

# **SPO 175- pCard Overview and Updates**

## **Slide 1- pCard Overview & Updates Title Page**

Thank you for participating in SPO online training. This workshop is designed to give cardholders an overview of the pCard program and understand the responsibilities of each cardholder.

## **Slide 2**

The pCard program was first procured competitively in 2001, with the award going to First Hawaiian Bank. A second solicitation was issued in 2009. The SPO received proposals from Bank of America, US Bank, JP Morgan Chase, Elan Financial, and First Hawaiian Bank. First Hawaiian Bank again was awarded the contract. The current contract will expire in September 2014, with 2 additional 2year options to extend to 2018.

## **Slide 3**

The pCard program started out very slowly. Prior to 2004 there was little to no activity. At that time, the pCard as a method of payment was optional for departments. In 2005 the Comptroller issued a memorandum making the pCard mandatory for all Executive Branch Departments for purchases less than \$2,500. Transaction activities took a huge leap in subsequent years, peaking in 2008 with more than 300,000 transactions per year. The Executive Branch accounts for approximately 52% of all transactions. Since 2008 activity has stabilized with the downturn in economy.

## **Slide 4**

The dollar volume followed the same course as transaction activity. Prior to 2004 the dollar volume was \$1.5 million, with increases in FY 2004 at \$6 million. The big surge happened in 2005 with a jump to \$44 million with the mandatory requirement. Expenditures increased in subsequent years, peaking in 2008 at \$110 million. Since 2008 expenditures has stabilized averaging about \$90M per year.

## **Slide 5**

Prior to 2004 the State and participating jurisdictions did not generate sufficient transactions to obtain any rebates. The contract required a minimum of \$1.5 million per quarter, which was not achieved. In 2004, expenditures increased slightly and the State was able to obtain a small rebate of \$4,600. After the mandatory usage requirement, rebates increased substantially; FY 2005 - \$116K, FY 2006 - \$250K, FY 2007 - \$330K, FY 2008 - \$553K. In 2009 there was a change in the rebate structure which increased the percentage. In FY 2009 the rebate jumped to \$644K and in FY 2010 the rebate was \$545. In 2011, a new contract was in place which also increased the rebate percentage. In FY 2011, the rebate topped \$1.1 million and in FY 2013 the rebated reached \$1.38 million.

## **Slide 6**

Although the concept of the purchasing card, or pCard has been around for years, many people are still unsure what it is. The State's pCard is a corporate liability MasterCard with First Hawaiian Bank. The card is in the employee's name, but the expenditure is paid by the department or jurisdiction. Cardholders are reminded that the pCard is an alternate form of payment and not a procurement method. 72% of pCard transactions are under \$2,500 and 98% under \$50K which makes most purchases

## **SPO 175- pCard Overview and Updates**

fall within the small purchases threshold. Using the pCard does not change the procurement process. Employees are still required to comply with procurement rules & policies, departmental procedures, Program Manual and cardholders agreement. Additionally, purchases of \$2,500 or more are required to be HCE compliant. Cardholders must have appropriate delegation and training. For example, if the pCard is used for any price and vendor list, the cardholder must take Workshop #190, Price/Vendor List & Cooperative Agreements. Or if the card is used to pay for small purchase procurement, workshop # 120 is mandatory.

### **Slide 7**

Pursuant to Comptroller Memorandum 2004-36, the pCard must be used for all purchases under \$2,500. There are exceptions to the mandatory usage which include payment for utilities, petty cash reimbursement, vendors who do not accept the pCard, payment for partial services, and payment prior to services rendered (except airline tickets, subscriptions, registration and those expenditures which normally require prior payment).

### **Slide 8**

Obtaining a pCard comes with certain responsibilities. Cards are password protected, require photo identification, and must be kept in a secure location at all times. The pCard may only be used for authorized government purchases. Personal use is strictly prohibited. All pCards are imbedded with merchant category code restrictions or blocks. The blocked categories include: financial services, cash withdrawals, entertainment/recreation, automobile gasoline, food, hotel, and laundry/cleaning services. Department may also impose additional merchant category blocks. Automobile gasoline is blocked because the State has a price list for gasoline. The pCard may not be used for hotel accommodations because collective bargaining agreements require the State to give travelers per diem, which employee may use for hotel expenses.

### **Slide 9**

Cardholders are responsible to obtain purchase documentation (i.e. sales receipt, packing slips, or online printing receipts). In addition, cardholders are required to verify purchases, ensure the transaction is logged properly either manually or online (using CentreSuite). Reconciling transactions include reviewing for appropriate funding codes, object codes, cost center, and description. Transactions should be reviewed at least once a week and more often depending on the amount of activity.

### **Slide 10**

When errors occur on a statement, the cardholder should first contact the merchant to determine if the error can be resolved. It may be a simple, inadvertent error. If unable to resolve the problem, the cardholder should submit a dispute form with First Hawaiian Bank for the unauthorized purchase. If a card is lost or stolen it should be reported immediately to First Hawaiian Bank and the department's pCard administrator immediately. Employees who retire, or change departments must return the card to the appropriate department.

## **SPO 175- pCard Overview and Updates**

### **Slide 11**

It is essential that statements are submitted in a timely manner. Financial institutions may assess late fees and finance fees when departments/jurisdictions don't make payments on time. First Hawaiian Bank does not assess late fees but will impose finance fees on the average balance of the department's total expenses. To avoid these fees, which can amount to thousands of dollars, please adhere to the dates established by your department to submit your reconciled reports.

### **Slide 12**

In addition to the regular pCard, the State Procurement Office has established an Emergency pCard program. The card is red embossed with Emergency across the top, so it is easily distinguished from the regular card. Unlike the regular pCard there are very few merchant category blocks, however, purchases can only be made in conjunction with the Governor's Emergency proclamation and under the direction of the department's Emergency pCard procedures. When the Emergency pCard is used, an alert is sent to the bank, who in turn alerts the appropriate department and SPO. If verification of an emergency proclamation cannot be made the card is immediately deactivated. If the governor has declared an emergency all transactions will be allowed with a few exceptions. The exceptions include cash withdrawals and financial transactions.

### **Slide 13**

Failing to comply with purchasing card program & Procedures and agency's policy & procedures may result in revocation of pCard privileges and disciplinary action for misconduct. Leaving government employment does not absolve a person from any misdeed. Former employee may be responsible for pay all legal fees incurred by State to prove employee's liability.

### **Slide 14**

Some of the common reasons a pCard transaction are denied would include, exceeding the card's credit limit, wrong expiration date, invalid CVI code (3 digit code on the back of the card), or a blocked merchant category code. Department's pCard administrator have the ability to log in to CentreSuite and determine the specific reason. Periodically, a merchant may have a problem processing a transaction. If you do not see the transaction in CentreSuite then that means the transaction never reached FHB. Have the merchant try again or call their merchant processing bank.

### **Slide 15**

Occasionally a cardholder may forget his/her CentreSuite password. If that is the case use the "forgot password function" to reset. If the account is locked after 3 mis-tries. Cardholders must contact their department administrator to have their accounts unlocked and/or reset their password. First Hawaiian Bank Customer Service is unable to assist cardholders directly. For security purposes, they are only authorized to communicate with authorized Point of Contacts.

## **SPO 175- pCard Overview and Updates**

### **Slide 16**

Intermittently a cardholder will report problems logging onto CentreSuite. It may be a problem with the browser. If cardholders are using Internet Explorer 10, then they will probably have to click on the compatibility button which is located to the right of the url bar.

### **Slide 17**

All pCards must have a photo identification on the back of the card. New cardholders should take a copy of the "Notification of State of Hawaii pCardholders" letter to the bank to ensure a smooth and easy process.

### **Slide 18**

Credit cards are a handy way to pay for purchases, but unauthorized or fraudulent transactions may appear on the account. Unlike other traditional forms of payment, the pCard limits the liability for the cardholder and the State or participating jurisdictions. The FHB Corporate MasterCard limits the liability for the company as long as the bank is notified of unauthorized usage within the time required. Charges that are initiated by the cardholder are considered to be authorized and would not be covered by this benefit.

### **Slide 19**

The MasterCard Association has set that the maximum amount that a cardholder can be held liable at \$50.00. Instead of making the cardholder liable, First Hawaiian Bank absorbs the \$50 deductible resulting in no losses to the cardholder or the State. If an unauthorized transaction is found on the account, the cardholder must file a dispute through the bank. A transaction is unauthorized when the cardholder has not engaged with the merchant for the transaction. The bank gets involved in situations where the merchant is unresponsive if the transaction is unauthorized.

### **Slide 20**

Zero liability is applicable as long as, the cardholder notifies the bank in time, the card is blocked and replaced with a new number, and the cardholder provides the necessary information to the bank. The cardholder and the state will not be held liable for unauthorized transactions on the account.

### **Slide 21**

Some tips for zero liability include, exercising reasonable care in safeguarding your card from unauthorized use, review statements monthly, and notify the bank immediately if questionable charges appear.

### **Slide 22**

A dispute is any situation where you encounter a questionable charge on your account. In many cases, these questionable charges can be resolved directly with the merchant. These include situations where you did buy an item but you never received the merchandise, or you were overcharged, or you want to cancel a service you have enrolled in previously. For these situations, the merchant will most likely be

## **SPO 175- pCard Overview and Updates**

able to resolve the issue more quickly. The bank gets involved in situations where the merchant is unresponsive or the transaction is unauthorized.

### **Slide 23**

Types of disputes often include, fraudulent, unauthorized transactions, unrecognized transactions, merchandise/credit not received, cancelled transaction, duplicate charge, overcharge/paid by other means. If the transaction was initiated by the cardholder, the merchant should be contacted first.

### **Slide 24**

If a dispute must be filed, the first step is to notify the bank. The bank must be notified within 60 days of a questionable transaction appearing on the statement. This is very important as there are statutes of limitations in which the bank has the rights to assist with these cases. To file the dispute - Cardholders call the phone number on the back of their card. Which is (808) 847-4444. This is also the same number that you would call if you lost your card or it was stolen. We recommend the cardholders put the phone number in their cell phone in the event of a lost card. Administrators can send emails to [comlcard@fhb.com](mailto:comlcard@fhb.com)

### **Slide 25**

When calling or emailing the following information is needed:

- What transaction are you disputing?
- Why are you disputing the charge?
- Have you attempted to contact the merchant?
- Do you have supporting documentation

After receiving the information, the bank will forward the information to the disputes team who will then review the material and send the cardholder a dispute form. The Cardholder must sign the documents provided, and not the pCard administrator or designee.

### **Slide 26**

The dispute form is available within CentreSuite. Users can go to the Reports Tab and under Standard Reports is the Cardholder Dispute Form link. By clicking on this link and selecting which charges is under dispute a form which can be generated and either mailed or emailed to the bank.

### **Slide 27**

The dispute form will contain the cardholder name and contact information. The form must be signed by the cardholder.

## **SPO 175- pCard Overview and Updates**

### **Slide 28**

First Hawaiian Bank will review the evidence needed to proceed and will consult the Dispute Rules and Regulations to see if the bank can assist. The cardholder may be contacted for additional information. The rules are not set by First Hawaiian Bank, but by the MasterCard Association Rules and Regulations.

### **Slide 29**

If the Dispute Rules and Regulations allow the dispute, FHB will process a chargeback or a reversal of the charge. If the merchant does not challenge the dispute, the case is considered resolved and a credit will appear on the account. If the merchant challenges the dispute, the bank will send a letter to the cardholder and enclose copies of the merchant's response. In order to proceed further, the cardholder must respond to the bank's letter. Upon resolution of the dispute, a letter will be sent to the cardholder.

### **Slide 30**

In summary, review your statements monthly (or more often if necessary), if transaction is unauthorized, please contact the merchant first. Notify the bank immediately if you need to dispute a charge, should submit all requested documentation in a timely manner.

### **Slide 31**

Departments have standard forms for new account setup. Cards that do not have any activity in a 12 month period will be de-activated. Only Emergency pCards are exempt from this requirement. Black plastic is used for regular pCard and red plastic for emergency pCard. An abbreviated version of the Merchant Category Code listing is available on the SPO website.

### **Slide 32**

Periodically an agency may need to use the pCard to make a purchase from the list of blocked purchases. The form SPO-035, *Request to Use pCard for Blocked Purchases*, was developed to address these situations. The form is used by all jurisdictions and requires departmental pCard administrator & department head approval. Agencies must submit the form a minimum of 7 days prior to the event, otherwise agencies should make alternate payment arrangements. All SPO-035 require CPO approval. Upon approval, a copy of the form is sent to the contact person and to the bank.

### **Slide 33**

The next two slides are examples of the form SPO-035. Item 1 is for the cardholder name. Item 2 is the last four digits of the pCard number. #3 is the expense description like Intra-state transportation. Item 4 is the merchant category code, based on the MCC listing. The effective date is the date the card will be used for the specific transaction. Normally the card will be unblocked at 8:00 am and the block re-imposed at 5:00pm. Section 6 must include a justification for the expenditure and authority to purchase. For example if this were a request to unblock food items, a comptroller memorandum may be required depending on the type of meeting and agenda. It is important to designate a person to

## **SPO 175- pCard Overview and Updates**

whom SPO may question, including a phone number & email address. The SPO 35 is signed by both the pCard administrator and the department head.

### **Slide 34**

Once SPO receives the form it is logged and numbered for easy reference. A review is made by SPO staff and final determination made by the CPO or designee. When the SPO returns the form to the requesting department it is important to note the CPO comments which may include conditional instructions.

### **Slide 35**

Cardholder security is critical to the success of the program, and equally important on personal credit cards.

### **Slide 36**

The States pCard is embedded with certain security features. But Cards should be signed immediately as unsigned cards of not valid.

### **Slide 37**

It is highly recommended that the customer service number be put into the cardholder's cell phone, in order to report a lost or stolen card in a timely manner. Do NOT write card's secret code on the card or keep in wallet.

### **Slide 38**

There are multiple security tips to minimize risk which includes: Self policing your accounts, checking balances and activity on a regular basis. The bank has an unusual activity report which may result in deactivating a card, so advising customer service of out of state travel (i.e. dates and destination) is important to, and immediately notifying card issuer of any unauthorized transaction.

### **Slide 39**

There are all kinds of fraud methods, but the seven common types include: stolen cards, card not present for transactions, identity theft & Account Takeover. Skimming, which includes authorized cash back on a credit card charge. There's also Phishing / Vishing which perpetrators get the cardholder to click on a link, therefore getting access to sensitive financial information. and Merchant Database Compromise

### **Slide 40**

The best way to protect to protect yourself would be to: sign your credit cards, shred your mail, keep an eye on your credit card, never respond to emails, websites, or text messages requesting that you call or input your account number, expiration date and PIN. Keep a list of customer service numbers from the backs of your credit cards separately or on your cell phone in case of loss

## **SPO 175- pCard Overview and Updates**

### **Slide 41**

Additionally, only carry around the cards that you need, reconcile monthly, report unauthorized charges promptly, never lend a credit card to anyone else, and notify your card issuers in advance of travel (especially international) and change of addresses

### **Slide 42**

More information about the pCard program can be found on the SPO website at <http://spo.hawaii.gov>. The website will include contact information as well as procurement circulars and the form SPO-035. Thank you for participating in today's online event. Please take a moment to complete the survey which will pop up at the end of the survey.