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| Policy #: <b>745</b>                                |
| <b>Title: PURCHASING CARD USE</b>                   |
| Date of Initial Approval: 01-22-2015                |
| Revision/Re-authorization Dates: 06-29-2017         |
| Reviewers: MSA Finance Director; MSA Superintendent |

**I. PURPOSE**

The purpose of this policy is to ensure that the purchasing card is used appropriately by authorized state employees (hereinafter “cardholders”) so that specific categories of merchants, goods and services may be procured on behalf of the State of Minnesota/Minnesota State Academies in an efficient and cost-effective manner and consistent with the statewide and agency use policy. 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.

**II. GENERAL STATEMENT OF POLICY**

Agency heads may elect to have their agencies use the purchasing card by signing the Purchasing Card Agency Head Acknowledgement. Participating agencies must adopt a purchasing card policy, by choosing within each section to accept the section exactly as written, accept the section with minor changes stated, or replace the section with more substantial modifications. The policy must be submitted to the Department of Administration (Admin), Office of State Procurement. An agency’s policy shall align with this state policy and Minn. Stat. § 16C and other applicable laws and rules. The agency, when modifying the policy may further restrict the use of the purchasing card, but cannot authorize higher limits or broader purchasing categories without written permission from Office of State Procurement’s Director or Assistant Director. Criteria for agency modifications of the policy are found at **Purchasing Card Program Administration** section. Purchasing cardholders shall use this procurement tool solely for state of Minnesota business purposes.

Agencies must have a policy in place, submitted to the Office of State Procurement, and approved by the commissioner of Administration prior to using the purchasing card. The agency must have an agency modified version of the policy, submitted to the Office of State Procurement, and approved by the commissioner of Administration within one year of this policy date, or prior to Nov 1, 2014 at the latest.

Agencies must have purchasing cardholders sign the revised Authorized User Purchasing Card Acknowledgement of Use Agreement prior to the end of the third quarter of FY14, March 31, 2014.

The purchasing card shall not be used for fuel (as defined in the **Prohibited Purchases** section) except in the case of an emergency unless an exception has been granted pursuant to the process in **Purchasing Card Exception section**. (See **Fleet Card Use Policy** for policies pertaining to the use of the Fleet Card.)

### III. **POLICY SCOPE**

Purchasing Card Use Policy 1b applies to all state agencies subject to the procurement authority of the commissioner of Administration. Other entities may request to participate in the state purchasing card contract, but they must develop and manage their own policies, procedures, authorizations, controls, oversight, and/or auditing of their card programs.

### IV. **USE OF THE PURCHASING CARD**

#### A. Purchasing Card Assignment

Purchasing cards are assigned or issued to cardholders under the authority of an agency head and the commissioner of Admin. Cardholders are those state employees authorized to use a purchasing card. Purchasing cards may be issued only after the authorized user:

1. is recommended and approved by his/her supervisor.
2. signs a statement acknowledging the use restrictions and consequences for misuse of the card
3. receives documented training on card use policies and procedures from the Agency Purchasing Card Coordinator or delegate per agency policy.

The Authorized User Purchasing Card Acknowledgement of Use Agreement must be signed every three years, and the supervisor and cardholder must receive refresher training on purchasing card use. Signing every three years validates the continued need for the purchasing card and allows for refresher training.

#### B. Convenience

The purchasing card is a method of paying for allowable goods and services that, in most cases, allows the state to efficiently and cost-effectively conduct business.

#### C. Using the Purchasing Card

The purchasing card holder should present the card for payment or in the case of phone orders or internet orders, provide the card account number. Receipts must be saved for documentation.

D. Purchasing Card Transaction Limits

Purchasing cards are subject to two limits:

1. a maximum transaction dollar amount of \$5,000.
2. a maximum payment cycle dollar amount of \$10,000.

If a card is used attempting a transaction in excess of an established limit or approved exception, the transaction will be automatically declined. If a need above an established limit occurs during normal business hours, the purchasing card authorized user should call his/her agency's purchasing card coordinator. Splitting a purchase into more than one transaction to avoid exceeding an established purchasing limit is prohibited. If an agency needs an exception to these limits, see **Purchasing Card Use Exceptions** section.

E. Purchasing Card Purchases

1. Permissible Purchases:

- a. Travel-related services. Purchases of travel-related services must comply with the Office of State Procurement's policies on travel expenses; the Office of State Procurement's policies and procedures for documenting travel; and Minn. Stat. §15.435. (Minn. Stat. §15.435 states in part, "Whenever public funds are used to pay for airline travel by an elected official or public employee, any credits or other benefits issued by any airline must accrue to the benefit of the public body providing the funding.")
- b. Other business-related goods or services not otherwise prohibited by this policy.

2. Prohibited Purchases:

The purchasing card shall not be used for any prohibited or non-state business purpose. Examples include:

- a. Fuel [self-service fuel of the type and grade specified by the vehicle manufacturer, E85 (85% ethanol, 15% gasoline) for flex-fuel vehicles when available, and blended for the season diesel fuel in diesel powered vehicles]
- b. Cash, cash advances, or extensions of credit
- c. Explosives
- d. Weapons of any kind, including firearms and ammunition
- e. Telephone calls (either personal or business)
- f. Meals for individuals (including the cardholder)
- g. Alcohol
- h. Consulting or professional/technical services
- i. Construction services
- j. High risk services
- k. Equipment that is required to have a license affixed on it (vehicles, trailers, boats, snowmobiles, ATVs, etc.) due to special tax payment considerations

- l. Capital assets (Capital assets are covered by the Office of State Procurement's policy 0106-00, *Capital Asset Reporting*)
- m. Sensitive items more than \$500 in purchase price or as defined in the Agency Purchasing Card Policy or Office of State Procurement's approved exception

Sensitive items, as defined in *A User's Guide to State Property Management*, by Admin's Fleet and Surplus Division, are items that are generally intended for individual use, or that could easily be sold and are most often subject to pilferage or misuse. Examples include, but are not limited to, copiers, Braille equipment, printer, scanner, personal computers (both desktop and portable models), network servers, and other computer equipment. The examples of sensitive items may be expanded and/or made agency specific in the agency policy. Agencies still need to follow the policies outlined in *A User's Guide to State Property Management*, including the requirement to track these purchases in their sensitive item inventory.

- 3. Rewards, Loyalty Programs, and Other Incentives:
  - 1. Agency Use Allowed: The use of rewards, loyalty cards, and other incentives from merchants is allowed if the agency has a mechanism in place to review and monitor to ensure that the rewards are accruing to the benefit of the agency and have not been used by an employee for personal benefit. If desired, the establishment of the rewards, loyalty, or incentive program must be authorized in the agency policy.
  - 2. Employee Benefits Prohibited: When using the state purchasing card, the acceptance of items or any other benefit, including, but not limited to, customer loyalty points, rewards, free items, or gift cards for the benefit of the employee and not for the benefit of the state agency is prohibited. (See Minn. Stat. 43A.38 subd. 2 and 15.43 subd 1.) A violation of this requirement may lead to consequences including, but not limited to, discipline or discharge.
  - 3. Purchasing cautions for agency rewards, loyalty programs, and other incentives:
    - a. The merchants used with the purchasing card should be based on the best price and efficiency and not influenced by a rewards/loyalty program.
    - b. Merchants should be selected considering best value, which includes, but is not limited to price, quality, location and efficiency.
    - c. An agency should not create an "exclusive" type relationship with a particular vendor.
- 4. Use of Financial Service, Pay Pal:  
The use of a financial service such as Pay Pal is discouraged, and

should only be used in cases where it is the only means to make a valid, authorized state business purchase. Every effort should be made to make purchases by other means before resorting to using a financial service.

Purchasing card transactions with a financial service must be for the exact amount of the purchase price from the vendor. Transactions with a financial service are for just one purchase at a time, and only at the time you make the purchase.

The cardholder must obtain a receipt from both the financial service and from the merchant providing the product. The merchant receipt must show the item description, the quantity and the price of the product purchased. Both receipts must be kept together and with the purchasing card log. Receipts must be handled per the agency policy.

Financial services such as Pay Pal must not be used in the following circumstances:

- a. If the vendor accepts the state purchasing card (currently a Visa card)
- b. If the vendor will accept a state purchase order
- c. If the Visa transaction has been declined due to a blocked MCC code
- d. If the purchase is prohibited by this policy in the **Prohibited Purchases** section
- e. If the purchase is over \$2,500 (even if the cardholder has a higher transaction limit)
- f. If the purchase is for professional/technical services or other services prohibited by this policy in the **Prohibited purchases, Services** section.

F. Emergency Use.

“Emergency” means a threat to public health, welfare, or safety that threatens the functioning of government, the protection of property, or the health or safety of people. See Minn. Stat. § 16C.10, subd. 2(a) and the Authority for Local Purchase Manual section 1.6.1.

**Declaring an Emergency.** The Office of State Procurement’s *Acquisitions Request for Emergency Authorization* form should be used to request emergency procurement authorization. The Office of State Procurement’s Director or Assistant Director may declare an emergency. If time permits, contact the Office of State Procurement at 651.201.2402/2400 to report the emergency and process the form using signature blocks A & B. When time does not allow contacting the Office of State Procurement, an agency head or his or her authorized delegate may declare an emergency by processing the form using signature blocks A & C. In declared emergencies, any individual

may purchase if required to respond to the emergency.

Documenting an Emergency. When an agency head or delegate declares an emergency without advance authorization from the Office of State Procurement, the declaration must be documented by completing the *Acquisitions Request for Emergency Authorization* form or in writing and submitted to the Office of State Procurement as soon as practicable. The declaration shall include the nature, date, location, and scope of the emergency and any limits to actions that should be taken to rectify the situation.

Regardless of whether the Office of State Procurement or an agency head declares the emergency, the agency must submit a written report to the Office of State Procurement's Director or Assistant Director upon completion of its emergency procurement activities, unless the purchases are under \$5,000. The report shall fully document the actions taken, why the competitive bid process could not be utilized, how the scope of work was minimized to what was immediately necessary, and the final costs of the goods and services procured under the emergency authority. A copy of this final report must be kept in the purchasing file.

When the emergency is declared by the agency head or delegate, the authorized card user shall contact his/her agency purchasing card coordinator. Emergency use of the purchasing card must be reported to the agency's purchasing card coordinator no later than the next business day following the emergency. The agency purchasing card coordinator shall then call the Office of State Procurement's Assistant Director at 651.201.2402 and report the event.

G. Services.

The state purchasing card can be used for the purchase of simple services. The card should not be used for the purchase of a service if the service is performed on state property or when insurance should be required to protect the state from potential liability. The card cannot be used to purchase construction services, professional/technical services, or for high risk services. Examples of simple services include but are not limited to film processing, news clipping service, and car washes.

H. State Sales Tax.

The Minnesota State Academies are tax exempt.

**V. USER RECORD KEEPING AND COMPLIANCE**

A. Receipts Required.

All purchase card users must obtain receipts for card transactions.

Receipts must be:

1. Segregated by billing cycle as required by the agency's policy.

2. Maintained pursuant to the agency's records retention schedule for these records.
3. Readily available during the payment process to assist in verifying correct payment.
4. Original itemized receipts. If the authorized user cannot obtain a receipt from the merchant at the time of sale because of mechanical or technical difficulties, the authorized user must complete, sign and have notarized an *Affidavit in Lieu of Receipts*, which is available from agency financial services offices. The affidavit should only be for exceptional circumstances. For internet purchases, the print out of the order confirmation showing the details, or the email order confirmation, or the shipping document if it shows what was purchased, the quantity and the price paid suffice for the itemized receipt.

B. Contrary Use.

If a card is used in violation of this policy, the authorized card user shall report the matter to the agency purchasing card coordinator no later than the next business day. Violations of this policy could result in consequences up to and including discipline or discharge. In the case of a prohibited purchase, the authorized user 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 agency will assess and resolve such matters on a case-by-case basis.

C. Fraud.

Pursuant to Minn. Stat. § 609.456 subd. 2, all suspected fraud with the state's purchasing card must be reported in writing to the Office of the Legislative Auditor (OLA). This requirement includes those instances when the state-owned purchasing card account number has been compromised and/or unauthorized use of the account is discovered either by the servicing contract vendor or a state employee.

## VI. PURCHASING CARD USE EXCEPTIONS

As noted above in the **Policy** section, agencies may choose to adopt or change the agency policy, and submit it to the Office of State Procurement for approval. When the agency modifies the policy, it may further restrict the use of the purchasing card, but cannot authorize higher limits or broader purchasing categories without written permission from Admin by submitting a Request for Purchasing Card Policy Exception form to the Office of State Procurement. Any approved exception must be filed with the purchasing card file. If it is a onetime exception it should also be filed with the payment documents when the approved purchase was paid. Examples of such exceptions include: imposing higher card limits than found in the **Use of Purchasing Card, Transaction limits** section, or authorizing purchases beyond those listed under **Use of Purchasing Card** section.

## VII. PURCHASING CARD PROGRAM ADMINISTRATION

### A. Agency Participation -- Policy and Pilot Required.

To participate in the purchasing card program, participating agency heads shall sign a Purchasing Card Agency Head Acknowledgement. Agencies shall: 1) adopt a policy by choosing within each section to accept the section exactly as written, accept the section with minor changes stated, or replace the section with more substantial modifications; and may request adoption of a Purchasing Card Policy Exception, and 2) successfully complete a pilot project outlined. All cardholders shall sign the Acknowledgement of Use Agreement.

An agency's policy shall:

1. specify the consequences of purchasing card misuse.
2. require training for cardholders and their supervisors about the responsibilities and requirements of the purchasing card, the agency's policy and purchasing laws, rules, policies, and procedures.
3. require a signed statement from cardholders agreeing to abide by the provisions of the *Statewide Policy on Expenditures by State Employees and Authorized Users* and the Agency's Purchasing Card Policy and understanding the consequences of misuse.
4. submit a signed copy of the agency policy to MMD for review and approval by the Commissioner of Administration. Upon approval, the policy will be signed and returned to the agency.
5. specify review procedures, including whether the agency will examine all invoices or a statistically significant representative sample.
6. identify approved exceptions, including procedures and measures for ensuring control and monitoring, such as the review of transactions by the supervisor.

### B. Agency Purchasing Card Coordinators.

Participating agencies must designate their purchasing card coordinators. Agencies must report the names of their purchasing card coordinators, along with contact information (address, phone, fax, e-mail) to the Office of State Procurement's State Purchasing Card Administrator. The agency purchasing card coordinator is responsible for overall administration of the program consistent with the statewide plan and the agency's approved plan. An agency may delegate the purchasing card coordinator duties to multiple persons based on the agency's structure and business practices, but the delegation must be outlined and authorized in the agency's policy.

### C. Agency Purchasing Card Coordinator duties.

The duties of the purchasing card coordinator include:

1. creating account(s) and account access so that card requests and changes may be managed and monitored.
2. administering card policy and training authorized card users so that cards are properly used.

3. monitoring card usage. Monitoring the review of card statements and monthly invoices.
4. enrolling in and using Access Online, the contract vendor's online tool to monitor and manage the purchasing card program.
5. using Access Online to ensure requested accounts or changes to accounts were made accurately.
6. supervising and ensuring that the review process of invoices is done per the agency review plan so that purchasing card bills are paid appropriately, in a timely manner, and the agency receives available rebate incentives. This review of invoices may include:
7. use of regular paper logs
8. use of Data Analytics tool
9. use of Statewide Integrated Financial Tools (SWIFT) to review the approvals
10. ensuring that adequate funds are encumbered for anticipated purchasing card purchases so the agency's use of the purchasing card complies with the *Minnesota Management and Budget and Department of Administration Policy and Procedure 702-09, Credit Agreements*.
11. reminding supervisors that they are to do a thorough review of every purchasing card transaction every month per the guidance in the Agency Purchasing Card Policy.
12. monitoring cardholders to ensure their need for a purchasing card is validated every three years and providing updated cardholder training.
13. ensuring that cardholders sign a new Authorized User Purchasing Card Acknowledgement of Use Agreement every three years.
14. keeping copies of cardholder's dispute requests and monitoring and following-up on dispute resolution.
15. informing cardholders of current contracts, provisions, and policies relating to purchasing card purchases.
16. maintaining a file of Authorized User Purchasing Card Acknowledgement of Use Agreements for all of the agency cardholders, which must have a signature dated within the last three years.

D. Requirement to Review Invoices and Records Retention.

Each agency is responsible for designating a person or persons for reviewing monthly purchasing card contract vendor invoices and purchase receipts in accordance with the agency policy's review plan. This requirement is in addition to the review and approval of the authorized user's supervisor.

1. Receipts must be submitted to the agency's designated purchasing card coordinator or those persons designated by the agency for reconciliation with the purchasing card invoice.
2. Receipts and other documentation must be retained pursuant to the agency's records retention schedule for these records.
3. Any approved exception that supports a onetime purchase must be

- filed with the payment documents when it is paid.
4. Each agency must have a review process in place for the review of transactions to prevent theft, abuse, and fraud relating to the overall use of the card. This process is required and must be described in the agency purchasing card policy.
  5. It is the responsibility of each agency to review purchasing card charges and monthly invoices to eliminate unnecessary and inappropriate charges.
  6. Each agency must use Access Online, the contract vendor's online web portal tool to assist in reviewing transactions and the purchasing card program within their agency.

E. Document Converting.

For record storage, agencies can convert the purchasing card documents including the receipts to other media including, but not limited to, scanning to an electronic file, magnetic tape, or hard drive.

Requirements for converted documents:

1. Original receipts for card transactions must be marked as original to confirm they were the originals prior to conversion.
2. If scanned, the resulting stored copy must be in locked format in the software used.
3. The purchasing card logs and the supporting receipts must be converted together, and kept together for easy reference, segregated by payment cycle.
4. There must be a backup of the converted documents to prevent loss or destruction.
5. The documents must be easily retrieved with short notice and provided for reference, inspection, and/or audit.

F. Invoice Review.

A review of permissible purchasing card charges, whether done by the supervisor, the certified Authority for Local Purchase buyer, the agency purchasing card coordinator, or other designated person(s) shall ensure that:

1. Cardholders are properly using the purchasing card for permissible purchases.
2. Charges for federal excise taxes have been removed, if appropriate.
3. State and local sales taxes have been paid, when applicable.
4. Potentially fraudulent transactions resulting from lost, stolen or returned purchasing cards are identified.
5. Any travel-related expenses are not submitted as reimbursable employee business expenses.
6. Itemized receipts are included and they agree with the transaction as shown on the invoice.

G. Unauthorized Purchase.

If an agency suspects an unauthorized purchase, the agency should investigate the transaction promptly to determine whether it is an incorrect amount or whether it is an unauthorized purchase. If it is determined that it is an incorrect amount, then the agency must attempt to resolve it with the merchant or the contract vendor. If it cannot be resolved, it must be disputed. If it is determined to be an unauthorized purchase, the agency should take the actions prescribed in the state and agency policies.

H. Discrepancies.

A discrepancy is an issue noted on the invoice that doesn't match the cardholder's receipts. These issues can very often be settled by contacting the billing merchant of the transaction in question. If the situation cannot be resolved with the merchant, the issue can then be disputed.

I. Disputed Charges.

Disputed charges can result from incorrect dollar amounts, duplicate charges, purchases that were never made, unprocessed credits, or fraud. Agency designated personnel must review the billing statement for accuracy. The purchasing cardholder should first contact the billing merchant to resolve the dispute. If unable to resolve, the cardholder should report the dispute to the agency purchasing card coordinator in writing for further action.

J. Disputed Charge Documentation.

The purchasing cardholder or agency purchasing card coordinators must document disputed items in writing. The agency must maintain copies of any written documentation, including documentation describing the resolution of the dispute, with the monthly billing statement.

K. Dispute Notification.

Upon notification of a dispute via telephone to the customer service number (back of card), the contract vendor will investigate the dispute and propose a resolution. If the invoice is reasonable, even with the disputed item(s), the agency should pay the full amount on the invoice to ensure the maximum possible rebate. Utilize the review process and the dispute process to rectify the situation. See the Contract Release, C-684(5), for details on how to submit a dispute.

L. Purchasing Card Incentives.

The purchasing card program includes a provision for incentives from the contract vendor. Purchasing card incentives must be managed in the SWIFT system when they are received and be credited to the agency account. See the Contract Release, C-684(5), for details on all purchasing card incentives.

## VIII. MINNESOTA MANAGEMENT AND BUDGET REQUIREMENTS

### A. 1099 Reporting Requirements.

The MMB will monitor the purchasing card program for the necessary 1099 reporting information from the contract vendor, including:

1. reviewing reports for all charges for services.
2. verifying whether a merchant has an appropriate W-9 in the state's systems.
3. obtaining a W-9 from the merchant when the merchant is not in SWIFT, the state's automated financial and purchasing system.
4. completing 1099 reporting to Internal Revenue Service.

### B. Online Account Management and Reporting.

Agency purchasing card coordinators may manage their purchasing card accounts and cards on the contract vendor's website and can create standard and ad hoc reports online.

### C. Processing Payment in SWIFT.

Purchasing card payments will be processed in SWIFT. Transactions will be loaded into SWIFT from the contract vendor, and must be processed by the assigned reconciler and purchasing card approver in SWIFT, and the voucher generated from this process for payment approval. Approving transactions individually has the ability to potentially speed up the creation of a payment voucher to the contract vendor, thereby maximizing the available incentive for fast payment from the contract vendor.

#### **Legal & MMB References:**

*Contract Release No. C-684(5) (This is the contract release for the purchasing card.)*

*Minn. Stat. 43A.38 Code of Ethics for Executive Branch Employees*

*Department of Minnesota Management and Budget and Department of Administration Policy and Procedure 702-09, Credit Agreements*

*Authority for Local Purchase Manual (Purchasing Manual Bulletin No. 00.07, Authority for Local Purchase) may be found on the Department of Administration, Office of State Procurement's website at <http://www.mmd.admin.state.mn.us/alp.htm>.*

*Operating Policy and Procedure, Employee Business/Travel Expenses, PAY0021*

*[http://www.sema4.state.mn.us/html/doc/eng/webhelp/Employee\\_Business\\_Travel\\_Expenses\\_-\\_Operating\\_Policy\\_and\\_Procedure1.htm](http://www.sema4.state.mn.us/html/doc/eng/webhelp/Employee_Business_Travel_Expenses_-_Operating_Policy_and_Procedure1.htm)*

*Minnesota Department of Revenue website: <http://www.taxes.state.mn.us/taxes/sales/index.shtml>*