State of Arkansas

Purchasing Card (P-Card) Program

Policies and Guidelines Manual

August 2009

Policies and guidelines will be changed to meet the needs of the Purchasing Card (P-Card) Program. For the most current guidelines, please refer to our WEB site at:

http://www.arkansas.gov/dfa/procurement/pro_purchcard.html

Introduction

1. **What is the Purchasing Card (P-Card)?**
2. **The P-Card Program Benefits**
3. **Allowable and Non-Allowable Charges**
4. **How to obtain a Purchasing Card**
5. **Purchasing Card Activation**
6. **Making a Purchase**
7. **General Policies and Procedures**
8. **Parties Involved**
9. **Cardholder Responsibilities**
10. **Reviewer Responsibilities**
11. **Liaison Responsibilities**
12. **Cardholder Liability**
13. **Cardholder Account Closure**
14. **Documentation of Expenditures**
15. **Lost, Misplaced or Stolen Purchasing Cards**
16. **Taxes – Sales and Use**
17. **Spending Controls**
18. **Rebates, Refunds, Rewards, Gifts, Points, etc.**
19. **Card Declines**
20. **Emergency Transactions**
21. **Credits**
22. **Unresolved Disputes and Billing Errors**

23. Security and Storage

24. Vendor Set-Up

25. Merchant Category Code Blocking

26. P-Card Set-Up, Maintenance and Closure

27. Reconciliation, Approval and Allocation of Billing

28. Posting of Invoices

29. Internal Controls & Compliance Reviews

30. End of Fiscal Year Procedure

31. Policy Modifications

32. Purchasing Card Contacts

APPENDIX

1099-Misc Reportable Transactions

Forms Available for Download from OSP website

A. Purchasing Card Application

B. Purchasing Card Agreement

C. "Lost or Stolen" Card Form

D. Missing Receipt Form

E. Internal Control Form

INTRODUCTION

Welcome to the State of Arkansas Purchasing Card, (P-Card), Program. The Office of State Procurement (OSP) has developed this program to help state agencies better manage low-dollar supply purchases and bring many benefits to you, the State of Arkansas, and our vendors. The P-Card will facilitate the acquisition of low dollar goods and services needed for conducting official government business. P-Cards will be issued to select employees to enhance the effectiveness or economy of operations. Liability for payment, total responsibility and accountability for the P-Card transactions resides at the agency level. **Personal purchases are forbidden and may result in disciplinary action.**

State agencies, as a condition of participation in the P-Card program, shall abide by the terms of the guidelines established by the Office of State Procurement and US Bank. No policy and guideline statement can cover all eventualities. Exceptional cases will be resolved as circumstances and prudent business practices warrant on a case-by-case basis.

The success of the Arkansas Purchasing Card Program and its continuing use depends on your participation and cooperation. Please be sure to read and follow the program guidelines as specified within this document.

1. WHAT IS THE PURCHASING CARD (P-CARD)?

The State of Arkansas has implemented the Arkansas Purchasing Card Program with US Bank VISA to simplify, streamline, and facilitate the purchase and payment process. The P-Card is a fast, flexible purchasing tool offering an enhancement to the existing purchasing processes and provides an extremely efficient and effective method for purchasing and paying for supplies with a total maximum per cycle limit that will be determined on an individual basis. The default limit per individual cardholder is $2,000.00 per billing cycle. **The P-Card is to be used only for official business purchases for the State of Arkansas.**

The issuance of a P-Card to you represents the trust bestowed upon you by the State to protect its assets and integrity. Under your oversight, review and approval, you provide the key point of control to maintain appropriate spending activities to protect your agency funds.

The P-Card will be issued in the **individual cardholders name** with the wording “Arkansas”, “For Official Use Only”, and the agency name under the Cardholder’s name.

2. THE P-CARD PROGRAM BENEFITS

Cardholders - You will be able to obtain various supplies and some services directly from vendors without using a purchase order. This streamlines the purchasing process and can help improve turnaround time on receipt of your order. It significantly reduces the workload and processing costs related to the purchase and payment of supplies. In addition, it expands your purchasing options by utilizing many businesses that would not accept a purchase order but would take a VISA credit card.

State Agencies - The P-Card program provides a cost-efficient, alternative method for purchasing low-dollar goods. Built-in card features make the program easy to manage and lowers processing costs at all levels by reducing the number of requisitions, purchase orders, invoices and warrants.

Vendors – Most vendors who accept VISA will welcome the P-Card. When the vendors accept the card for a purchase, they will not send invoices to your agency and should receive payment from VISA within 72 hours.

3. ALLOWABLE and NON-ALLOWABLE CHARGES

Many items may be charged with the State P-Card. Some examples of allowable items/goods purchased with the P-Card are books, general office supplies, lab supplies, postage, subscriptions, UPS, FedEx, and many more that are not currently on a mandatory State Contract. **In most circumstances, the Cardholder may purchase goods for official business purposes for the State of Arkansas EXCEPT:**

1. Any non-allowable transaction to the card that could result in disciplinary action
2. Alcoholic beverages of any kind
3. Cash advances
4. Personal type purchases of any kind, items or services (gift certificates, food, cards such as get-well, birthday, etc., flowers, etc.)
5. Printing subject to Amendment 54 to the Arkansas Constitution and Arkansas State Procurement Laws
6. Travel expenses or travel related expenses unless authorized
7. Vehicle rentals unless approval has been granted by Credit Card Coordinator/Administrator
8. Any items listed on mandatory agency or state contracts without vendor approval. *The item **may be paid** for using the purchasing card **if the contract (see OSP website) allows the payment of items with the P-Card or prior approval from the contractor is received.***
9. Professional Services and Consultant Services Contracts or any tax reportable IRS 1099 expenses **(Appendix) – NOTE: (If a purchased deemed to be a service is made by a cardholder, the agency is responsible for reporting any item classified as a 1099 service to DFA Office of Accounting via the one time vendor spreadsheet found on the DFA OA website.)**
10. Split purchase or any other form of incremental purchasing
11. Any purchase that would involve a trade-in

NOTE: It is recommended that equipment or other items, both high and low value according to AASIS standards, which should be included on an agency inventory listing be purchased using the traditional PO method to allow for the proper tracking of the asset shell and number in AASIS.

4. HOW TO OBTAIN A PURCHASING CARD

Before a card can be issued to a state employee, the state agency must have a managing account set up with US Bank. This is done by sending the following information to the State OSP Credit Card Administrator for the set up.

- Complete agency name, mailing address, agency contact name, phone number, and email.

Once set up, the Credit Card Coordinator will contact the agency contact and establish a liaison for the agency, send applications if necessary, and answer any questions at that time. Also, the PCC is able to set up cardholders with accounts. This is how that is done.

- Applicant must be an employee of the state (full or part).

- Agency Head or Fiscal Officer or Agency Designee must approve applicant's request for a P-Card.
- Employee must submit a Purchasing card application to their Agency Liaison. All information must be completed, and the form must contain all authorizing signatures and then mail/messenger original application to the Office of State Procurement, P-Card Section, 1509 West Seventh Street, 3rd Floor, Little Rock, AR 72201
- Employee must attend a training session, sign a cardholder agreement form, and present a picture ID before a P-Card is issued.

5. PURCHASING CARD ACTIVATION

Before purchasing with the P-Card, it must be activated. It is recommended the activation be done in a secure location to protect the security and integrity of the P-card.

If you have problems activating your card, please contact your Agency Liaison or the Credit Card Coordinator at (501) 324-9316.

6. MAKING A PURCHASE

When making a P-Card purchase, the Cardholder shall check as many sources as reasonable to assure the best price, quality, service and delivery is in the best interest of the agency. There are several methods of procuring with the P-Card.

- **In Person (Point of Sale)** – The Cardholder takes the P-Card to the merchant and verifies the merchant accepts the VISA card. The Cardholder shall retain all P-Card transaction documentation and provide this to proper agency personnel for backup and comparison to the US Bank transaction information and/or P-Card Transaction Log.

- **Phone Orders** – The Cardholder may telephone an order to a supplier. The supplier shall request the Cardholder's P-Card number and expiration date. For security reasons, ensure others do not overhear or view this information. The Cardholder shall ensure the supplier includes a P-Card authorization slip, cash register tape or paid invoice with the delivery of the order. The Cardholder shall retain all transaction documentation for backup.

- **Internet Orders** – Cardholders may use electronic mail to submit an order to a supplier. However, before engaging in an internet purchase, be familiar with the procedures the vendors use to handle P-Card transactions. For instance, some sites dictate you be registered in their system before making a purchase. Once the Cardholder has completed the transaction, he/she shall ensure the supplier includes a cash register tape, paid invoice, other documentation with the purchase information on it, and/or a delivery slip with the order. If the supplier intends to mail the P-Card transaction documentation as a separate item, the Cardholder shall ensure this documentation is sent to the agency's official address. The Cardholder shall retain all transaction documentation. **Remember, internet orders may be subject to Use Tax.**

7. GENERAL POLICIES AND PROCEDURES

- P-Cards will only be issued to an individual in the individual's name.
- Cardholder must be an employee of the State of Arkansas.
- P-Cards are not transferable between individuals.

- An account number, business area, cost center, GL code, and other necessary default accounting codes will be assigned to each purchasing card of a State Agency. A funds reservation number may be assigned to a card, but this number is only optional and not mandatory according to the program.
- Each account number will belong to one business area.
- The account number will link cardholders to their agency.
- Employees completing the P-Card application must circle any of the AASIS roles on the application if they have access to one or more. Recently a determination was made regarding employees who have AASIS roles, specifically with access to the FB60 transaction, and who have authorization to use the P-Card, present a conflict. Therefore, applicants who present the same conflict will not be issued the P-Card.
- Employee's Agency Director or Fiscal Officer or Designee must approve the employee application for a P-Card and sign the P-Card Agreement and Application.
- OSP will only process original applications for state agency P-Cards. Also only original agreement forms will be accepted. **Incomplete or facsimile copies will not be accepted for issuance of a P-Card.**
- Upon receipt of the completed application, the Credit Card Coordinator/Administrator will input the information into Access Online to order the P-Card.
- Employee's Agency Head or Fiscal Officer or Liaison must provide notification via email to the Credit Card Coordinator/Administrator when pertinent agency personnel is terminated, leaves the agency for any reason, or a change in job duties occur resulting in the p-card no longer being needed.
- For all charges, US Bank is paid each billing cycle from agency funds in full.
- Agency Liaisons, Reviewers, and cardholders will have the capability to, and will be responsible for:
    - Reallocating cost centers, GL accounts, and other necessary codes for payment if necessary
    - Reviewing each cardholder's transactions to the P-Card online statement and maintaining the documentation for each transaction.
    - Identifying transactions subject to use tax and assure that use tax has been, or will be, charged properly
    - Approving bills
- **Agencies will have the ultimate responsibility to ensure card charges are accurate and properly accounted for.**

8. PARTIES INVOLVED

Note: All parties involved in the Arkansas Purchasing Card Program must maintain segregate duties if possible (approving, purchasing, reviewing, etc.)

- **Agency** – Any State Agency that arranges with the state Credit Card Coordinator/Administrator for the issuance of purchasing cards from US Bank to approved employees. The State Agency agrees to accept liability for the employees' use of the cards and abide by all rules and regulations of the Arkansas Purchasing Card Program. State Agencies in the Arkansas Purchasing Card Program may be any State of Arkansas entity (agencies, divisions, departments, institutions of higher education, boards and commissions, Officers of the State, eligible political subdivisions, and other public participating entities)
- **Cardholder** – An employee or authorized individual (non-employee) of a State Agency or institution approved by the Agency Head or Fiscal Officer or Designee to use the purchasing card to execute purchase transactions on behalf of their agency or institution.
- **Card Issuer** – US Bank

- **Agency Head/Fiscal Officer/Designee** – Director, CEO, Chairman of the Board, CFO, or designee of agency.
- **Agency Liaison** – This employee is appointed by the Agency Director or CFO to manage, and coordinate the purchasing cards within the agency. This person will serve as the main reference point between the agency and the Office of State Procurement.
- **Agency Designated Reviewer –** This employee is designated to review and reconcile the cardholder(s) original receipts of all transactions each billing cycle, The billing cycle is the 16th of the month to the 15th of the following month unless the 15th falls on a weekend.
- **State Credit Card Coordinator/Administrator** - The central coordinator will be located in the Office of State Procurement. This person(s) will coordinate the purchasing card program, act as an intermediary in correspondence with the card issuer, monitor the program on a daily basis, review functions, and conduct training.
- **Vendor** - The merchant from whom a cardholder is making a purchase.

9. CARDHOLDER RESPONSIBILITIES

The Cardholder is responsible for knowing and applying all of the rules related to the Arkansas Purchasing Card Program. The P-Card is not to be used for **travel, cash** and other categories included in the **Blocked Merchant Category Code (MCC**) list. Misuse of the card will subject the Cardholder to disciplinary action in accordance with this policy and US Bank/VISA policies and procedures relating to disciplinary action and/or termination for cause. **Cardholders must activate their own card upon receiving it.**

The Cardholder must:

- Ensure the P-Card is used only for legitimate business purposes.
- Maintain the P-Card in a secure location at all times.
- Not allow other individuals to use the P-Card.
- Obtain all appropriate documentation (sales slips, register receipts, and/or P-Cards slips)
- Maintain a P-Card Transaction Summary report for all transactions including returns and refunds. Agencies should use the on-line report through Access Online for this function.
- Sign off on the log, attach all documentation to the log, and then submit it through your normal approval process to the Agency Liaison.
- Receive copy of monthly account statements and reconcile it against the transaction log or assist the Agency Liaison.
- It is recommended that the Cardholder retains a copy of the Log for his/her records.
- Notify Agency Liaison if the cost center, GL account, and/or other accounting information need to be changed on a transaction.
- Attempt to resolve disputes or billing errors directly with the vendor or bank and immediately notify the Agency Liaison and the Credit Card Coordinator if the dispute or billing error is not satisfactorily resolved.
- Ensure that an appropriate credit for the reported disputed items(s) or billing error appears on a subsequent Cardholder's Statement.
- **Do not accept cash or a gift card in lieu of a credit to the P-Card account. A return must always be a credit back to the P-Card account**.
- **Immediately report a lost or stolen card to US Bank at 1-800-344-5696 (24 hours a day, 365 days a year).**
- **Notify Agency Liaison and/or Credit Card Coordinator of a lost or stolen P-Card at the first opportunity during business hours.**
- Dispose of the Purchasing Card in accordance with the directions given by the Agency Liaison upon terminating employment with the agency or upon request of the Credit Card Coordinator/Administrator or Agency Head.

10. REVIEWER RESPONSIBILITIES

- Sign Purchasing Card Program Agreement
- Attend training sessions
- Be aware of all of the cardholder's responsibilities
- Monitor the cardholder activities
- Make sure cardholder is in compliance with the authorized uses of the card
- Review all purchases at least bi-weekly
- Maintain or assist in maintaining all documentation on all purchases and transaction log
- Make sure all accounting codes are appropriate for the card account
- Assist in resolving any disputes on the cardholder account.
- Reconcile all accounts under Reviewers responsibility on a monthly basis
- Communicate all questionable activity to Department Head and Credit Card Coordinator

11. LIAISON RESPONSIBILITIES

Each Agency Head or Fiscal Officer must designate an Agency Liaison(s). **An Agency Liaison should not be a cardholder due to security role issues in AASIS**. Responsibilities include but are not limited to,

- Handling purchasing card applications
- Responding to inquiries regarding internal policies and procedures
- If necessary the liaison will be responsible for reviewing transactions of individual cardholders to make sure the transactions are classified as an appropriate expense
- Attempts to resolve any dispute with vendor and/or US Bank not resolved by Cardholder. **Note**: There is a 60-day period for resolution of disputes.
- Notify Credit Card Coordinator of lost or stolen cards.
- Request the Credit Card Coordinator cancel a Cardholder's card e.g. (terminated employees, loss of purchasing card privileges).
- Destroy and dispose cancelled cards from Cardholders according to directions of the Credit Card Coordinator.

12. CARDHOLDER LIABILITY

The P-Card is a commercial purchasing VISA card, which will not affect the Cardholder's personal credit. **The agency is liable** for all charges made on the P-Card. This includes transactions made on a lost or stolen card before it is reported lost or stolen. However, it is the Cardholder's responsibility to ensure that the card is used within stated guidelines of the Purchasing Card Cardholder Manual as well as other appropriate policy manuals. Failure to comply with program guidelines may result in revocation of the card, notification of the situation to management, and further disciplinary measures that may include termination of employment**. The ultimate responsibility for use/misuse of the P-Card rests with the cardholder.**

The US Bank/VISA Liability Waiver Program requires the State of Arkansas to initiate termination proceedings as soon as documented evidence of Cardholder fraudulent activity surfaces. The Agency Liaison and/or the Credit Card Coordinator/Administrator shall notify US Bank to cancel the Cardholder's card within two (2) days of the documentation and verification of Cardholder misuse. Furthermore, specific forms, supplied by US Bank/VISA, must be completed and filed with US Bank/VISA by the Agency Liaison when fraud has occurred. These forms and instructions are available from the bank (reference VISA Liability Waiver Program).

13. CARDHOLDER ACCOUNT CLOSURE

A cardholder account should be closed if he/she performs any unapproved action or is no longer authorized to perform purchasing duties for his/her agency. To accomplish this, the Liaison will: 1) keep in contact with agency human resources so Liaisons will be informed of employment termination by cardholders, and 2) **the agency will be required to notify the Credit Card Coordinator/Administrator at OSP of account closures**. The following are the most common reasons for an account closure.

1. Cardholder moves to a new job with the state
2. Cardholder terminates State employment or affiliation with the state if cardholder is a non-employee as defined in section 7 of this manual
3. Use of the P-Card for any of the following reasons:

    a. Personal or unauthorized purposes. **Note: <u>Use of the card for personal and/or unauthorized purposes could be interpreted as fraud.</u>**
    b. Any attempt or actual purchase, utilizing the P-Card, of alcoholic beverages or any substance, material, or service, which violates policy, law or regulation pertaining to the State of Arkansas.
    c. The Cardholder allows the card to be used by another individual.
    d. The Cardholder splits a purchase to circumvent the limitations of the Arkansas Procurement Laws.
    e. The Cardholder uses another Cardholder's card to circumvent the purchase limit assigned to either Cardholder or the limitations of the Arkansas Procurement Law.
    f. The Cardholder fails to provide, when requested, information about any specific purchase. Failure to abide by these rules will subject the employee to disciplinary action in accordance with the State of Arkansas Purchasing Card Program policies and procedures as they relate to misuse of the card.

14. DOCUMENTATION OF EXPENDITURES

The Cardholder must provide valid documentation of each transaction once a month to the Agency Liaison/Reviewer by attaching to the transaction log. The Agency Liaison/Reviewer or a designated person must review all documentation submitted and determine if valid and complete documentation is on file for every transaction listed on each Cardholder's statement. All documentation for each transaction is to be maintained until authorized for disposal by the Legislative Auditor (as required by Arkansas Code Annotated: §19-14-1108).

1. Valid source documentation may be:
    a. A receipt and/or transaction slip from the merchant.
    b. An order form.
    c. An invoice showing credit card payment.
    d. A packing slip from the delivery annotated by the Cardholder as ordered by, received by, paid by and signature of the Cardholder.

2. All documentation must include the following minimum information (Cardholder must hand write it if not originally printed on the form):

    a. Vendor name
    b. Date of the purchase
    c. Description and quantity of each item purchased

d. Per item cost, if available from the merchant
e. Total cost of the transaction
f. Cardholder name and card number

15. LOST, MISPLACED OR STOLEN PURCHASING CARDS

Cardholders are required to report any lost or stolen P-Card immediately to their agency liaison. The liaison then should contact the State PCC. The State PCC will then contact US Bank. If the cardholder can not contact their liaison or a State PCC for any reason, they should contact US Bank immediately at **1-800-344-5696** (24 hours a day, 365 days a year)..

16. TAXES – SALES and USE

As a rule, the purchase of tangible property is taxable. If the merchant charges the proper tax on the P-Card transaction then normally no other action will be required. If no taxes were charged, the agency must prepare a payment of "use" tax to the State of Arkansas. Use Tax is a tax on tangible personal property purchased out-of-state and brought into Arkansas for use, storage, consumption, or distribution. The tax is designed to assure fair competition between Arkansas businesses and out-of-state businesses. It is very important that when entering your transaction on the P-Card Transaction Log you list the state where the purchase originates, if sales tax was paid and if so, the amount that was charged. Very few items are non-taxable. Examples of some non-taxable items are:

- Membership dues
- Freight, if billed as a separate item
- Subscriptions
- Periodicals
- Items that are tax exempt by law

Examples of items subject to Use Tax include CD's, books, furniture, clothing, food, hunting and fishing gear, etc. These are only a few examples. All tangible personal property purchased out of state is subject to the Use Tax.

For other questions on sales and use tax, contact the Sales and Use Tax Section's Taxpayer Services Group at (501) 682-7104.

17. SPENDING CONTROLS

The default maximum credit limit per cardholder is **$2,000.00 per billing cycle**. The Credit Card Coordinator/Administrator at the Office of State Procurement will adjust limits as determined by demonstrated and/or special need.

For limits above the default of $2,000, the following approvals are needed before the limits can be granted. This can be in the form of an email or hardcopy.

- **$2,001 - $10,000** – Agency designated Liaison
- **$10,001 - $24,999 –** CFO of agency or Board Chairman
- **$25,000 and above –** Agency Director or Executive Director of Board/Commission

In addition, state agencies and participating entities in the State P-Card Program will be notified of limits above the default level and will be asked to approve these on an annual basis.

18. REBATES, REFUNDS, REWARDS, ETC.

Any manufacturer rebates received by the Cardholder as results of a P-Card transaction shall be credited to the P-Card and documentation reflecting the transaction shall be attached to the P-Card Transaction Log to support such credit.

The Cardholder is not to use any rewards cards to accrue points or coupons from state purchases. Any rebates, coupons, rewards, gifts, points, frequent flyer miles, cash cards, etc. must accrue to the state entity and utilized only for official State related business. No personal gain by making purchases with the State Purchasing Card is permitted. Misuse of this section could result in disciplinary action.

19. CARD DECLINES

Should a vendor decline the P-Card; the Cardholder should immediately contact the Agency Liaison for assistance. If a purchase is attempted outside normal business hours, the employee must find an alternate payment method or terminate the purchase and contact the Agency Liaison during normal business hours. The Liaison will then contact OSP P-Card personnel to resolve the issue.

20. EMERGENCY TRANSACTIONS (ER)

Emergency transactions above OSP spending limits may not be performed with the Purchasing Card due to state procurement regulations for emergency (EM) procurements unless the P-Card section is notified. **Exceptions may be made for natural or man-made disasters on an "as needed" basis.** The proper authority will notify the State Procurement Director if a disaster in the state has been declared. The State Procurement Director and the Credit Card Coordinator/Administrator will initiate an Emergency Purchasing Card Program. With the assistance of the proper agencies, the Credit Card Coordinator/Administrator will decide which P-Card spending limits will be upgraded and what MCC blocking needs to be revised. The Credit Card Coordinator/Administrator will notify US Bank as to its requested action(s). The agencies and the Credit Card Coordinator/Administrator will record and maintain all records documenting purchases during the declared disaster.

21. REFUNDS AND CREDITS

Vendors will issue all refunds and credits to the individual P-Card account for any item they have agreed to accept for return. This credit will appear on a subsequent statement. **Under no circumstances should a Cardholder accept cash or a gift card in lieu of a refund or credit to the P-Card account.**

22. UNRESOLVED DISPUTES AND BILLING ERRORS

The Cardholder is responsible for contacting the vendor to resolve any disputed charges or billing errors. If the matter is not resolved with the vendor, the Agency Liaison/Reviewer should contact the Credit Card Coordinator/Administrator for assistance.

Note: The total amount billed by US Bank will be charged to the individual agency accounts and credits for disputed transactions will be posted to agency accounts when the credit appears on the

US Bank billing. In addition, there is a dispute form online at US Bank for the Cardholder to complete. A back up form is available for download at the DFA-OSP website.

23. SECURITY AND STORAGE

Purchasing Cards (P-Card) - Cardholders should always treat the P-Card with at least the same level of care as one does with their own personal credit cards. The card should be maintained in a secure location and the card account number should be carefully guarded. The only person entitled to use the card is the person whose name appears on the face of the card.

24. VENDOR SET UP

If a frequently used vendor does not accept the VISA card, the agency should recruit the vendor to take the necessary steps to begin acceptance of the card and provide this information to US Bank. Cardholders should contact the Agency Liaison or Credit Card Coordinator when encountering vendors who do not accept the card.

25. MERCHANT CATEGORY CODE BLOCKING

Transactions will be blocked at the point-of-sale level (in person, phone, or internet) at the types of vendors on the Blocked Merchant Category Code List. All vendors are assigned a Merchant Category Code (MCC) by their bank. Attempting to buy from merchants that are not included in the specifications will cause your transaction to be denied. Occasionally, a bank may have wrongly assigned a vendor's MCC. If you run into a situation where your transaction is rejected for an appropriate purchase, have your coordinator ask the vendor to check on updating the MCC.

<u>To get a MCC unblocked on a card, the cardholder must do the following.</u>

- <u>Notify the Agency Liaison/Reviewer/Designee of the card decline.</u>
- <u>Agency Liaison /Reviewer/ or Designee will notify Credit Card Coordinator/Administrator via email of the card decline, request the MCC to be unblocked on the card and the reason it is necessary to use the vendor.</u>
- <u>OSP personnel will then make a request via email to US Bank for the MCC to be unblocked on the particular card and will notify requesting agency via email once the MCC has been unblocked.</u>

26. P-CARD SET UP, MAINTENANCE AND CLOSURE

All contact with US Bank for card set up, maintenance and closure, (except for reporting lost or stolen cards, **Form D**), will be handled by the OSP Credit Card Coordinator/Administrator **(Form A)**. The designated **GL account code for all P-Card transactions is 5020007000** and should be listed as the default GL code on the P-Card application. The US Bank vendor number for ACH payment remittance in AASIS is **100099611.** For a paper warrant payment submission, use vendor number **100113150** in AASIS.

- Card Set Up
    - Employee completes a P-Card application and submits to his/her Agency Head, Liaison, or Fiscal Officer for completion, signature, and approval.
    - Agency Head/Liaison or Fiscal Officer must ensure the application is complete by reviewing fields and signing in the appropriate space.

- Approved application is to be sent to the Credit Card Coordinator.
- Credit Card Coordinator reviews application for completeness.
- Upon receipt of the P-Card from US Bank**,** the Credit Card Coordinator will conduct a training session with the Cardholder prior to issuing the card.

- Card Maintenance
  - Credit Card Coordinator/Administrator will update the settings of the P-Card upon notification by the Agency Liaison or agency approved personnel. This includes MCC openings, credit limit adjustments, default accounting code changes, and other changes as needed. These requests are to be done in email format by Liaison or Agency Designated personnel.
- Closure
  - Lost or Stolen Cards - Cardholder must immediately report the lost/stolen card to their Agency Liaison. In addition, the State Credit Card Coordinator must also be notified.
  - Terminated Employees – **Agency must notify Credit Card Coordinator/Administrator via emails of employee terminations for any reason.** The cardholder account will then be closed on the Access Online website by the State PCC. Agency Liaison is to secure P-Cards from terminated employees and dispose the card. In addition, the Credit Card Coordinator or Administrator must be notified via email of the destruction of the p-card.

27. RECONCILIATION, APPROVAL AND ALLOCATION OF BILLING

Receipt and Payment of US Bank Billing

- US Bank will electronically make available each state agency statement the next day after the close of the billing cycle which is usually on the 15th.
- Agency Liaison will review bill for any obvious errors in charges or un-posted payments. If none noted, payment in full will be made to US Bank via AASIS.
- The payment posting will be prepared within **6 working days** after the end of the billing cycle and processed so that payment will reach US Bank no later than **10** calendar days after the close of the billing cycle of the previous month.
- Payment will be transmitted in accordance with US Bank instructions.

Reallocation of Purchasing Card Charges by Agencies

Default accounting codes will be assigned to each P-Card issued. US Bank will submit monthly an electronic billing statement to the state agency and all Purchasing Card transactions will be charged to the default account number unless adjustments are made as follows:

- Agency Liaisons/reviewers change account codes as necessary.
- Agency Liaisons/reviewers will add analytical information for cost sharing, if necessary.
- Agency Liaisons/reviewers will identify transactions requiring payment of use tax.
- Agency Liaisons/reviewers will assemble and retain Cardholders statements, charge slips and receipts for audit by internal and external auditors. Receipts for purchases must be maintained until authorized by the Legislative auditor (as required by Arkansas Code Annotated: § 19-4-1108).

The total amount billed by US Bank will be charged to the individual agency accounts and credits for disputed transactions will be posted to individual agency accounts when credit appears on the US Bank billing.

28. Posting of invoices

A responsible party should make a review of P-Card purchases prior to the final posting within the agency's book of record. The default code of the P-Card purchase must be changed to the correct GL code for the item purchased before the document is ready to be posted by the Accounts Payable personnel in AASIS. All P-Card purchases must be properly accounted for prior to the last operating day of the Fiscal Year.

29. INTERNAL CONTROLS & COMPLIANCE REVIEWS

Agencies using the Arkansas Purchasing Card should put in place an internal control program to review the purchasing card transactions each month. The purchasing card internal review procedures are to verify cardholders are using the purchasing card appropriately, the cardholders and the agencies are maintaining adequate records, and the state Credit Card Coordinator knows about problems or certain trends so he may assist the cardholders and agencies with future transactions. The Agency Purchasing Card Liaison/Reviewer or Designee will review each cardholder monthly in their specific agency. In addition, the State Credit Card Coordinator will select a number of random cardholders to examine for appropriateness of transactions and record keeping procedures.

The Arkansas Purchasing Card Program and its participating agencies are subject to the various state auditing programs. The reviews could encompass some or all cardholder accounts and these reviews do not require advance notice.

It is important that all agencies using the purchasing card retain accurate records of all transaction made.

30. END OF FISCAL YEAR PROCEDURES

Goods and services should be expended in the year they are received. When the P-Card is used, the supplier may hold the P-Card transaction posting for several days and it could take 3 days for the actual posting to the US Bank billing, which is the 15th of each month. Either of these events could create an accounting problem at the end of the fiscal year (June 30). To ensure that P-Card expenditures are properly recorded in the year goods and services are received, the Cardholder needs to inform the supplier that June transactions should be posted the same day the actual transaction takes place. To ensure proper recording of expenditures, the P-Card **should not be used** for purchases during the dates of June 10 – June 30 of each year.

Any purchases not paid by warrant prior to the last day of the Fiscal Year must be handled as "Y Vouchers" when paid the following Fiscal Year. Therefore, a certification must be made indicating funds and appropriations were available at year-end and current year funds and appropriation will be used to make the payment in the following Fiscal Year.

31. Policy Modification:

This Arkansas Purchasing Card Program policies and procedures are established to support the Arkansas Purchasing Card Program and may be updated from time to time, as deemed necessary by the DFA Office of State Procurement. Continuous oversight is essential to protect the cardholder and the State. Purchasing card participants must review the Office of State Procurement web site for any policy changes. Questions regarding this policy should be directed to the State Credit Card Administrator

32. PURCHASING CARD CONTACTS

Office of State Procurement
1509 W. 7th Street, 3rd Floor
Little Rock, AR 72201
(501) 324-9316

Contact	Title	Responsibilities
Jeff Spears, CPCP, CPPB **501-371-1405**	**State Credit Card Administrator**	**Oversees All State Purchasing Card Programs**
Norma Little, CPPB **501-683-2217**	**State Credit Card Coordinator/Instructor**	**Oversees State Agency's implementation, use and limit changes of Purchase Cards, Fuel Card and Travel Card programs**
Monique Tyhurst, CPA **501-371-6053**	**State Credit Card Accountant**	Reviews all credit card records for compliance

APPENDIX

1099-MISC Reportable Transaction

Agencies participating in the P-Card program assume all responsibility for assuring that purchases made with the P-Card are not 1099 reportable transactions.

The DFA - Office of Accounting and Office of State Procurement will make every effort to maintain vendor files and exemption of reporting certificates (W-9); however, the ultimate responsibility resides with the agency.

Transactions that need to be reported via a 1099 filing must be submitted to the Office of Accounting by January 15 each year on the prescribed form, which may be found on the DFA web site. This form must be sent to John Lewis in the DFA Office of Accounting for proper filing.

If any 1099-MSC reportable purchases are made with the P-Card, those items are required to be reported to the Dept. of Finance and Administration and the Internal Revenue Service. The transaction must be recorded on the transaction log with supporting documents. Most sales tickets or receipts record only the total transaction. The cardholder is responsible for recording a detailed description of the purchase transaction. If services are involved with the transaction, the cardholder must ask the merchant to establish the percent of the transaction that is service.

1099 Reportable Vendors

Federal regulations require that Form 1099-MISC be sent to each person or company, other than corporations, to whom have paid at least $10 in royalties or at least $600 in rents, services (including payment for parts and materials), prizes and awards, legal services or medical and health care payments. The exemption for issuing 1099s to corporations does not apply to medical corporations for payments of medical or health care services or to legal corporations for payment of legal services. Gross proceeds paid in connection with legal services should be reported regardless of amount. IRS has determined that parts and materials do not have to be reported if the vendor is in the business of selling parts or materials, such as a dealership; this applies to many vendors.

Backup withholding must also be reported on Form 1099-MISC for each person from whom Federal income tax was withheld under the backup withholding rules regardless of the amount of the payment.

Vendors who are not 1099 reportable include:

Federal and State of Arkansas agencies, Vendors who have indicated that they are tax exempt, Corporations with exceptions as mentioned in Appendix, Foreign individuals and companies, Limited liability companies filing as corporations.

Vendors who are 1099 reportable include:

Individuals (non-employees), Sole proprietors (including doctors and attorneys), Partnerships, Limited liability companies filing as partnerships, Medical and healthcare corporations (for services rendered), and Legal corporations (for services and/or gross proceeds).