compromised and unauthorized use of the account is discovered either by the purchasing card contractor or a state employee.
15. Agency Sample Reconciliation Process
- A. FMR will work with division staff to complete the review and reconciliation of a random sample of at least 5% of the memo statements. Signed documentation must be retained that the sample reconciliation has taken place.
 - B. In the event that an issue or problem is discovered during the reconciliation process, the reviewer will work with the purchasing card program manager and/or purchasing card coordinator to resolve the issue.
16. Audit
- A. Purchasing cards are subject to audit.
 - B. The FMR-017 [Purchasing Card Application/Agreement](#) form must be retained for all active purchasing cards. The form for inactive purchasing cards must be retained following the [Statewide Accounting Records Retention Schedule](#) for paid vendor invoices.
17. Policy Exceptions
- A. Requests for exceptions to the policy must be submitted on FMR-016-01 [Request for Purchasing Card Policy Exception](#) to the purchasing card program manager.
 - B. The purchasing card program manager will review the request and make a determination to approve or disapprove the request. If appropriate, the purchasing card program manager will complete and obtain the appropriate approvals.

Forms:

FMR-003-01 [Affidavit in Lieu of Receipt](#)

FMR-011-01 [Authorized User Purchasing Card Acknowledgement of Use Agreement](#)

FMR-012-01 [Purchasing Log](#)
FMR-013-01 [Purchasing Summary for Payment](#)
FMR-014-01 [Lost/Stolen Purchasing Card/Emergency Card Form](#)
FMR-016-01 [Request for Purchasing Card Policy Exception](#)
FMR-017-01 [Purchasing Card Application/Agreement](#)
FI-00572-01 [Payment of Sales Tax](#)

See Also:

M.S. 16A.124 [Prompt Payment of State Agencies Bills Required](#)
M.S. 15.435 [Airline Travel Credit](#)
M.S. 16C [State Procurement](#)
M.S. 16A.15, Subd. 3 [Accounting System; Allotment and Encumbrance](#)
M.S. 43A.38 [Code of Ethics for Employees in the Executive Branch](#)
M.S. 43A.39 [Compliance with Law](#)
[Emergency Card Use Policy 3.0](#)
[State Contract C-684 Cards: Purchasing Payment Services](#)
[Minnesota Statewide Administrative Systems Point of Entry for MAPS/SEMA4 Transactions](#)
[Minnesota Statewide Administrative Systems Payment Processing Guidelines](#)
FMR-1C-01 [External Auditing](#)
FMR-4A-01 [Ordering, Receiving & Payment Processing \(Three-Way Match\)](#)
FMR-4A-03 [Emergency Card](#)
FMR-4C-01 [Employee Travel Expenses](#)
FMR-4D-01 [Special Expenses](#)
MAPS Operations Manual 0807-01 [State Taxes on State Agency Payments](#)
MAPS Operations Manual 0702-02 [Obligations Incurred Before Funds were Properly Encumbered/Budgeted](#)
MAPS Operations Manual 0803-01 [Payment Requests, Preparation, and Approval](#)
MAPS Operations Manual 0702-09 [Credit Agreements](#)
SEMA4 Operating Policy and Procedure PAY0021 [Employee Business/Travel Expenses](#)
[Direct Pay Permit](#)
[Statewide Accounting Records Retention Schedule](#)