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**STATE OF HAWAII
STATE PROCUREMENT OFFICE**

September 23, 2003

PROCUREMENT CIRCULAR NO. 2003-06

TO: All Executive Agency Heads
(Except DOE, OHA, & UH)

FROM: Aaron S. Fujioka, Administrator
State Procurement Office

SUBJECT: State of Hawaii Purchasing Card

A handwritten signature in black ink, appearing to read "Aaron S. Fujioka", is written over the "FROM:" line of the memorandum.

This memorandum is in follow-up to my earlier correspondence regarding the Purchasing Card Program. The State Procurement Office (SPO) and the State Comptroller's office in conjunction with First Hawaiian Bank have successfully implemented the Purchasing Card (pCard) on a pilot basis with various State and county agencies.

With the pilot phase completed, the SPO is prepared to implement the pCard with other State agencies. Under the program, employees designated by your agency are issued individual pCards and pursuant to the authority delegated to them, charge goods and services in small dollar amounts. These purchases are subject to the limitations contained in the State of Hawaii Purchasing Card Program and Procedures manual and as determined by your agency. Payment to the credit card company (First Hawaiian Bank) is made by the agency once a month for all purchases made during the monthly billing cycle.

The pCard program allows the delegation of the authority and responsibility for small dollar purchases to all levels of employees from maintenance staff to managers, but targets the front line employees that actually do the purchasing. The following are the control features in addition to those established by your agency:

- Each cardholder's transaction may be limited to a specific dollar amount per transaction;
- In addition to restricted purchases and categories of merchants listed in the pCard manual, agencies may impose additional restrictions on each cardholder's pCard by excluding other categories of merchants. If the cardholder attempts to use the card at any of the merchants from a restricted category the purchase will be declined. The pCard manual includes a complete list of all Merchant Category Codes (MCC); and
- The cardholder is responsible for obtaining receipt documentation from the merchant for every pCard transaction, e.g. sales receipt, itemized packing slip, order form, etc., to support all purchases made with the pCard.

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Attached for your review are the Purchasing Card Program and Procedures manual and the Purchasing Card Cardholder Agreement that shall be signed by all pCard cardholders.

To begin the presentation, training, and implementation phases of the pCard program for your agency, please complete and return the attached memorandum to the State Procurement Office.

Please contact me at 587-4700 should you have any questions or your staff may contact Justin Fo at 586-0577.

Attach.

(Date)

MEMORANDUM

TO: Aaron S. Fujioka, Administrator
State Procurement Office

FROM: _____, _____
(Department/Agency Head) (Title)

(Department/Agency)

SUBJECT: Purchasing Card Program

This memorandum is to provide written confirmation that the _____
_____ desires to begin the implementation
of (Department/Agency)
the purchasing card program for goods and services. It is therefore requested that the
State Procurement Office contact my department/agency's point of contact to begin the
presentation, training, and implementation phases for the State of Hawaii purchasing
card program.

Point-of-Contact (primary): _____
Title: _____
Telephone No: _____ **Fax No:** _____
E-mail Address: _____

Point-of-Contact (alternate): _____
Title: _____
Telephone No: _____ **Fax No:** _____
E-mail Address: _____

Signature: _____



STATE OF HAWAII PURCHASING CARD PROGRAM AND PROCEDURES

**State Procurement Office
November 2002
Honolulu, Hawaii**

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STATE OF HAWAII PURCHASING CARD PROGRAM AND PROCEDURES

INTRODUCTION

The purchasing card program is co-sponsored by the State Procurement Office and the State Comptroller. The program which includes the purchasing card (pCard) which is similar to a credit card (MasterCard/Visa/American Express) 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 two days of the purchase. Once a month, agencies 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. 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 only to charge official State of Hawaii purchases wherever MasterCard is accepted and in conjunction with current contracts.

Cardholders may use the pCard like a personal credit card. However, each pCard has custom designed features, with built-in controls, to meet the specific needs of the cardholder and the agency.

The State of Hawaii has established that the pCard can not be used for certain categories of merchants and has blocked their Merchant Category Codes (MCCs). 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. Agencies review the statements and with the exception of purchases that are disputed, 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: The 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.). See Exhibit B for the listing of MCCs.

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 (i.e., Executive Branch, Judiciary, Legislature, Honolulu Board of Water Supply, Hawaii County, etc.). As the jurisdiction'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. This person who normally would be the department fiscal officer, can also be the central administrator for the pCard program within the departments for each purchasing jurisdiction.

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 it's pCard transactions.

PVS Net Statement: Each PVS Net Administrator will receive a PVS Net Statement each billing cycle. The cycle cutoff date is the 14th or 28th 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. See Exhibit A for the Transaction Log.

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. Travel and 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 can not 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 Purchase Log. See Exhibit A for 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 can not 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

The **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.

The **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 can not 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.

The **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 pCard is no longer required by the cardholder, 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.

STATE OF HAWAII PURCHASING CARD

CARDHOLDER AGREEMENT

In return for the purchasing authority delegated to me and in consideration of my responsibility to properly steward public resources, I agree to undertake the following responsibilities:

- To comply with this Agreement and the applicable provisions of the State of Hawaii Procurement Card Procedures, presently and as may subsequently be revised. I acknowledge receipt of the Manual and affirm that I have read and understand its terms and conditions. I understand that the State of Hawaii is liable to First Hawaiian Bank for all charges made by me.
- I will submit necessary transaction documents and/or transaction information to my agency by the end of the monthly billing cycle. I also acknowledge that my failure to do so may result in the revocation of my privilege to be a cardholder.
- To protect and safeguard the Purchasing Card per this Agreement and the State of Hawaii Procurement Card Procedures.
- To immediately report lost or stolen cards to First Hawaiian Bank and my department's Approving Official and to send written notice to both First Hawaiian Bank and my jurisdiction's Purchasing Card Administrator.
- To purchase ethically, fairly, and without conflict of interest; to seek the best value; to purchase only necessary items; to determine that the price is fair and reasonable by comparing alternative sources; and when using State or Federal funds, to avoid firms or individuals who are prohibited from contracting with the State or Federal Government.
- I understand that the use of the Purchasing Card to make personal purchases is strictly prohibited and unauthorized. I will not use the Purchasing Card, under any circumstances, for personal use.
- I understand that my use of the Purchasing Card will be audited.

As the holder of this Purchasing Card, I agree to accept responsibility for the protection and proper use of this Purchasing Card as outlined in this Agreement and the State of Hawaii Procurement Card Procedures. I understand that I cannot use the Purchasing Card for the restricted commodities listed in the State

of Hawaii Procurement Card Procedures. I understand that commodities, where contracts are in place, must be purchased from the contract suppliers.

I understand that my failure to comply with the applicable provisions of the State of Hawaii Procurement Card Procedures and/or the provisions of this Agreement may result in revocation of Purchasing Card privileges, and if the Purchasing Card is used for unlawful or improper purposes, I may also be subject to disciplinary action for that misconduct.

If I am no longer employed with the State of Hawaii at the time the determination is made that I owed the State of Hawaii moneys for unlawful or improper purchases made with the Purchasing Card, I acknowledge that if the State of Hawaii is forced to initiate legal proceedings to recover amounts owed by me under this Agreement and I am found to be responsible for unlawful or improper purchases, I agree to pay all the legal fees incurred by the State of Hawaii in such proceedings to prove my liability.

I understand that the State of Hawaii may terminate my right to use this Purchasing Card any time for any reason. I agree to return the Purchasing Card to the State of Hawaii immediately upon request or upon termination of employment.

CARDHOLDER:

Signature

Date

Print Name

Department

Division/Branch/Office

_____/_____
Work Telephone No. Fax No.

E-mail Address

APPROVING OFFICIAL:

I authorize this applicant to have a Purchasing Card:

Approving Official's Signature

Print Name

Date

Department Name

Division/Branch/Office

Cardholder:

I hereby acknowledge receipt of Purchasing Card # _____
with the monthly limit of _____ and the expiration date of _____.

Cardholder Signature

Date