



# **STATE OF HAWAII**

## **PURCHASING CARD**

### **PROGRAM AND PROCEDURES**

**State Procurement Office**  
**October 2021**  
**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	5
Responsibilities	5
Cardholder Liability	8
Lost or Stolen Cards	8
Fraudulent Transactions	8
Disputed Transactions	9
Canceling the Purchasing Card	9
Audit of Purchasing Card Activity	10

# **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 can make just one payment to the card issuer.

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 Bank of America 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. TSYS is the third party administrator for these reporting purposes, providing an Internet application called Works, 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.

Some 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 correct codes.

Monthly billing statements from the pCard can be reviewed and downloaded from the Works tool each cycle for each purchasing jurisdiction/department agencies. Memo statements for the individual cardholder can be reviewed and downloaded by the cardholder from the Works tool each cycle. 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 (Bank of America), 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:** Bank of America's services include: providing Mastercard pCards to State of Hawaii employees as well as the associated billing for all purchases made on said pCards

**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.

**Global Card Access (GCA)** – Online card management tool. Primary way of viewing and accessing details on cards. Tool to change their PIN, easy access to 13 months of statements, lock/unlock their card and setup alerts.

**Works:** The Works application is a web-based electronic payment management solution that connects payment management with the global card network. Program administrators can request, active and suspend cards online. Individual settings can be modified in real-time, either card-by-card or by groups of cards.

**Works 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.

**Works Statement:** Each Administrator can download and review their PDF statement on Works each billing cycle. The cycle cutoff date is the 4<sup>th</sup>, 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. The PDF statement is housed on Works for 3 months. It is recommended that the PDF statement is downloaded and saved for future references.

**Chip Card:** The pCard plastic has an embedded microchip that provides an extra layer of security with each transaction made.

**Card Activation:** For added protection, the Chip Card requires card activation. The employee will need to call the phone number on the card activation sticker. If calling from the phone number on file, the cardholder will only need their card in hand to activate the card. If calling from a phone number that is not on file, the cardholder will need to have their six digit Verification ID and their card in hand.

**Default Account:** All charges made with a pCard will be posted into the card's default account, if applicable, 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.

**EMERGENCY pCard:** Card will be red and a special program, within the pCard program, that may be used by departments to use in the event of an emergency when the governor declares a state of emergency.

**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.). Merchant category codes are not vendor specific.

**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.

**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 Works Administrator.

**Transaction Report:** A report created by the cardholder on Works providing detailed information on transactions during the current cycle, or set by date range.

**Verification ID:** The six digit verification ID assigned to each cardholder to activate their chip card. It is also used as verification when calling BankCard Customer Service.

**Fraudulent Transaction:** Charge made to pCard account that has not been authorized by the cardholder.

**Disputed Transaction:** Charge from a merchant that you have previously transacted with, but the merchant may have charged you an inaccurate amount/an additional charge without your permission, or you feel that the services or merchandise received is not what you paid for.

## **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 the dollar amount set by the department
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 exceeding the card's credit limit
2. Automotive gasoline
3. Cash
4. Goods and services for personal use.

Blocked Merchant Category Codes:

1. Entertainment/Recreation
2. Financial services
3. Food and food related items (drinks, bakery goods etc.)
4. Hotels
5. Laundry/Cleaning Services
6. Entertainment

Exceptions to the above may be granted by the jurisdiction's chief procurement officer on a limited basis upon demonstration of sufficient justification or extenuating circumstances. Agencies shall use the form SPO-035 to request the use of the pCard for blocked purchases.

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 REPORT**

The Transaction Report is intended for the convenience of reconciling the monthly Works Statement of Account and the card issuer's monthly billing statement. Transaction may include split transactions, disputes, and other purchases. Transaction data is housed on Works for 24 rolling months. Creating and scheduling the transaction report on Works, along with downloading the data to save for future reference is strongly recommended.

## **RECONCILING YOUR ACCOUNT**

Compare each transaction on the Works Statement with each transaction on the Transaction Report. If a transaction viewed on the Transaction Report does not appear on the statement, it may appear on the next month's 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 Bank of America (the card issuer).

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 Works 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 Works 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 must be **paid in full** each month by the agency. Failure to pay the bill in full may incur finance charges.

## 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. If improper charges or procedures are found, the Purchasing Card Department Administrator shall direct the responsible official to correct the error.
8. May also act as the Works Administrator.

**Works 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 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. Reporting any disputed transaction unable to resolve with the merchant.

12. Notifying the Purchasing Card Administrator immediately of lost or stolen cards and ensuring the cardholder has notified the card issuer. The card issuer's Risk and Customer Service departments will block the account, but will not transfer the account to issue a new account unless notified by the Purchasing Card Administrator.
13. Notifying the Purchasing Card Administrator of any questionable purchases.
14. Ensuring the availability of funds for the transactions of those cardholders for whom the Works Administrator is responsible.
15. 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.
16. Acting as a liaison with the Purchasing Card Administrator and cardholders.
17. Add new Works Admin User ID's to Works when wanting to issue Admin access to another Works Admin.
18. Delete any User ID for Admins and cardholders whose accounts are closed and are no longer using Works.
19. Reset Security Questions, passwords and unlock accounts for Works user ID's 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. Registering with Global Card Access (GCA).
4. When making purchases in person, the cardholder must sign the charge receipt and retain the customer copy.
5. 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
6. 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.
7. Purchase documentation shall be given to the Works Administrator that will reconcile the monthly billing statement to the agency's pCard purchases.
8. Verifying that what was received is what was ordered.
9. Working with the merchant to correct any problems, exchanges, or credits.
10. Not accepting cash in lieu of a pCard credit for returns.
11. Reporting a lost or stolen pCard to the card issuer immediately. Also notifying the Works Administrator of a lost or stolen card at the first opportunity during business hours. The card issuer's Risk and Customer Service departments will block the

- account, but will not transfer the account to issue a new account unless notified by the Purchasing Card Administrator.
12. Reporting fraudulent transactions.
  13. Returning the pCard to the Purchasing Card 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.
  14. 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.
  15. Updating Works with appropriate codes/description as applicable.

## **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 at all times. 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 at 1-800-300-3084, 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 shall also notify the department's Works Administrator for the agency at the first opportunity during business hours and then follow up with the card issuer in writing. The Works 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. The card issuer's Risk and Customer Service departments will block the account, but will not transfer the account to issue a new account unless notified by the Purchasing Card Administrator.

## **FRAUDULENT TRANSACTIONS**

Contact Bank of America, using the number provided on the back of your card, to report  
Rev. 10/2021

any fraudulent activity as soon as it is discovered – no later than 60 days from the date of the statement reflecting the transaction(s). You may also reference the [Global Cardholder Contact List](#).

Once you have contacted Bank of America, a fraud claim will be open for investigation. The existing card will be closed to prevent any additional fraudulent transactions from occurring and a new card issued immediately.

A temporary credit will be provided for the fraudulent amount, which can take 1-2 billing cycles to appear on your account. Bank of America strives to resolve the fraud claim within 90 days and once a final decision is taken, a letter informing of what action has been taken will be sent.

Bank of America's team assists in detecting fraud and out-of-pattern spending. As a result, suspicious activity may result in a Fraud Alert email or outbound call to the cardholder.

## **DISPUTED TRANSACTIONS**

When should you dispute a transaction?

- Cancelled subscription payments for which you were still charged
- Haven't received goods/services
- Duplicated transaction
- Transaction amount differs from invoice/receipt amount
- Defective merchandise

Always contact the merchant first to attempt to resolve. If it is not resolved with the merchant, contact Bank of America to raise a dispute case using the number provided on the back of your card – and in no event greater than 60 days from the statement reflecting the transaction(s).

1. Ask the merchant to issue a credit or refund for the transaction(s) in question
2. Ask for confirmation and/or cancellation numbers for your reference, if any
3. Ask about the time it will take to receive the refund
4. Keep any emails to and from the merchant

## **CANCELING THE PURCHASING CARD**

The Works 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.
  - i. The cardholder must destroy their card by cutting the plastic when their account has been closed.

## **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.

It is encouraged to periodically download and save the 3 months of rolling PDF statements and 24 months of rolling transaction data from Works to create an internal transaction data base for future reference.