

## PART 8

### I. PROCUREMENT CARD PROGRAM

Part 8 sets forth basic policies and requirements for the University's procurement card program. This policy does not apply to the Department of Energy Laboratories. A separate policy governs the procurement card program for the Laboratories.

### II. POLICY AND SCOPE

#### A. POLICY

The University will ensure that transactions under its procurement card program are supported by adequate policies, procedures, and management controls to guard against fraud, waste, or abuse and the incurrence of unallowable costs under federal contracts and grants.

The Banking Services Group (BSG), at the Office of the President, serves as a central clearinghouse for general information regarding the implementation of a procurement card system at the campuses. Prior to implementing such a system, the Chancellor (or designee pursuant to Delegation of Authority 2130) must submit to BSG a written request listing the names of specific individuals who will be designated as Authorized Signers for that campus (see sample form in Appendix F).

All other details for implementing procurement card services, such as establishing individual cards and determining expenditure limits, reporting requirements, and data transmissions, may be negotiated directly between the campus and the issuing bank, according to the needs of the campus.

#### B. SCOPE

This part applies to all procurement related activities associated with the University procurement card program.

### III. DEFINITIONS

The following definitions apply only within the context of Part 8.

**Authorized Signer** – Individual designated by the Chancellor (or his or her designee) to authorize issuance of procurement cards and to implement card limits and controls.

**Cardholder** - An individual who has been delegated Low Value Purchase Authority to use a procurement card by the campus procurement card Administrator.

**Low Value Purchase Authorization (LVPA)** see:

<http://www.ucop.edu/ucophome/policies/bfb/bus43p3.pdf>

**Procurement Card Program Administrator (Administrator)** - An individual who is responsible for the day-to-day management and operation of the procurement card program at each University campus.

**Purchasing Unit** – Refers to the Purchasing Department or other Business Unit, as assigned by the campus Controller.

**Reviewer** - An individual(s) who is responsible for reviewing purchases made by the cardholder. Reviewers may not be in a subordinate relationship to the cardholder. A reviewer shall not be assigned transaction verification for more than 10 procurement cardholders. See exception procedures in VII. B.

#### IV. **GENERAL INFORMATION**

##### A. PROCUREMENT CARD PROGRAM

A procurement card is a credit card authorized by the University to designated employees to enable the timely purchase of low value goods or services.

The card is routinely accepted by merchants who accept VISA or MasterCard for payment. The card is a corporate (i.e., University) liability card, issued to an employee *only for University purposes*. Its use is subject to strict cardholder purchasing controls, (outlined in section VI), which cannot be exceeded without authorization. Settlement is executed electronically on the settlement date providing the opportunity for the University to eliminate costs for processing purchase orders, vendor invoices and for issuing checks.

The University's procurement card program is managed by each campus' purchasing unit, in consultation with the campus Controller.

##### B. DESIGNATION OF AN ADMINISTRATOR

At each campus the Purchasing Unit Manager will designate an Administrator to be responsible for monitoring compliance with policies and procedures; to be the liaison between the issuing bank and the BSG; and to oversee the campus's procurement card program.

### C. INSTRUCTIONS TO CARDHOLDERS

The Administrator, in coordination with the campus Controller, will provide mandatory training for cardholders and reviewers, regarding the use of the procurement card consistent with these procedures. Instructions will include:

1. Procedures to ensure the appropriateness of the transaction and to prevent fraud, waste or abuse (e.g., controls requiring each purchase or class of purchases to be reviewed and approved in advance and/or subsequent to the transaction by a designated independent reviewing or approving official);
2. Procedures requiring that invoices, packing lists, or other documentation identifying the items or services received are reviewed and approved by the cardholder and the designated reviewer. These controls will provide confirmation as to appropriate billing and receipt of the ordered item or service, and that the ordered and received items or services are the same as those requested;
3. Spending limits for each transaction, spending limits for each day and each billing cycle, established by the Administrator and approved by the campus Controller;
4. Compliance with account and fund guidelines and approval processes as set forth in the Accounting Manual;
5. Identification of goods and services that cardholders are authorized to purchase;
6. Identification of goods and services that cardholders are not authorized to purchase; and
7. Information regarding the need to comply with Sales and Use Tax requirements.

### D. APPLYING FOR A PROCUREMENT CARD

Each application for a procurement card must be submitted by the proposed cardholder's unit to the Administrator. The application must be endorsed by the Chief Administrative Officer, Dean or designee of the unit. The request will indicate who will serve as the cardholder's reviewer(s). The format for such a request will be established by the Administrator.

The cardholder and reviewer will be required to complete procurement card training prior to issuance of a procurement card.

## E. REPORTING

To provide timely controls over purchasing activities, the bank's procurement card system provides a daily transaction report, or electronic data, which lists each transaction necessary to properly manage and control the program. Various other reports are available at the close of each cycle, including a merchant summary which contains information that can be used to negotiate volume discounts with vendors. Sales tax; customer codes, e.g., job number, cost center; 1099 data; and minority vendor information are captured automatically at the point of sale when a transaction occurs, *if the merchant is equipped to record such (level 3) data*. (NOTE: This data may not be adequate if a merchant is a level 1 or 2 merchant). To ensure sales or use taxes are paid when a vendor does not collect the appropriate taxes, the campus should have a procedure to ensure that taxes are properly accrued for payment to the state.

Each card will be assigned a default accounting charge string. When the actual charge is imported, campus procedures may allow the charge to be processed using that string, or require that an alternative accounting string be used to record the transaction.

## F. SOURCE DOCUMENTATION

The cardholder must obtain source documentation from the vendor, regardless of the manner in which the order was placed, (i.e. internet, phone, mail, fax, or in person), that is sufficient in detail to allow the reviewer to verify the items purchased.

Each campus will utilize the detailed procedures for defining acceptable forms of documentation outlined in the Accounting Manual Chapter D371-36.

## V. ADMINISTRATIVE REVIEW

### A. DEPARTMENT REVIEW

The responsibilities of a cardholder, who is authorized to make purchases with a procurement card, must be separate from the individual assigned to conduct an administrative review of the purchase.

1. Department reviewers shall perform an independent administrative review of all purchase transactions for cardholders that are assigned to them.
2. If the department is too small to assign a reviewer, a reviewer from an outside department may be assigned.

3. The administrative review ensures that the following requirements are met:
  - a. The expenditure was properly authorized;
  - b. The expenditure is described in sufficient detail on at least one document (web/email confirmation, vendor invoice, packing slip, receipt, etc.); "miscellaneous supplies" is not sufficient;
  - c. There is evidence that the items sold by the vendor were actually received;
  - d. The expenditure is appropriate, both in general terms and with regard to the specific fund source used. Although administrative personnel are not expected to understand exactly what technical items are to be used for, they should be able to identify questionable expenditures such as computer game software, inappropriate furniture, pet food supplies not relevant to experiments, and the like;
  - e. The document must be signed and dated, electronically or on paper, by the reviewer to indicate that an administrative review was performed.
  - f. The review must be conducted in a defined period of time, based on individual campus requirements.

## B PROGRAM REVIEW

The purchasing unit will perform an administrative review of departmental purchase transactions to ensure program requirements are met. This review may be done on a sampling basis at the discretion of the campus. Each campus shall establish procedures for self-assessment to review the effectiveness of campus procurement policies and procedures.

The procedures, written by the purchasing unit and approved by the campus Controller, shall describe the types and frequency of reviews, sampling methodology to be used, and data retention requirements. Such assessments may include the following elements:

1. Review of a statistical sample of cardholder records (source documentation) to determine compliance with local procurement card policies and procedures.
2. System edits, data mining, and/or visual inspection of transaction records to identify questionable transactions, sufficiency of purchase descriptions and transaction amounts, potentially unallowable costs, purchases of restricted items, split transactions, or potential fraud, waste or abuse.

3. Ensure reviewers perform an administrative review of all purchase transactions within the defined period of time.
4. Documentation of corrective action taken.

## VI. DETAILED PROCEDURES

In most cases, procurement card procedures should parallel a department's established procedures for acquisition and procurement of low-value purchases. However, to prevent fraud or misuse of such cards, each department shall establish additional control procedures as follows:

### A. CARD CONTROLS

The individual whose name appears on a card is responsible for protecting that card and is accountable for all purchases made using that card number. The cardholder may not share their procurement card or number with any other person. *To safeguard against the unauthorized use of the card, all orders placed using a card should be made only by the cardholder.* Although the cardholder is subject to disciplinary action if the card is misused, *liability for procurement card charges resides with the University, not the cardholder.*

Before issuance of a card, each cardholder shall be required to sign a statement acknowledging receipt of the card and agreeing to be bound by the terms and conditions of University procurement card use.

### B. CARDHOLDER LIMITS

Each campus shall institute the following point-of-sale controls to impose additional purchasing limits on each cardholder:

1. Dollar limit per transaction;
2. Total dollar amount allowed per day; and
3. Total dollar amount allowed per cycle.

### C. MERCHANT CATEGORY RESTRICTIONS

Cardholders may be restricted from purchasing certain items or services. Each campus may set restrictions by assigning a group of permitted Merchant Category Codes (MCC) to each cardholder. Permitted vendor types are checked automatically at the point of sale using codes based on Standard Industrial

Classification (SIC) designations. For example, a campus could exclude purchases from vendors of controlled substances, or radioactive materials.

D. DEPARTMENT CARDS

No campus may issue a single procurement card for use by multiple employees.

E. CONVENIENCE CHECKS

No campus may request or use checks provided by the issuing bank for charges against a University procurement card.

F. ISSUANCE OF PROCUREMENT CARDS TO PURCHASING UNIT EMPLOYEES

Purchasing cards may be issued to employees within the central purchasing unit, if the use thereof is supported by a specific business need and guidelines for use are implemented. The campus Controller shall approve all requests to issue procurement cards to central purchasing unit employees.

G. ISSUANCE OF PROCUREMENT CARDS TO NON-UNIVERSITY EMPLOYEES

Cards shall be issued only to University faculty and staff. Any exceptions must be approved by the campus Controller. Upon approval, these individuals must complete the same training required as University employees, prior to receiving a procurement card or assuming their role.

H. CARDHOLDER AUTHORIZATION AND APPROVING OFFICIAL DESIGNATION

At the time a card is authorized, the Administrator must formally:

1. Authorize a specific cardholder to commit funds for the University, and identify the individual spending limits imposed by the campus.
2. Maintain records documenting cardholder and reviewer assignments.

I. DISPUTES

Each cardholder shall be responsible for promptly resolving all disputed transactions with the issuing bank and the merchant. Cardholders must formally notify the issuing bank and the Administrator within 60 days (or within a shorter period if specified by individual campus procedures) of disputed transactions appearing on the cardholder's account statement. Although the Administrator will

track the disputed transaction to attempt resolution, the cardholder remains responsible for pursuing the matter to resolution.

#### J. PAYMENT MECHANISM

Each purchasing unit may implement guidelines for use of a procurement card as a payment mechanism, which are subject to the approval of the campus Controller. This may include use of the purchasing card as the payment mechanism for e-procurement systems, use of a purchasing card to pay ongoing or recurring charges (i.e. cell phone or bottled water), and use of ghost accounts (where no physical card is issued) for payments to a specific vendor(s).

#### K. PROCUREMENT CARD USER POPULATION

Each campus shall determine the number of procurement cards required to meet operational requirements, while also assuring adequate training, certification, audit, assessment, and supervision of the procurement card user population.

#### L. TRAINING

Each cardholder and reviewer must complete training prior to receiving a procurement card or assuming their role. Upon completion of training, the cardholder must sign an agreement stating he/she acknowledges and understands the requirements associated with the proper use of the card.

1. New Cardholder Training - Training for proposed cardholders will include:
  - a. Review of local policies and procedures regarding procurement card usage;
  - b. Restrictions and prohibitions regarding use of the procurement card (e.g., unallowable costs, restricted items, split orders, dollar spending limitations, participation in promotional programs that result in personal gain);
  - c. Ramifications for misuse or abuse of the procurement card;
  - d. Dispute resolution and importance of timely resolution;
  - e. The need to safeguard the procurement card at all times;
  - f. Reporting a lost or stolen procurement card or compromised account number;

- g. Documentation requirements (e.g., requests and approvals, invoices, receipts, packing lists, or other documentation confirming billing and receipt, etc.) and document retention requirements;
  - h. Procedures for the administrative review of each purchase transaction;
  - i. Sales and Use Tax requirements;
  - j. Source and vendor restrictions;
  - k. Property management considerations (e.g., pre-approvals, restrictions and prohibitions, tagging, etc.);
  - l. Role of the reviewer;
  - m. Methods of oversight and types of reviews;
  - n. Sanctions for noncompliance with policies and procedures; and
  - o. Proper procedures for surrendering procurement cards upon transfer to a new department, termination of employment or retirement.
2. Refresher Training - Cardholders and reviewers are required to complete refresher training annually.

**M. IMPROPER USE OF A PROCUREMENT CARD**

Written procedures for preventing, investigating, and reporting unauthorized use of procurement cards shall be developed by the purchasing unit for use by departments. These procedures shall be approved by the campus Controller prior to implementation of the procurement card program. The procedures shall include the requirement, as outlined in this Bulletin, that a procurement cardholder or unauthorized individual who makes an improper purchase with a card will be responsible for payment of the charge, at the discretion of the campus Controller.

To establish that a particular expenditure was improperly made, a department must complete the appropriate documentation, mark it ***File Copy Only - Credit Must Be Issued***, and forward a copy to the Purchasing Unit. The campus may approve a transmission method that does not involve sending a paper copy to the Purchasing Unit. The original documentation may be retained in the department or a central office as designated by the Controller (office of record).

#### N. SANCTIONS

Each campus shall establish guidelines for appropriate sanctions to address any abuse or misuse of procurement cards by cardholders or reviewers. All sanctions must be carried out in a timely manner.

Sanctions will be imposed for any unallowable cost, fraud, waste or abuse, or any other serious or chronic misuse of a procurement card by a cardholder or reviewer. Any suspected fraud, waste, or abuse must be immediately referred to the appropriate campus security and/or Internal Audit organization for appropriate action.

Improper use of a procurement card by an employee may be grounds for disciplinary action and shall result in cancellation of the individual's card.

#### O. RETENTION OF DOCUMENTATION

Section III.E. of the University of California Records Disposition Schedules Manual (Purchasing and Disbursements) requires that invoices and low value purchase authorization records be retained for five years. Accordingly, the office of record, must retain procurement card purchase documentation for five years after the close of the fiscal year in which the purchase was made.

#### P. DOCUMENTATION OF EXCEPTIONS

The Administrator of the Procurement Card Program will maintain a file of all policy exceptions made including a brief description of why the exception was necessary. This documentation will be available to the Controller and Audit and Advisory Services upon request.

### VII. **RESPONSIBILITIES**

#### A. ADMINISTRATOR

The Administrator (or other individual as approved by the Controller) shall:

1. Administer the procurement card program consistent with this section of the Bulletin;
2. Interface with the procurement card issuing bank;
3. Develop and conduct mandatory initial and refresher procurement card training for procurement cardholders and reviewers;
4. Process and approve requests for issuance of new procurement cards;
5. Maintain an up-to-date listing of all authorized cardholders, their delegations of authority, and their respective reviewers;
6. Monitor departmental reconciliation activity and unresolved disputes;
7. Report discrepancies to the Purchasing Unit Manager and recommend appropriate sanctions;
8. Verify that proper incentive amounts are received under the University program with the procurement card issuing bank;
9. Perform periodic reconciliation of bank statements to the financial system;
10. Ensure that procurement cards are cancelled and surrendered by the cardholder upon termination of a cardholder's need or termination of employment; and
11. Cooperate with investigations of suspected fraud, waste, or abuse.

**B. PURCHASING UNIT MANAGER**

The Manager of the Purchasing Unit, or other business unit designated by the campus Controller, shall:

1. Oversee the procurement card program;
2. Formally authorize new cardholders to commit funds for the University in accordance with Part 3, Section IX. of this Bulletin;
3. Plan and provide for regularly scheduled audits, reviews, and/or oversight;
2. Approve spending limits;
4. Ensure that sanctions are imposed for the abuse or misuse of a procurement card by a cardholder or reviewer;

5. Cooperate with investigations of suspected fraud, waste, or abuse;
6. Ensure adherence with the requirements of the procurement card program;
7. Approve more than 10 cardholders per reviewer; and
8. Approve exception to reviewer reporting relationship

C. CARDHOLDER

The Cardholder shall:

1. Successfully complete mandatory new cardholder and annual refresher training;
2. Sign a cardholder agreement form that includes cardholder requirements associated with proper use of the procurement card;
3. Comply with campus policies, procedures, and program updates related to the use of procurement cards, including limitations on transaction limits, monthly, and/or annual spending limits, and prohibited items;
4. Cooperate with investigations of suspected fraud, waste, or abuse;
5. Obtain proper documentation associated with procurement card transactions;
6. Reconcile the statement of account on a timely basis; and
7. Promptly process all procurement card transactions including prompt resolution of merchant and bank disputes.

D. REVIEWER

The reviewer shall:

1. Successfully complete mandatory initial and annual refresher training;
2. Review on a timely basis, documentation related to all purchases and approve all cardholder transactions to confirm appropriateness and receipt of the goods or services ordered;
3. Notify the Administrator or Purchasing Unit Manager of any cardholder non-compliance;

4. Cooperate with investigations of suspected fraud, waste, or abuse; and
5. Take or recommend corrective action in cases where procurement cards have been used inappropriately, including disciplinary action.

E. CAMPUS CONTROLLER

The Campus Controller shall:

1. Approve campus guidelines for use of a Procurement Card as a payment mechanism;
2. Approve procedures for preventing, investigating and reporting unauthorized use of procurement cards;
3. Approve requests to issue procurement cards to central purchasing unit employees;
4. Approve requests to issue procurement cards to non-university employees;
5. Approve procedures for annual self-assessment by the Purchasing Unit or other business unit.