

## Client Agency Policy & Operations Manual

**SECTION: 90 Purchasing and Contracting**

**NUMBER: SCS-90-020**

**TITLE: State Purchase Card Use**

**EFFECTIVE DATE: 2-06-02**

**APPROVED: (Signature on file at State Controller's Division)**

**PURPOSE and/or RESULTS DESIRED:**

To provide SCS Client Agencies with written policies and guidelines clarifying the permission and use of the Small Purchase Order Transaction System (SPOTS). The purpose of these policies and guidelines is to ensure Client Agencies use purchase cards when appropriate for small purchases, and provide timely reporting and payment of all transactions. When using SPOTS the use of petty cash funds, purchase orders, and other methods for small purchases shall be minimized.

**AUTHORITY:**

[ORS 291.015](#) Fiscal responsibilities of department; delegation of fiscal functions.  
[ORS Chapter 293](#) Administration of Public Funds.  
[OAM 55.30.00](#) Other Programs – Purchase card program.

**APPLICABILITY:**

Client Agencies assigned and/or contracting for accounting, budgeting, and financial reporting services with the State Controller's Division, DAS.

**POLICY:**

SCS Client Agencies must comply with the provisions of "Authority" references cited above and the provisions of this policy.

**GUIDELINES:**

- I. **Purchase Card Use** -- Purchase cards can only be used for authorized purchases that further the business of the State.

Examples of authorized purchases include:

- Training registrations, repair and maintenance parts;
- Office and other supplies;
- Dues and subscriptions;
- Small equipment purchases; and
- Software.

Examples of unauthorized purchases include:

- Employee Airline charges;
- Lodging expenses for personal use or other state employees;
- Cash advances;
- Personal purchases;
- College Tuition; and
- Most employee travel expenses are unauthorized.

For the protection of individual purchase card users, it is recommended that a \$1,500 transaction limit be set for each card. It is the Client Agency Manager's responsibility to evaluate card and transaction limits.

All purchases made with purchase cards must comply with [ORS 293.295](#), which contains the following criteria for payments made by the State Treasurer:

- The purchase must be authorized by a person who has the authority to incur the obligation for the State.
- The expenditure/obligation of money must relate to a legally authorized activity of the agency.

Each employee using the purchase card must make sure their purchases comply with applicable laws, rules or policies including price agreements. All purchasing guidelines issued by DAS must be followed.

Purchase cards may be used to order merchandise over the telephone and the purchase number may be given over landline telephones. Card numbers should not be given over portable or cellular telephones. The purchase card number is a confidential State asset.

Purchase card use on the internet must meet the following criteria:

- The vendor's return of goods policy must be verified, if the vendor does not have a policy they should not be used.
- A receipt/purchase confirmation online must be available with the vendor's name, item purchased, quantity, price per unit, date of purchase, and approximate delivery date.
- The cardholder must keep a printout of the receipt/purchase confirmation with the purpose of the purchase and account coding added.
- The internet receipt or screen printout must be attached to the cardholder's SPOTS statement.
- Attach packing slip, confirmation of completion of training course, or other proof of receipt to cardholder's SPOTS statement.

Purchase cards do not have ATM capabilities.

- II. Client Agency Responsibilities** – DAS SCD and DAS Purchasing Services are responsible for the statewide purchase card program. DAS will issue overall policy guidance, coordinate with participating agencies and US Bank, and assist agencies in establishing the purchase card program. It is the agency's responsibility to ensure all applicable laws, rules, and policies are followed and enforced. The client agency must ensure proper internal controls are in place and payments to US Bank are made in a timely manner. Agencies may be removed from this program where there is a disregard for proper control over the program. These findings could be from an internal review, Secretary of State audit, or DAS review of the program.

To aid in the control and administration of the SPOTS program and ensure the agency is in compliance with all applicable laws, rules and policies, each client agency will notify Shared Client Services when it establishes the program, authorizes new cardholders or terminates cardholder privileges. The communication may be in writing or by e-mail. Furthermore, the Shared Client Services Manager receives and reviews monthly transaction reports from US Bank's Customer Automated Reporting Environment (C.A.R.E.).

The Client Agency Head is responsible for oversight of the agency purchase card program. The agency head is also responsible for delegation of authority to regular employees to use the purchase card. Although it is not recommended, an employee on trial service may be issued a SPOTS card, in situations where the SPOTS card is instrumental to the position.

The Client Agency Head will assign at least one agency SPOTS coordinator. SPOTS coordinators will be responsible for updating US Bank's C.A.R.E. system with new cardholders, revisions to cardholder maximum monthly spending up to \$5,000, and consistent, regular monitoring of card activities. All agency SPOTS coordinators will need position descriptions to include specific job responsibilities related to credit card monitoring; cardholder training; documenting agency based policies, procedures and training; and compliance/enforcement of credit card rules and procedures, including responsibility to implement corrective action to ensure agency compliance.

Agency SPOTS coordinators may not be issued a SPOTS card unless the agency can demonstrate a substantial business need (i.e. the agency is too small to effectively separate these duties) and the agency head is willing to provide the control for the SPOTS coordinator's card use. Agencies should provide the business need and the additional agency head's controls in writing to the SFMS Section. Client Agencies, especially those lacking the staff to adequately separate these duties, should consider assigning oversight and audit duties to a board chair or other local board member.

When the Client Agency Head or the SPOTS coordinator changes, a notification in the form of a memo or e-mail must be sent to the SFMS Section. The communication should include the name of the person being replaced, the name, telephone number and e-mail address of the new Client Agency Head or SPOTS coordinator.

- III. **Supervisor/Manager Responsibilities** – The Supervisor/Manager of the cardholder must approve the request for a card in writing. The supervisor reviews cardholder statements and supporting documentation each month; checks for signature on itemized receipt and that order was delivered; signs and dates the cardholders statement verifying that they have thoroughly checked and approved the statement; sends all documentation in a sealed envelope marked confidential to the attention of the SPOTS coordinator within 10 days of the date of the statement.
- IV. **Purchase Card Abuse** – The cardholder's supervisor is responsible for monitoring the use of the purchase card(s) and, wherever abuse is detected or suspected, the supervisor must initiate appropriate action, including notifying the Client Agency Head. If the Client Agency Head or the SPOTS coordinator suspects abuse of card privileges or disregard for the purchase card agreement guidelines, the card is forfeited and canceled. The Client Agency Head or coordinator will notify the supervisor and discuss. In all cases of actual abuse, the Client Agency Head will notify DAS Internal Audits. DAS Internal Audits will take appropriate action.

The cardholder must reimburse the State for any inappropriate purchases, and the employee is subject to disciplinary action up to and including dismissal. Willful, fraudulent abuse of the purchase card will be cause for termination. If the employee has his/her purchase card privileges revoked, the employee is not eligible for restoration of purchase card privileges.

In addition to the sanctions described in the preceding paragraph, the State reserves the right to refer instances of abuse that violate other statutes to the appropriate law enforcement authority. These referrals may include criminal prosecutions for theft, abuse of public office, and violations of the Oregon Ethics in Government Act.

Abuse of purchase card usage includes but is not limited to the following:

- Personal purchases;
- Unallowable travel purchases;
- Failure to keep and submit proper records of purchase card use;
- Failure to approve statements of charges in a timely manner;
- Permitting unauthorized persons to use purchase cards;
- Failure to keep purchase cards secure; and
- Obtaining cash advances with the purchase card.

**V. Appropriate Times to Cancel Purchase Cards** – In the event a cardholder terminates state service, is on job-rotation, or is dismissed, their card shall be immediately forfeited, returned to the SPOTS coordinator, and cancelled with the issuing bank. If an employee will be on leave of absence for an extended period of time, the SPOTS coordinator should be notified to have the card suspended or cancelled.

**VI. Extraordinary Circumstances** – There are times when extraordinary circumstances necessitate purchasing items that may not be authorized for purchase with the SPOTS card. Approval must be requested and approved in advance of purchasing the item from the agency head. All requests and approvals must be documented, signed by the Client Agency Head and attached to the SPOTS statement for processing.

## **PROCEDURES: Agency Participation in and Management of SPOTS Program**

### **Step      Responsible Party      Action**

#### **Agency Participation in SPOTS Program**

- | <b><u>Step</u></b> | <b><u>Responsible Party</u></b> | <b><u>Action</u></b>   |
|--------------------|---------------------------------|--|
| 1.                 | Client Agency Head              | Signs the State of Oregon SPOTS Agency Operating Agreement ( <a href="#">OAM 75.55.01 FO</a> ), agreeing to follow all DAS Policy statements for the program. Sends to SFMS SPOTS Program Coordinator for approval to participate. |
| 2.                 | Client Agency Head              | Notifies DAS Shared Client Services of the agency's participation in the SPOTS program.  |
| 3.                 | SCS Manager                     | Ensures SCS will receive transaction reports through US Bank's C.A.R.E. system.  |
| 4.                 | Client Agency Head              | Develops policies and procedures governing the issuance, security and use of purchase cards by agency employees. The policy must also address the payment process, the disciplinary process and any delegated authority.           |

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|----|--------------------|--|
| 5. | Client Agency Head | Appoints an agency SPOTS coordinator, responsible for issuing new cards, setting maximum monthly spending limits up to \$5,000 and consistent, regular monitoring of card use. |
| 6. | Board Member(s)    | Aids in the oversight and audit of agency card use and compliance with applicable laws, policies and rules.  |
| 7. | DAS SFMS           | Will provide agencies with approved training program. Annual statewide training for all agency SPOTS Coordinators will also be provided  |
| 8. | SPOTS Coordinator  | Ensures all agency cardholders receive initial training and refresher training biennially regarding card use. Proper documentation of such training is required.               |
| 9. | SPOTS Coordinator  | Receives and reviews monthly transaction reports through US Bank's C.A.R.E. system.  |

Approving Card Users

- |    |                         |  |
|----|-------------------------|--|
| 1. | Purchase Card Applicant | Contacts Client Agency Head or SPOTS coordinator to apply for purchase card.   |
| 2. | SPOTS Coordinator       | Sends purchase card applicant: <ul style="list-style-type: none"> <li>• Purchase Card Application and Agreement (<a href="#">OAM 75.55.02 FO</a>)</li> <li>• Agency Purchase Card Use Policy</li> <li>• Answers purchase card applicant questions</li> </ul> |
| 3. | Purchase Card Applicant | Completes and signs Purchase Card Application and Agreement. Requests approval from supervisor/manager for purchase card. Makes and retains copy of signed Purchase Card Application and Agreement. Returns original to agency head/SPOTS coordinator        |
| 4. | SPOTS Coordinator       | Based on the employee information on the Purchase Card Application and Agreement, fills out a Purchase Card Account Information Record, including monthly credit limits and single transaction limits. Provides purchase training to applicant.              |
| 5. | Purchase Card Applicant | Attends training for card use guidelines.  |
| 6. | Client Agency Head      | Signs Purchase Card Application and Agreement.   |
| 7. | SPOTS Coordinator       | Sends Purchase Card Application and Agreement to the issuing bank.   |
| 8. | SPOTS Coordinator       | Notifies DAS SCS of new cardholder via written memo or email.  |
| 9. | Issuing Bank            | Sends issued purchase card(s) directly to applicant's workstation.   |

10. Purchase Card Applicant Signs the card upon receipt.

Card Use

1. Cardholder Makes appropriate purchases and keeps charge slips, sales receipts, and other supporting documents that identify what was purchased, when, and where. A copy of the catalog page or packing slip should be kept from phone orders.

If a receipt is lost, the cardholder must create a record of the purchase that shows:

- Vendor;
- Specific item(s) purchased;
- Purpose of the purchase;
- Date of purchase;
- Account coding;
- A statement that the original charge slips and/or receipts was lost; and
- Signature of the cardholder.

2. Cardholder, Client Agency Head All purchases must comply with [ORS 293.295](#), which requires the following four criteria for payment of a claim against money held by the State Treasurer:
- a. The claim must be supported by the approval of the state agency that incurred the obligation or made the expenditure on which the claim is based (approval is evidenced by an authorized signature or approval).
  - b. Provision for payment of the claim must be made by law and appropriation (i.e., agency must have adequate budget resources available to pay the claim when incurred).
  - c. The obligation or expenditure on which the claim is based must be authorized as provided by law (i.e. claim is based on agency action required or allowed by statute).
  - d. The claim otherwise satisfies requirements as provided by law (i.e., agency action is not otherwise prohibited by rule or statute).

3. Cardholder The cardholder must secure and control the card at all times.

Payment Processing

1. SPOTS Coordinator Downloads monthly statement of charges for their purchase cards authorized for the agency. Sends to cardholders for coding.
2. Cardholder Receives downloaded statement of charges for their purchase card.
- Reviews statement for accuracy.
  - Attaches original charge slips, sales receipts, other supporting documents, or an affidavit of lost documentation to the monthly statement.
  - Attaches and documentation of incorrect charges or credits.

- Applies accounting coding for the total of the charges on the statement.
  - Signs and dates the statement.
  - Forwards all original documentation to supervisor in an envelope marked confidential.
3. Supervisor Reviews statement and documentation. Checks for signature on itemized receipt and that order was received. Signs and dates the cardholder's statement. Sends all documentation in a sealed enveloped marked confidential to the attention of the SPOTS coordinator by the 7<sup>th</sup> day of each month. If the 7<sup>th</sup> day of the month falls on a weekend or holiday, the supervisor must have the information to the SPOTS coordinator the day prior to the weekend or holiday.
  4. Cardholder, Supervisor Arrangements must be made with the SPOTS coordinator if either will be out of the office or on leave during the time paperwork is due.
  5. SPOTS Coordinator Consolidates coding for all SPOTS cards and prepares input sheet. Forwards input sheets to accounts payable by the 9<sup>th</sup> day of each month. Receives monthly statements and compares them to the downloaded copy.
  6. SCS Manager Receives monthly transaction report via US Bank's C.A.R.E. system. Monitors whether payment process is occurring in a timely and appropriate manner.

#### Purchase Card Abuse

1. SPOTS Coordinator Reviews agency and cardholder monthly statements for authorized usage. Reports potential abuse to Client Agency Head.
2. Client Agency Head Is responsible for monitoring the use of purchase cards and if abuse is detected or suspected, must initiate appropriate action, including notifying the DAS Risk Managements Division, Audits division, State Controller's Division, and the Department of Justice.
3. Cardholder If the employee abuses the purchase card privilege or disregards the purchase card agreement guidelines, the card is forfeited and canceled, the cardholder must reimburse the State for any inappropriate purchases, and the employee is subject to disciplinary actions up to and including dismissal. Willful, fraudulent abuse of the purchase card will be cause for immediate termination. The employee is not eligible for restoration of purchase card privileges.
4. Board Member(s) Reviews client agency use of purchase cards and compliance with all applicable laws, policies and rules.
5. Client Agency Head The client agency is directed to pursue criminal prosecution for all cardholders in all instances of fraud.

#### Cancellation of Card Privileges

1. Cardholder Returns card to supervisor prior to departure, or upon notification of cancellation of cardholder privileges.

2. Supervisor Calls SPOTS coordinator to notify of card cancellation. Returns card, cut in half, in a sealed envelope marked confidential and to the attention of the SPOTS Coordinator.
3. SPOTS Coordinator Notifies the bank of card cancellation and destroys card. Notifies supervisor of cancellation. Notifies DAS SCS of cancellation via written memo or email.

Agency review of and removal from the SPOTS Program

1. Client Agency Head Client agency is responsible to ensure proper internal controls are in place and payments to the bank are made in a timely manner. Client agencies may be removed from the SPOTS program where there is disregard for proper control over the program or the requirement for timely payment. These findings could be from an internal review, Secretary of State audit, or Department of Administrative Services review.
2. Client Agency Head DAS requires an annual audit of the agency's SPOTS program. Client Agency Head is required to provide, or cause to be provided, an annual review of the effectiveness of management controls of the agency SPOTS program. Such review must be conducted independently of the agency fiscal function. The review must audit bank credit card data, compliance with statewide SPOTS policies and procedures, compliance with state purchasing rules, accounting data and procedures, be documented and be available for Secretary of State auditors and DAS. The audit process must include follow-up with corrective action, if applicable.
3. Client Agency Head After removal from the SPOTS program, a client agency may request reinstatement after 6 months. The agency must include with the operating agreement memo the actions they have taken to correct the deficiencies that caused their removal.
4. DAS SFMS DAS SFMS will make reviews of client agency card programs to give added assurance the programs are operating within the guidelines. The review will include the following:
  - a. Review cards not used within 90 days and request justification from the agency to maintain the card or cancel it.
  - b. Review all transactions over \$5,000 and, where appropriate, request an understanding of the transaction.
  - c. Semi-annually, send out a list of cardholders for approval by the agency. Agencies will need to return the signed documents and take action as needed within 45 days.