



# **STATE OF HAWAII PURCHASING CARD PROGRAM AND PROCEDURES**

**State Procurement Office  
October 2004  
Honolulu, Hawaii**

# TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
Overall Process	1
Definitions	2
P-Card Limits	4
Restricted Purchases and Blocked MCC's	4
Transaction Log	5
Reconciling Your Account	5
Resolving Statement Errors and Disputes	5
Paying the Bill	6
Responsibilities	6
Cardholder Liability	8
Lost or Stolen Cards	8
Canceling the Purchasing Card	9
Audit of Purchasing Card Activity	9

# **STATE OF HAWAII PURCHASING CARD PROGRAM AND PROCEDURES**

## **INTRODUCTION**

The purchasing card program is managed by the State Procurement Office. The purchasing card (pCard) is similar to a credit card (MasterCard/Visa/American Express) and is designed to streamline the State and county government's small purchase and payment process. It replaces the laborious and costly purchase order system by allowing employees to charge small purchases from vendors using the pCard without having to prepare a purchase order. The cards are the property of the government and are issued to responsible employees to make official purchases. It improves management control, increases purchasing efficiency, and allows payment to vendors by the card issuer generally within a few days of the purchase. Once a month, departments make can make just one payment to the card issuer.

Agencies will be able to start on a small scale and expand to full implementation whenever they decide. The controls, security and reports built into the program are very extensive and will provide supervisors and upper management with the ability to check purchases and funding appropriations, detect abuses and parceling, develop trends, and make sound management decisions. Small purchases and payments will be much faster, less costly, and above all, eminently much more efficient.

## **OVERALL PROCESS**

The State of Hawaii pCard is a MasterCard (credit card) issued by First Hawaiian Bank and includes custom designed features with built-in controls to meet the specific needs of the cardholder and the agency. The pCard process is fully automated, allowing all purchases and payments to be tracked and easily managed. ProCard, Inc. is the third party administrator for these reporting purposes, providing an Internet application called PVS Net, to view and monitor transactions.

The pCard shall be used to charge only official government purchases wherever MasterCard is accepted and in conjunction with current contracts.

The State Procurement Office has established that the pCard cannot be used for certain categories of merchants. Prior to issuing pCards to their employees, departments should ensure that the Merchant Category Codes (MCCs) of those prohibited merchant categories and any other categories that the department selects are blocked from the employee's pCard usage. If the cardholder attempts to charge at any of the merchants included in the blocked categories, the purchase will be declined.

Purchases automatically are assigned default account and appropriation codes. However prior to recording into the general ledger, agencies have the opportunity to reallocate the default account and appropriation codes into the proper codes.

Monthly billing statements from the pCard issuer are sent to the purchasing jurisdiction/department agencies. Memo statements are sent to the individual cardholders. Agencies shall verify the statements to the employee purchases and then forward the statements to their accounting department for payment.

## DEFINITIONS

**Blocked Merchant Category:** The card issuer (First Hawaiian Bank), at the request of the agency, blocks a particular category of merchants so that a select or all of the agency's pCards will not work at any of those establishments.

**Card Issuer:** First Hawaiian Bank with whom the State of Hawaii has contracted to issue pCards to State and county employees.

**Cardholder:** An employee of the State or county, approved by their Purchasing Card Administrator to use the pCard, and accountable for all charges made with that card. The cardholder should not be the same person that will reconcile the card issuer's monthly billing statements to the agency's pCard purchases.

**Default Account:** The 10-digit account/appropriation code assigned to a pCard. All charges made with a pCard will be posted into the card's default account by the card issuer unless the charge is reallocated.

**Documentation:** A merchant produced or other document that records the relevant information for items purchased including quantities, description of what was purchased, individual costs, total cost, the merchant's name and address, e.g., sales slips, invoices, merchant receipts, telephone order records, transaction logs, packing slips, etc.

**Merchant Category Code (MCC):** A unique code assigned to a specific group/type of merchant (i.e. 5044- Business Supply, 5734-Computer Software Stores, 5812- Food Restaurants, 5921- Retail Liquor, 5111-Stationary, Office, School Supply, etc.).

**Monthly Spending Limit:** A dollar limitation of purchasing authority assigned to the cardholder for the total of all charges made during each monthly billing cycle. Purchasing Card Administrators may establish spending limits on a per cardholder basis.

**Parceling:** The intentional separating of transactions to evade the transaction/ charge limit or monthly spending limit.

**pCard Limits:** A dollar limitation of purchasing authority assigned to the cardholder for charges made with the pCard. The limits can be by the single item, single transaction that may include multiple items, and transactions allowed per day or per month.

**Pro Value Services (PVS) Net:** The internet reporting system that provides users the ability to review and report on information from transactions made on the pCard. PVS Net Administrators, or cardholders, can see the results on the Internet of all purchase activity within days after the transactions are made. PVS Net allows the user to reallocate the default account/appropriation code assigned to each pCard and to download transaction information.

**Purchasing Card (pCard):** A corporate charge card issued to an individual employee for the purpose of making authorized small purchases of goods, services, or construction on behalf of the State or county.

**Purchasing Card Administrator:** This individual is the central administrator for the pCard program for each purchasing jurisdiction or department (i.e., Executive Branch, Judiciary, Honolulu Board of Water Supply, DAGS, DOA, etc.). As the jurisdiction's or department's primary liaison with the card issuer, this individual is authorized to approve or certify cardholder agreements, purchasing card applications, credit card changes, and cancellations. This individual may also be the PVS Net Administrator.

**PVS Net Administrator:** The individual responsible for reviewing pCard transactions for proper use within their jurisdiction, department, division or agency. Some organizations may divide or delegate the work among other employees, branches, or offices. The individual is also responsible for collecting all purchasing documentation from cardholders, reallocating any pCard transactions that should be posted in an account other than the Default Account, and reconciling the division's or agency's monthly billing statement to its pCard transactions.

**PVS Net Statement:** Each PVS Net Administrator will receive a PVS Net Statement each billing cycle. The cycle cutoff date is the 14<sup>th</sup> or 28<sup>th</sup> of each month. The statement identifies each transaction made with the pCard during the billing cycle, and is reconciled against purchase documentation and the monthly billing statement.

**Transaction Log:** A document created for the convenience of recording all pCard transactions for the convenience of reconciliation and ease of auditing. Use of the Transaction Log is strongly recommended.

## **PURCHASING CARD LIMITS**

At time of purchase, the pCard system automatically validates the transaction against pre-set limits established by the agency. All transactions are approved or declined (instantaneously) based upon the following authorization criteria:

1. Single transaction purchase limit not to exceed \$ \_\_\_\_\_
2. Number of transactions allowed per day
3. Spending limit per month
4. Number of transactions allowed per month

## **RESTRICTED PURCHASES AND BLOCKED MCC'S**

The following is a list of restricted purchases and Blocked Merchant Category Codes (MCCs). At the request of the agency and to the card issuer, additional categories of merchants can be selected so that some or all of the agency's pCards will not work at those establishments.

### Restricted Purchases:

1. Any purchase over \$ \_\_\_\_\_
2. Automotive gasoline
3. Cash
4. Goods and services for personal use.

### Blocked Merchant Category Codes:

1. Entertainment/Recreation
2. Financial services
3. Food
4. Hotels
5. Laundry/Cleaning Services
6. Entertainment

Exceptions to the above may be granted by the Purchasing Card Administrator on a limited basis upon a showing of sufficient justification or extenuating circumstances.

If it appears that a merchant has declined the pCard in error, the cardholder should contact the card issuer for assistance. If the matter cannot be resolved, the cardholder should terminate the purchase, find an alternate payment method and inform the Purchasing Card Administrator for the department or the jurisdiction.

## **TRANSACTION LOG**

The Transaction Log is intended for the convenience of reconciling the monthly PVS Net Statement of Account and the card issuer's monthly billing statement. Use of the Transaction Log is strongly recommended. If an item is returned to the merchant, this should be recorded as a credit on the Transaction Log.

## **RECONCILING YOUR ACCOUNT**

Compare each transaction on the PVS Net Statement with each transaction on the Transaction Log. If a transaction recorded on the Transaction Log does not appear on the statement, draw a line through the transaction. Copy this transaction to the Transaction Log for reconciliation on next month's billing statement.

## **RESOLVING STATEMENT ERRORS AND DISPUTES**

Most errors, returns, disputes, or billing errors can be resolved between the cardholder and the merchant directly. However, if there is a charge that cannot be resolved with the merchant, it can be disputed through the card issuer.

The PVS Net Administrator should contact the card issuer's Customer Service Center at 847-4444 or 844-4444; neighbor island agencies may call (toll free) 1-(808)-342-2778 and dial "0" to request a Dispute Resolution form.

If possible, the card issuer should be notified of disputed charges before the closing date of the billing cycle. This will allow the card issuer to reverse the disputed charge within the same billing cycle. A disputed charge will be posted to the agency's account if it is not reversed before the end of the billing cycle.

The PVS Net Administrator is responsible for following up on disputed charges that have not been reversed and verifying with the card issuer that they will be reversed in the following billing cycle.

All notices of disputed items must be made within 60 days of the cycle in which the item first appears on the cardholder statement.

The PVS Net Administrator should contact the Purchasing Card Administrator for assistance if an acceptable resolution is not obtained.

## **PAYING THE BILL**

The pCard is a corporate account. The pCard bill will be paid in full each month by the agency.

## **RESPONSIBILITIES**

**Purchasing Card Administrator** is responsible for:

1. Serving as the jurisdiction's or department's primary liaison with the Card Issuer.
2. Developing purchasing card procedures for the jurisdiction or department within the guidelines of the State of Hawaii Purchasing Card Program and Procedures manual.
3. Approving or certifying cardholder agreements, pCard applications, credit card changes and cancellations.
4. Submitting completed pCard applications to and receiving pCards from the card issuer.
5. Determining the transaction/charge limits allowed or disallowed MCCs, and any additional guidelines for each cardholder.
6. Coordinating the training of pCard users within the jurisdiction or department.
7. Reviewing and auditing pCard data and transactions on a sample basis. If improper charges or procedures are found, the Purchasing Card Administrator shall direct the responsible official to correct the error.
8. May also act as the PVS Net Administrator.

**PVS Net Administrator** is responsible for:

1. Establishing processes within the department, division or agency to support the Purchasing Card Program.
2. Selecting the appropriate individuals within the division to receive pCards.
3. Reviewing cardholder responsibilities with potential cardholders prior to submittal of their applications.
4. Assigning the default account and appropriation codes.
5. Collecting Documentation from cardholders, recording the transactions on the Transaction Log and reconciling to card issuer's billing statements.
6. Reallocating default account/appropriation codes to the proper codes in advance of the monthly download date.
7. Reviewing the division's or agency's monthly billing statement for accuracy.
8. Reconciling the PVS Net Statement to purchase the Transaction Log or Documentation and the monthly billing statement.
9. Reconciling to FAMIS
  - a. Reconcile the monthly billing statement to the report generated by FAMIS.
  - b. Prepare journal voucher immediately to correct errors on the recorded transactions to FAMIS.
  - c. Correct rejected FAMIS transactions due to insufficient allotment balance.
10. Attempting to resolve any disputes with the merchant or card Issuer that cannot be resolved by the cardholder. Notifying the Purchasing Card



- Administrator within five (5) days of any unresolved disputes, noting the reason for the dispute.
11. Notifying the Purchasing Card Administrator immediately of lost or stolen cards and ensuring the cardholder has notified the card issuer.
  12. Notifying the Purchasing Card Administrator of any questionable purchases.
  13. Ensuring the availability of funds for the transactions of those cardholders for whom the PVS Net Administrator is responsible.
  14. Monitoring cardholder purchases to ensure that the pCard is being used properly in accordance with the Purchasing Card Program and Procedures and division or agency procedures.
  15. Acting as a liaison with the Purchasing Card Administrator and cardholders.

**Cardholder** is responsible for:

1. Treating the State of Hawaii pCard with the same care as they do with their own personal credit cards. The pCard should be maintained in a secured location and the account number should be carefully guarded.
2. Only the individual whose name appears on the face of the card is entitled to use the card. The card shall not be loaned to another individual for any reason.
3. When making purchases in person, the cardholder must sign the charge receipt and retain the customer copy.
4. When making other than in person, cardholders should give the merchant the account number embossed on their pCard and direct the merchant to include the following on the packing/delivery/service receipt:
  - a. Cardholder's name
  - b. pCard Account Number
  - c. Department Name
  - d. Delivery Address
  - e. Shipping Date
5. Obtaining purchase documentation (sales receipt, itemized packing slip, service receipt, etc.) from the merchant for every pCard transaction to support the purchase. If someone other than the cardholder receives the shipment or service, the cardholder is still responsible for obtaining the supporting documentation.
6. Purchase documentation shall be given to the PVS Net Administrator that will reconcile the monthly billing statement to the agency's pCard purchases.
7. Verifying that what was received is what was ordered.
8. Working with the merchant to correct any problems, exchanges, or credits.
9. Not accepting cash in lieu of a pCard credit for returns.
10. Reporting a lost or stolen pCard to the card issuer immediately. Also notifying the PVS Net Administrator of a lost or stolen card at the first opportunity during business hours.
11. Returning the pCard to the PVS Net Administrator upon termination of employment, transferring of agencies, upon change in employment that no longer requires a pCard, or upon request from the Purchasing Card Administrator.

12. Not misusing the pCard. Failure to comply with the program and agency's policy and procedures may result in the revocation of pCard privileges and if the pCard is used for unlawful or improper purposes, the employee may also be subject to disciplinary action for that misconduct.

## **CARDHOLDER LIABILITY**

The pCard is a corporate liability card that will not affect the cardholder's personal credit. However, it is the cardholder's responsibility to ensure that the pCard is used within the guidelines of the Purchasing Card Program and Procedures and agency's policy and procedures. Failure to comply with the program and agency's policy and procedures may result in the revocation of pCard privileges and further disciplinary measures in accordance with the Purchasing Card Program and Procedures, Cardholder Agreement, and applicable collective bargaining agreements.

## **LOST OR STOLEN CARDS**

The pCard should be kept secured, just as you would secure your personal credit cards. If the pCard appears to be lost or stolen, it is the cardholder's responsibility to immediately report this to the card issuer. **It is very important that the cardholder notify the card issuer immediately, since there is no limit to the agency's liability for charges made on the lost or stolen cards until it is reported.**

The cardholder should contact the card issuer's Customer Service Center at 847-4444 or 844-4444, and neighbor island agencies may call (toll free) 1-(808)-342-2778.

The cardholder shall also notify the PVS Net Administrator for the agency at the first opportunity during business hours and then follow up with the card issuer in writing. The PVS Net Administrator shall immediately notify the Purchasing Card Administrator for the jurisdiction who will follow up with the card issuer. The missing card may be either blocked or canceled.

If the pCard is found after it has been reported lost or stolen, and a new card has been issued, the recovered card must be destroyed by cutting it in half. The same shall apply if a card is damaged. Both card halves shall be forwarded to the Purchasing Card Administrator for disposal.

## **CANCELING THE PURCHASING CARD**

The PVS Net Administrator shall notify the Purchasing Card Administrator immediately if any of the following occurs and depending on the occurrence, shall immediately close the account.

1. Cardholder changes occur, such as the cardholder transfers to another agency, the cardholder no longer requires the pCard, or the cardholder

terminates employment. The pCard should be immediately turned in to the Purchasing Card Administrator.

2. Any of the following reasons which may also subject the cardholder to disciplinary action:
  - a. The pCard is used for personal or unauthorized purposes;
  - b. The pCard is used to purchase alcoholic beverages or any substance, material, or service, which violates policy, law or regulation pertaining to the State or counties;
  - c. The cardholder allows the card to be used by another individual or another agency;
  - d. The cardholder purposely parcels a purchase to circumvent their pCard limitations;
  - e. Cardholders use each other's cards to circumvent their pCard limitations;
  - f. The cardholder fails to provide their agency with acceptable documentation to reconcile their purchase;
  - g. The Cardholder fails to provide when requested, information about any specific purchase; or
  - h. The Cardholder does not adhere to the Purchasing Card Program and Procedures.

## **AUDIT OF PURCHASING CARD ACTIVITY**

Random audits will be conducted by appropriate personnel, including the Audit Division of the Department of Accounting and General Services, Office of the Legislative Auditor, State Procurement Office, and private accounting firms. Audits are necessary to help ensure adherence to the pCard's program and procedures.