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May 17, 2005

PROCUREMENT CIRCULAR NO. 2003-06, Amendment 6

TO: Executive Department Heads
Chief Procurement Officers

FROM: Ruth E. Yamaguchi, Acting Administrator

SUBJECT: State of Hawaii Purchasing Cards
Frequently Asked Questions

In order to address concerns and issues on the use of the pCard, the attached ***Frequently Asked Questions (FAQ) on the Use of pCard*** is provided for clarification and guidance.

Executive Departments shall be in compliance with:

- *Comptroller Memorandum No. 2004-36, Mandatory Use of Purchasing Card;*
- *Comptroller Memorandum No. 2005-08, Clarification on Mandatory Use of Purchasing Card; and*
- *Comptroller Memorandum No. 2005-10, pCard Charges Made Prior to Receipt of Goods.*

As a result of the greater use of the pCards, please review and adjust individual cardholders credit and single purchase limits, as necessary. If adjustments are needed, departmental pCard administrators should contact Nelson Nakagawa of First Hawaiian Bank at 844-3184.

This Procurement Circular is available at the SPO webpage at <http://www.spo.hawaii.gov/>, click on **pCard (Purchasing Card)**. The direct link to all Procurement Circulars is http://www2.hawaii.gov/spo/procapps/procurement_circulars.cfm.

Questions may be directed to Bonnie Kahakui, State Procurement Office at 587-4702.

Attach.

FREQUENTLY ASKED QUESTIONS ON USE OF pCARD

1. *What is the definition of a transaction?*

A transaction is the issuance of a single purchase order to a single vendor for the purchase of goods or services.

2. *Can the pCard be used for single transactions in excess of the jurisdiction's mandatory level, if any?*

Yes. The pCard may be used for purchases in excess of the jurisdiction's mandatory level, but less than \$25,000 and subject to departmental pCard levels.

3. *Can the pCard be used for petty cash transactions?*

Yes. The pCard may be used in place of petty cash whenever it is feasible, subject to the determination of each department.

4. *Can the purchasing card be used for utility invoices (from companies regulated by the Public Utilities Commission)?*

The PUC regulates electric companies, the Gas Company, and telecommunication companies (including cellular and cable companies). The pCard is not intended for utility invoices; however, pCard may be used to pay for utilities if the vendor accepts MasterCard charge card, does not assess a service fee, provides proper documentation and it is practical. For example, Verizon accepts MasterCard through their website or walk-in stores. The Gas Company, however, charges a transaction fee for credit card payment; therefore, a purchase order would be used.

5. *Can the pCard be used to make purchases from other governmental entities?*

Yes, provided the pCard is accepted by that government agency (i.e. Correctional Industries).

6. *What are partial or progress payments, and can the pCard be used?*

Partial or progress payments are defined as two or more payments that are required before an order can be completed. However, the use of the pCard for partial or progress payments depends on the situation.

Example: An agency orders supplies, but some of the items are backordered. The vendor wants payment for supplies delivered.

Agencies of the Executive Branch:

If the amount of delivered supplies is less than \$2,500, the agency should charge the amount to the pCard. If the amount is \$2,500 or more, the use of the pCard is optional.

Agencies of All Purchasing Jurisdictions:

The pCard may be used for purchases less than \$25,000.

7. *Should the pCard be used if the vendor assesses a fee for charge card purchase/payment transactions?*

A purchase order should be used in this situation. Agency shall type **“Transaction fee charge with use of pCard”** on the purchase order.

*Please note that charge card fees imposed by vendors are not authorized by charge card providers (MasterCard, Visa, etc). Refer to *Procurement Circular No. 2003-06, Amendment 5, Purchasing Cards – SPO Price List Vendors* for more information and reporting procedures.

8. *Is it acceptable to leave a purchasing card number with a vendor for recurring payments?*

Yes, the pCard may be used provided the following criteria are met:

- Charges to the card are not made in advance of the delivery or performance of goods and services.
- An invoice/statement is provided documenting the goods purchased or services rendered.
- Division is responsible for informing the vendor when the purchasing card is no longer valid (i.e. employee is no longer responsible for recurring payments).

9. *Can we use the purchasing card to pay for goods and services that are normally paid in advance?*

Yes. Types of commonly accepted advance payments are price/vendor list purchases (shipped within normal delivery time), airline tickets, subscriptions, membership dues, registration fees, training and workshop fees, purchases through the Hawaii Electronic Procurement System (HePS), maintenance fees etc.

10. *How can we make purchases of goods and services from vendors who charge the purchasing card before providing the goods and services?*

If it is imperative that we purchase from that vendor, issue a purchase order to the vendor and type **“Vendor’s charge card policy does not comply with Section 40-56, HRS”** on the purchase order.

11. *What is the procedure when it is not feasible to use the pCard, aside from the examples provided by this memo?*

Agency should type a brief explanation on the purchase order the specific reason why the pCard cannot be used. Examples of valid reasons, including those previously noted, are:

- 1) Vendor does not accept pCards,
- 2) Use of pCard not in compliance with Section 40-56, HRS
- 3) Vendor assessing transaction fees,
- 4) Lapsing funds unless a purchase order is issued.