DEPARTMENT OF CORRECTIONS

Policy Number: 104.301
Title: Use of Purchasing Cards
Effective Date: 2/18/19

PURPOSE: To outline procedures to ensure purchasing cards are used appropriately by authorized state employees (hereinafter "cardholders") so specific categories of merchants, goods and services may be procured on behalf of the state of Minnesota in an efficient and cost-effective manner and consistent with statewide and agency policy. Use of purchasing cards is an alternate means of payment and must not circumvent use of state contracts, purchasing laws, rules, policies, or procedures.

APPLICABILITY: Department-wide

DEFINITIONS:

Agency purchasing card coordinator – the Authority for Local Purchase (ALP) certified manager or supervisor appointed by the department to manage, coordinate and control purchasing cards within the agency.

Cardholder – specific department employee who has been authorized a card by the purchasing card vendor.

Emergency –a threat to public health, welfare, or safety that threatens the functioning of government, the protection of property, or the health and safety of people.

Invoice – the summarized monthly bill of all purchasing cards that is sent by the purchasing card vendor to each department paying location.

Original receipt – the customer copy of the receipt signed by the cardholder at the time of purchase. In the case of fax or telephone orders, original receipt means the copy of the receipt sent by the supplying vendor to the cardholder with the goods purchased.

Paying location – the area and individuals within the department who receive the memo statements and receipts from the cardholders and make the payments to the purchasing card vendor.

PO agency P-Card administrator –the DOC employee authorized in the statewide accounting system purchasing card module to maintain information related to the agency's credit card information. In DOC, this is the same as the agency purchasing card coordinator.

Purchasing card reconcilers and approver – DOC financial services staff who have been designated to receive and review monthly information from cardholders.

Purchasing log – the form filled out by the cardholder listing the purchases made each month with the purchasing card.

Split purchase – the division of one transaction into two or more transactions to avoid exceeding an established purchasing limit. This practice is a policy violation.

Statement – the detailed itemized monthly accounting of charges sent to the cardholder by the purchasing card vendor.

Statement in lieu of receipt (attached) – a notarized memo signed by the cardholder and approved (signed) by the cardholder's supervisor explaining the nature of the purchase, detailing how the original receipt was lost and what steps will be taken to ensure receipts are not lost in the future.

Statewide integrated financial tools (SWIFT) – the state's accounting system

PROCEDURES:

A. Card Issuance

1. Purchasing cards are assigned or issued to cardholders under the authority of the agency head and the commissioner of the Minnesota Department of Administration.

2. Purchasing cards may be issued only after the authorized user:
   1. Is recommended and approved by the user's supervisor and the agency purchasing card coordinator or delegate (see supervisor duties below);
   2. Signs a statement acknowledging the use restrictions and consequences for misuse of the card; and
   3. Completes documented training on card use policies and procedures from the agency purchasing card coordinator or designee.

B. Purchasing card rules

1. Acceptable card uses
   a) Travel-related services
      Purchases of travel-related services must comply with Minnesota Management and Budget (MMB) policies and DOC policy 104.461 "Employee Reimbursement for Travel and other Business Expenses" on travel expenses; MMB policies and procedures for documenting travel; Minn. Stat. §15.435, which 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*"; and must be procured from the current state contract vendor for travel services per the contract release T-742(5) unless a written exception is provided as per the contract release.

   b) Other business-related goods or services not otherwise prohibited by this policy.

2. Prohibited purchases
   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, ammunition, and firearm accessories;
   e) Telephone calls (either personal or business);
   g) Meeting refreshments or meals of individuals (including cardholder);
   h) Alcohol;
   i) Consulting or professional/technical services;
   j) Construction services;
   k) High risk services;

l) Equipment that is required to have a license affixed on it (e.g. vehicles, trailers, boats, ATVs) due to special tax considerations;

m) Capital assets (capital assets are covered by MMB policy 0106-00, Capital Asset Reporting);

n) Sensitive items, as defined in the State of Minnesota Property Management Policy and User Guide by Admin's Fleet and Surplus Division, and/or in DOC policy 104.350 "Fixed Asset/Property Management", are items that are generally intended for individual use, or that could easily be sold and are most often subject to pilferage or misuse;

o) Tobacco (except as required for American Indian programming, see Policy 302.310, "Use of Tobacco for American Indian Ceremonies");

p) Services performed on state property and/or when insurance would be required to protect the state;

q) Cellular purchases, repairs, or use charges;

r) Any purchase using grant funds (3000) unless approved by the agency purchasing card coordinator; and

s) Split purchases that divide one transaction into two or more transactions to avoid exceeding an established purchasing limit.

3. Rewards, loyalty programs, and other incentives

a) Agency use allowed

The use of rewards, loyalty cards, and other incentives from merchants is allowed. Any cardholder joining a loyalty club or receiving rewards or incentives must notify the agency purchasing card coordinator to ensure the agency has a mechanism in place to review and monitor that the rewards are accruing to the benefit of the agency and have not been used by an employee for personal benefit.

b) Employee benefits prohibited

When using the state purchasing card, the acceptance of items or any other benefit—including such examples as 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.)

c) Purchasing cautions for agency rewards, loyalty programs, and other incentives:

(1) The merchants used with the purchasing card should be based on the best price and efficiency and not influenced by a rewards/loyalty program.

(2)_ Merchants should be selected considering best value, which includes such examples as price, quality, location and efficiency.

(3) Cardholders must not create an "exclusive" type relationship with a particular vendor.

4. Use of financial service, PayPal

a) The use of a financial service such as PayPal is discouraged, and must only be used in cases where it is the only means to make a valid, authorized state business purchase. Every effort must be made to make purchases by other means before resorting to using a financial service.

Note: Sometimes when purchasing from an online vendor or website, it appears to the purchaser that you are purchasing from the manufacturer or reseller directly, but the transaction is really going to PayPal, and their presence is hidden from the

purchaser. These cases, in which the purchaser is not aware of using Pay Pal, constitute an exception. These situations must be documented in the file when discovered and when approving the transaction in SWIFT. Cardholders must document on the log that, while the transaction was processed through PayPal, they did not set up a PayPal account linked to the state credit card when making the purchase.

b) 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.

c) 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.

d) Financial services such as PayPal must not be used if:
   (1) The vendor accepts the state purchasing card (currently a Visa card).
   (2) The vendor accepts a state purchase order.
   (3) The Visa transaction has been declined due to a blocked MCC code.
   (4) The purchase is prohibited by this policy under A.2, Prohibited purchases.
   (5) The purchase is over $2,500 (even if the cardholder has a higher transaction limit).

e) In the event a cardholder needs to establish a PayPal account in order to make the purchase, prior written approval from the CFO or designee is required. The approval must be kept with the receipt and turned in with the purchasing card log.

5. Emergency use

Declared emergencies are exempted from normal purchasing rules under M.S. § 16C.10 and the Authority for Local Purchase (ALP) Manual section 1.6.1.

a) Declaring an Emergency

Admin's Office of State Procurement (OSP) director or acquisitions manager may declare an emergency. OSP's Acquisitions Request for Emergency Authorization form should be used to request emergency procurement authorization. If time permits, staff seeking to purchase on an emergency basis should contact Admin OSP at 651-201-2400/2446 to report the emergency and process the form using signature blocks A and B. When time does not allow contacting Admin OSP, the agency head or authorized delegate may declare an emergency by processing the form using signature blocks A and C. In declared emergencies, any individual may purchase if required to respond to the emergency.

b) Documenting an Emergency

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

c) Regardless of whether OSP or the agency head declares the emergency, the agency must submit a written report to OSP's director or acquisitions manager upon completion of its emergency procurement activities, unless the purchases are under $5,000. The report must 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.

d) When the emergency is declared by the agency head or delegate, and a state purchasing card is used, the authorized card user must contact the 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 must then call OSP's acquisitions manager at 651-201-2446 and report the event.

6. Services

The state purchasing card may be used for the purchase of simple services. Simple services are services where the vendor does not come on state property, insurance is not required, and the agency determines it is low risk. Simple services include such examples as film processing, news clipping services, and car washes. The card must 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 must not be used to purchase construction services, professional/technical services, or for high risk services.

7. Sales tax

The state purchasing card is exempt from the use of the state's direct pay permit. Cardholders must instruct the merchant to charge applicable state sales tax and local use tax when presenting the card for payment. Cardholders must check that the vendor applied all applicable sales tax.

8. Consequences of improper use

If a card is used in violation of this policy or the statewide policy, the authorized card user must report the matter to the agency purchasing card coordinator no later than the next business day. Violations of this policy may result in consequences including such examples as forfeiture of purchasing card, discipline, or discharge. In the case of a prohibited purchase, the authorized user must immediately reimburse the agency for the prohibited purchase. There may be situations where such reimbursement may not be warranted, in which case the agency must assess and resolve matters on a case-by-case basis.

9. Fraud

Pursuant to Minn. Stat. § 609.456 subd. 2, all suspected fraud with the state's purchasing card must be reported 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 purchasing card contract vendor or a state employee.

10. Encumbrance of funds

a) State law requires state entities to project and encumber sufficient funds for the cost-effective reimbursement of anticipated expenditures prior to obligating the state to pay for a purchase. For this reason, expected, predictable purchasing card expenses must be encumbered for the current month and one additional month prior to the use of the purchasing card.

b) The agency manages this requirement at a statewide level. Using the BPC order document type in SWIFT, sufficient funds are set up to cover the anticipated billings for the next two billing cycles/periods. Invoices are charged directly to the accounts listed by the cardholder on the purchasing log. At the end of the fiscal year, a new encumbrance using the funds for the next fiscal year is created to meet this requirement, when the new budget is available. Then the previous year's encumbrance is released.

11. Processing transactions for payment
Purchasing card payments are processed in the SWIFT system. Transactions are loaded into SWIFT from the contract vendor and must be reconciled and approved either individually or by doing a select all and approve in SWIFT, and the voucher is generated from this process. Approving transactions individually, as they are ready to be approved, has the ability to speed up the creation of a payment voucher to the contract vendor, thereby maximizing the available incentive for fast payment from the contract vendor.

12. Card controls
a) Purchasing card controls are controls that are placed on cards to control spending activity. There are two basic types of controls. One control is set by the state for the entire card program at the vendor level by using the merchant category classification codes (MCC codes) to block undesirable or inappropriate categories. The other control is dollar amounts that are set up per cardholder at the time the card is created from the agency request. The dollar amounts are covered in section A.13, Card spending limits, below.

b) Purchases other than those permissible under this policy require advance approval from the agency purchasing card coordinator. Cardholders must get all the pertinent data about the purchase from the end user: item or service needed, the business mission need for the good or service, any required approvals that have been obtained and why the purchase must be made using the purchasing card. The cardholder must make a request of the agency purchasing card coordinator to get an exception authorized for the purchase. If the purchase is allowed by the statewide policy, but restricted by the agency policy, the agency purchasing card coordinator may seek exception approval within the agency. If the exception is to the statewide policy, the agency purchasing card coordinator must request the exception from OSP, using either the exception request form or via an email or memo. See section 2.6 in the statewide policy.

c) If a cardholder has received a permanent exception to the agency policy or the statewide policy, the new controls or limits must be annotated on The Authorized User Purchasing Card Acknowledgement of Use Agreement in the text box provided to list limits and new signatures obtained.

13. Card spending limits

a) Purchasing cards are subject to two limits:
   (1) A maximum transaction dollar amount of $500.
   (2) A maximum payment cycle dollar amount of $2,500.

b) If a card is used for a transaction in excess of an established limit or approved exception, the transaction is automatically declined. Splitting a purchase into more than one transaction to avoid exceeding an established purchasing limit is prohibited. If a need above an established limit occurs during normal business hours, the purchasing card authorized user must call the agency's purchasing card coordinator to request an exception.

c) Upon written request and approval by the CFO or designee, cardholders may be granted a higher limit not to exceed the following:
   (1) A maximum transaction dollar amount of $5,000
   (2) A maximum payment cycle dollar amount of $20,000

14. Retention of receipts
   a) All purchase cardholders must obtain receipts for card transactions.

   b) If the original receipt does not itemize the purchase, an itemized receipt must also be obtained.

   c) If the purchase was made by phone, the original receipt should be annotated by the cardholder to reflect the fact that the order was placed over the phone.

   d) Receipts must be:
      (1) Segregated by billing cycle;

      (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; and

      (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 a Statement in Lieu of Receipts (attached), and which is available from the agency financial services office. This form should only be for exceptional circumstances. See section 2.84 of the state purchasing card policy for more information about receipts.

15. Applying funding string information to card purchases
   The cardholding must apply the funding string for a purchase to the purchasing card log.

16. Approval levels summary table
   a) The following changes require approval from Admin OSP:
      (1) Changes to agency policy;
      (2) Changes to dollar limits above the state policy limits;

(3) Changing the permanent MCC blocking structure of a card to a non-standard MN blocking structure;
(4) Creating a vendor location in SWIFT for a new purchasing card paying location; and
(5) Establishing emergency cards.

b) The following changes may be authorized by the DOC:
(1) Raising or reducing a card's single transaction limit or the monthly limit to a value within the agency's approved purchasing card policy; and
(2) Temporarily requesting a MCC code be opened up for a single purchase.

C. Duties and responsibilities

1. Establishment of the agency purchasing card coordinator

a) The CFO designates an agency purchasing card coordinator to manage and administer the program consistent with the statewide policy and this policy. The CFO must report the name(s) of its purchasing card coordinator(s), along with contact information (address, phone, fax, e-mail) to the OSP, State Purchasing Card Administrator. The duties of the purchasing card coordinator are delegated to multiple persons based on the agency's structure and business practices.

b) The state accounting system requires a PO Agency PCard Administrator for the purchasing card module. In the DOC, this is the same person as the agency purchasing card coordinator.

c) The agency purchasing card coordinator must identify if and when additional purchasing card payment locations are necessary for the adequate administration of this policy. Currently, the central office and Minnesota Correctional Facility – Lino Lakes are payment locations for purchasing cards.

2. Agency purchasing card coordinator duties

The duties of the purchasing card coordinator include:

a) Creating account(s) and account access so that card requests and changes may be managed and monitored;

b) Administering card policy and training authorized card users so that cards are properly used;

c) Monitoring card usage through the review of card statements and monthly invoices;

d) Enrolling in and using Access Online, the contract vendor's online tool to monitor and manage the purchasing card program;

e) Using Access Online to ensure requested accounts or changes to accounts were made accurately;

f) 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 use of:
(1) Regular paper logs;

(2) Data analytics tool; and/or
(3) SWIFT to review the approvals;

g) Ensuring that adequate funds are encumbered for anticipated purchasing card purchases;

h) Reminding supervisors that they must do a thorough review of every purchasing card transaction every month per the guidance in the agency purchasing card policy;

i) Monitoring cardholders to ensure their need for a purchasing card is validated every three years and providing updated cardholder training;

j) Ensuring that cardholders sign a new Authorized User Purchasing Card Acknowledgement (104.301A, link attached) every three years;

k) Keeping copies of cardholder's dispute requests and monitoring and following-up on dispute resolution;

l) Informing cardholders of current contracts, provisions, and policies relating to purchasing card purchases;

m) Maintaining a file of purchasing card request forms;

n) Maintaining a list of the employee name, supervisor and location for employees that have been issued cards;

o) Maintaining a file of Authorized User Purchasing Card Acknowledgement of Use Agreements, which must have a signature date within the last three years, for all of the agency cardholders;

p) As the SWIFT PO agency P-card administrator, maintaining the vendor locations, agent number, company number, cardholders, reviewers, reconcilers, approvers and proxies; and

q) As the SWIFT PO agency P-card administrator, monitoring the receipt and application of the incentives received for the agency from the contract vendor, and ensuring they are credited to the appropriate funding source.

r) Maintaining a log of any fraud, and any unauthorized or improper use, and report monthly to the agency CFO who is responsible for reporting to the OLA.

3. The purchasing cardholder must:

a) Follow all purchasing laws, rules, policies and procedures. Failure to comply with this policy may result in forfeiture of purchasing card and/or discipline.

b) Consult with a certified agency buyer when needed for guidance about purchasing with the purchasing card.

c) Maintain a purchasing card log. The log must list appropriate funding information for each purchase.

d) Annotate on the log any appropriate sales or use tax not charged by the merchant that is due to the Department of Revenue.

e) Record on the log any incentives (rewards/loyalty points, gift cards, etc.) earned on a purchase.

f) Submit the log with original receipts to the cardholder's supervisor and ensure that it is received in financial services no later than the 15th of the month.

g) Re-sign the Authorized User Purchasing Card Acknowledgement of Use Agreement if any changes are made to limits or other controls on the cardholder's card.

h) Re-sign the Authorized User Purchasing Card Acknowledgement of Use Agreement at least every three years

4. Purchasing cardholder's supervisor's responsibilities and duties

a) Request as needed that appropriate individuals receive purchasing cards from the agency purchasing card coordinator. Supervisors need to determine who needs a purchasing card to assist them in the pursuit of their job responsibilities. The agency purchasing coordinator is the one who requests the card from the contract vendor.

b) Review cardholder transactions monthly. Ensure that purchases:

(1) Are necessary business expenses used to support the mission of the agency;
(2) Are not split to avoid established card limits;
(3) Are not contract items from a non-contract vendor;
(5) Are from properly selected vendors;
(6) Have original receipts to support the purchasing card log;
(7) Have legally valid and appropriate funding designated on the log if required by agency policy;
(8) Have not been submitted as an employee-reimbursable expense;
(9) Have not had incentives of any kind (including such examples as rewards/loyalty points, free items, or gift cards) given to the cardholder, and, if there are incentives shown, they have been documented in the agency process for agency use only; and
(10) Are not sensitive items.

c) Devote extra scrutiny to the transactions where no original receipt is attached (a Statement in Lieu of Receipt is used), when the transaction is listed as PayPal, and when the receipt is not itemized.

d) Compare the original itemized receipts to the completed purchasing card log to ensure they agree, and the log is supported by the items on the receipt.

e) Approve the appropriate purchases on the log, sign it, and ensure that it is received in financial services no later than the 15th of the month.

f) Review the cardholders assigned under the supervisor for the continued need for the purchasing card at least every three years and provide updated training. Re-sign the Authorized User Purchasing Card Acknowledgement for the cardholder if the need for them to continue having a purchasing card is confirmed.

g) Re-sign the Authorized User Purchasing Card Acknowledgement of Use Agreement if any changes are made to limits or other controls on the cardholder's card.

5. Purchasing card reconcilers and approvers

a) In DOC, the same employee is both the reconciler and the approver.

b) The duties of the purchasing card reconcilers and approvers include:

(1) Reviewing and reconciling statements and purchasing logs;

(2) 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;

(3) Keeping copies of cardholder's dispute requests and monitoring and following-up on dispute resolution;

(4) Informing cardholders of current contracts, provisions, and policies relating to purchasing card purchases;

(5) Receiving and applying the incentives received for the agency from the contract vendor, and crediting the appropriate fund sources; and

(6) Maintaining a list of the employee name, supervisor, and location for employees who have been issued cards.

c) The purchasing card reconciler must promptly reconcile and approve transactions in SWIFT.

d) The reconciliation and approval must be completed as quickly as possible. Processing transactions as soon as possible maximizes the agency's speed of payment incentive from the bank.

D. Purchasing card review and record retention

1. Establishment of a purchasing card review

a) It is the responsibility of the agency to designate staff to review monthly purchasing card charges and monthly invoices to:

(1) Prevent theft, abuse, and fraud relating to the overall use of the card; and

(2) Eliminate unnecessary and inappropriate charges.

b) All cards are subject to review at any time.

c) Additionally, cards may be reviewed based on prior incidents of suspected purchasing violations.

d) The agency purchasing card coordinator completes these reviews, creates a summary document of completed reviews, and retains the summary according to retention schedules.

2. Review plan details

a) Each quarter at least three percent, but no fewer than five, of the agency's purchasing card accounts must be randomly selected for review. Ten percent, but no fewer than ten, of the selected card accounts' transactions from the month with most activity during that quarter must be reviewed.

b) The review selection may be made from either the paper purchasing card invoice from the bank or the purchasing card transactions loaded into the statewide accounting system from the bank.

c) The agency purchasing card coordinator must request all back-up documentation, including such examples as logs, receipts, monthly memo statements, and statewide account transactions, for the sample selected from the appropriate accounts payable location. Upon completion of the review, all documentation must be returned.

d) Upon discovery of any problems, the reviewer must appropriately expand the scope of the review to uncover any additional issues.

e) The agency purchasing card coordinator must review transaction logs and compare them with receipts to verify that all transactions are legitimate, appropriate, and should have been paid by the agency. The coordinator must also review receipts to ensure that state and local taxes on any taxable purchases were applied correctly.

f) In the event that an issue or problem is discovered during the review process, the purchasing card coordinator or designee must work with the cardholder and appropriate supervisor to resolve the issue. When appropriate, the vendor, OSP, and/or the OLA must be consulted.

3. Record retention

Receipts and other documentation must be retained pursuant to the agency's records retention schedule for these records.

E. Procedures

1. Procedure for requesting and authorizing purchasing cards

a) Employees applying for a purchasing card must fill out the Request for a Purchasing Card form (attached) and receive prior written approval from their supervisor. The request must include a brief justification for the need for a purchasing card. The supervisor forwards the request to the local purchasing card coordinator and includes a listing of any additional limitations to be applied to the cardholder other than those specified in this policy (e.g., quantity of items purchased, type of item purchased, per purchase authority limit).

b) The local purchasing card coordinator evaluates each request and determines the appropriate purchasing limit. The agency or local purchasing card coordinator provides approved employees with training on the use of purchasing cards and an information packet, including all required forms, prior to accepting their applications for a purchasing card. In the event the local purchasing card coordinator requests to be a cardholder, the agency purchasing card coordinator reviews the request.

c) Each cardholder completes training and a Policy and Procedure Acknowledgement form (attached) prior to receiving the card. Supervisors of cardholders must also complete training. In the event that a supervisor has not received training or the position is vacant, the agency purchasing card coordinator must work with the employee to designate an alternate trained supervisor.

2. Process for cardholder reconciliation and submission

a) The cardholder receives a statement directly from the vendor at the end of each billing period with card transactions. The cardholder must reconcile the statement to the receipts and purchasing log and sign the purchasing log indicating it is accurate. The cardholder submits the statement, log and receipts to the cardholder's supervisor. The cardholder is responsible for ensuring that the log and documentation is received in financial services no later than the 15th of the month.

b) The cardholder's supervisor must also review and sign the purchasing log and forwards the log, statement, and receipts to the purchasing card reconciler. All purchasing card logs and back-up information must be received in financial services no later than the 15th of the month. Review and approval must be completed timely or could result in the forfeiture or suspension of the cardholder's purchasing rights.

c) Original receipts or Statements in Lieu of Receipts must be submitted to support all purchases. Receipts must support the dollar value of all purchases unless the item is being contested with the vendor or formally disputed with the purchasing card vendor.

3. Process for purchasing card approvers reconciliation and approval

a) The purchasing card approver must review all transactions on the statement and sign the purchasing log, verifying that all purchases were appropriate. The purchasing card approver must review and reconcile transactions with paper receipts to verify that all transactions are legitimate, appropriate, and should be paid by the agency. This review ensures that:

(1) Itemized receipts must be present for all charges and they agree with the transactions as shown on the invoice.

(2) Cardholders are properly using the purchasing card for permissible purchases.

(3) Sales tax has been paid to the vendor, when applicable. Adjustments must be completed as necessary.

(4) Potentially fraudulent transactions resulting from lost or stolen purchasing cards are identified.

(5) Travel-related expenses are not submitted as reimbursable employee business expenses.

b) The purchasing card approver must approve the purchasing card transaction in the statewide accounting system.

(1) In order to be properly credited, the payment(s) must be issued by the 20th day of the month.

(2) Disputed charges must be included in the payment for the invoice on which they appear.

(3) Invoices, logs, and receipts must be retained in financial services according to the DOC records retention policy.

4 Process for disputing charges

a) If a cardholder does not agree with a charge posted on the monthly memo statement, the cardholder should dispute the charge and notify the local purchasing card coordinator of the dispute.

b) The first effort to resolve the discrepancy must be made with the vendor who is billing the transaction. If the error cannot be resolved with the vendor, the cardholder must notify the purchasing card vendor by calling the 1-800 number listed on the back of the purchasing card, and file a dispute within 60 days after the date of the first statement on which the disputed charges occurred.

5. Process for payment of sales tax

The paying location pays the appropriate state and local sales and use tax when the tax has not been charged by the vendor.

6. Process for reporting lost or stolen purchasing cards

Cardholders must immediately notify the purchasing card vendor and the local purchasing card coordinator of any lost or stolen cards. The local purchasing card coordinator forwards this information to the agency purchasing card coordinator.

7. Process for suspension or cancellation of purchasing cards

a) Purchasing cards may be suspended or cancelled. The supervisor and/or the local purchasing card coordinator initiates the suspension or cancellation of the card.

(1) Reasons for suspension may include such examples as:

(a) Statements, receipts or purchasing logs turned in late to the local purchasing card coordinator twice within a six-month period, regardless of whether the employee or the supervisor delayed turning the log into financial services; or

(b) Improperly completed logs or reconciliations.

(2) Improper usage of the card results in immediate cancellation and may result in disciplinary action. Reasons for cancellation may include such examples as:

(a) Personal purchases;

(b) Purchase of any prohibited items such as the examples listed in section B of this policy;

(c) Allowing another person to use the purchasing card;

(d) Misplacement or loss of the purchasing card;

(e) Missing original receipts or submitting affidavits for purchase three times within a year; or

(f) Non-compliance with established purchasing rules and policies.

8 Reinstatement of suspended purchasing cards

a) Suspended purchasing cards are automatically reinstated within 60 days of the violation. After reinstatement, the supervisor must monitor all purchases and approve the purchasing log each month.

b) A cardholder with a reinstated card is on a six-month probation. Any violation during the probation period may result in permanent cancellation of the purchasing card.

9. Cancelations of purchasing card

a) If the cardholder's job status changes, the cardholder's supervisor must notify the agency purchasing card coordinator or the purchasing card approver of the need to cancel the purchasing card.

b) The purchasing card approver notifies the agency purchasing card coordinator of the need to cancel the card.

c) The agency purchasing card coordinator notifies the purchasing card vendor on-line and cancels the card.

d) The employee or the supervisor must appropriately dispose of the card.

10. Purchasing violations

a) Misuse of the purchasing card as outlined in the purchasing card policy constitutes a violation of Minn. Stat. §§ 16A.15, subd. 3 and 43A.38, subd 4.

b) Cardholders are required to complete a DOC purchasing violation form in accordance with DOC Policy 104.305 "Purchasing Violations."

c) In the case of a prohibited purchase, the authorized user may be required to immediately reimburse the agency for the prohibited purchase.

INTERNAL CONTROLS:

A. Requests for Purchasing Card forms and the Authorized User Purchasing Card Acknowledgement of Use Agreement are retained by the agency purchasing card coordinator.

B. The agency purchasing card coordinator and local purchasing card approvers maintain a list of the employee name, supervisor and location for employees that have been issued cards.

C. Reconciled and processed purchasing card statements, logs, and receipts are retained in financial services.

D. The agency purchasing card coordinator retains a summary document of completed purchasing card reviews, according to retention schedules.

ACA STANDARDS: None

REFERENCES: Minn. Stat. §§ 15.43; 15.435; 16A.15, subd. 3; 43A.38, subd 4; and 609.456, subd. 2
Minnesota Department of Administration, "Purchasing Card Use Policy 1b," 11/1/2013, revised 4/2018.
Policy 104.300 "Purchasing"
Policy 104.305, "Purchasing Violations"
Policy 302.310, "Use of Tobacco for American Indian Ceremonies"
Policy 104.460 "Special Expenses"

Policy 104.461 "Employee Reimbursement for Travel and other Business Expenses"
Policy 104.350, "Fixed Asset/Property Management"
Contract Release No. C-684(5) (Contract release for purchasing card.)
Authority for Local Purchase Manual (Purchasing Manual Bulletin No. 00.07, Authority for Local Purchase)
Operating Policy and Procedure, Employee Business/Travel Expenses, PAY0021
Minnesota Department of Revenue, Sales and Use Taxes
Minnesota Management and Budget, Statewide Operating Policy 0807-01, "State Taxes on State Agency Payments"
State of Minnesota Property Management Policy and User Guide
Minnesota Management and Budget Policy 0106-01, Capital Asset Reporting

REPLACES: Policy 104.301, "Use of Purchasing Cards," 12/5/17.

ATTACHMENTS: Authorized User Purchasing Card Acknowledgement (104.301A, on iShare under Finance forms)
Purchasing Card Individual Account Information Record (104.301B)
Purchasing Card Log (104.301C, on iShare under Finance forms)
Statement in Lieu of Receipt (104.301E)
Request for Purchasing Card (104.301F)

APPROVALS:
Deputy Commissioner, Community Services
Deputy Commissioner, Organizational Services
Assistant Commissioner, Facility Services
Assistant Commissioner, Office of Strategic Planning, Implementation, and Employee Development

Commissioner, MN Department of Administration