

Financial Management Circular: # 2010 - 3

Effective Date: September 10, 2010

General Subject: Agency Management of the Procurement Card (P-Card)

Specific Subject: Agency internal controls and reporting requirements for Agency Procurement Card (P-Card) programs to reduce the risk of fraud, waste, and error in the P-Card Program.

Authority: IC 4-12-1-13(e)
IC 4-12-1-13(h)
IC 4-13-1-4 (7)
IC 4-13-2-20
IC 5-22-4-1

Application: This Circular applies to all state agencies, departments, quasi agencies, instrumentalities and commissions which have one or more procurement or travel cards.

Section 1: Definitions –

A **Procurement Card (P-Card)** is a credit account established by a commercial financial institution on behalf of the State of Indiana upon which the cost of purchasing goods and services may be charged.

The **P-Card Management Plan** is a document that describes the Agency's internal controls and reports the results of the program and should be revised as needs and circumstances require.

Internal Controls are policies or procedures put in place to mitigate risk (e.g. blocks on merchant category codes (MCCs), cardholder credit limits, etc.)

Section 2: General Policy – It is the general policy that all State agencies that employ Procurement or Travel cards must adhere to the State of Indiana P-Card requirements. All conduct is subject to the Indiana Code of Ethics. All program policies and necessary documents (user agreements, manuals, etc.) are available via the Indiana Department of Administration (IDOA) website at <http://www.in.gov/idoa/2804.htm> (click "Procurement/Travel Card QPA 10156").

To illustrate compliance, Agencies must submit P-Card Management Plans to the Office of Management and Budget (OMB), including Government Efficiency and Financial

Planning (GEFP) and the Department of Administration (IDOA), on an annual basis. These Plans will be subject to audit and approval by OMB and IDOA. A P-Card Management Plan template will be provided by OMB and IDOA to facilitate development. Once developed and approved by OMB and IDOA initially, the Plan should be updated annually on the anniversary date of the agency P-Card program at a minimum in order to remain current.

Section 3: P-Card Personnel Management Requirements – Agencies are required to appoint a Program Administrator (PA) and an Agency Fiscal Agent (AFA). The Program Administrator (PA) manages the Agency's procurement card program. As PA, he/she is responsible for monitoring and identifying delinquencies, fraud, misuse and abuse of the card and ensuring the agency is compliant with State requirements. The Agency Fiscal Agent (AFA) is responsible for certifying payments and ensuring that the cards are recorded to the correct account or project. Agencies that require multiple Agency Fiscal Agents due to number and/or proximity of cardholders (cardholders at multiple branches/sites) may appoint a Head Fiscal Agent (HFA) to manage and appoint Agency Fiscal Agents. Depending on the number of cards issued within each agency, IDOA and OMB may allow agencies to appoint one person as both Program Administrator (PA) and Agency Fiscal Agent (AFA). If an AFA is a cardholder he/she may not approve his/her own purchases. In this situation another AFA or, in the case that the agency only has one AFA, the AFA's direct supervisor must approve the purchases. These arrangements will be subject to State Board of Accounts (SBOA), IDOA and OMB approval.

In addition, agencies must develop a process for appointing cardholders. State guidelines require that a P-Card cardholder must be an employee of the State of Indiana and have a daily business responsibility which would require the use of a purchasing card to effectively complete their job. A travel cardholder must travel for State business on a regular basis (i.e. more than four trips annually). IDOA will make the final determination on all cardholder applications.

When a cardholder's employment is terminated or transferred, State guidelines require the cardholder to turn in their P-Card or travel card to the Program Administrator (PA) at the time of separation. The Agency PA is then responsible for canceling the card via the appropriate P-Card system (i.e. PaymentNet) and destroying the card.

Section 4: P-Card Training Requirements – The State requires all P-Card cardholders to complete the IDOA P-Card training prior to appointment and annually thereafter. Travel cardholders are required to complete training prior to appointment and biennially thereafter. Head Fiscal Agents (HFA) and Agency Fiscal Agents (AFA) will be required to complete the standard IDOA P-Card training as well as the IDOA training on the P-Card module of ENCOMPASS. As the Agency manager of the P-Card Program, the Program Administrator (PA) will be required to complete the IDOA P-Card training, the IDOA training on the P-Card module of ENCOMPASS and the IDOA PA training. IDOA will keep a record of training completion for each cardholder, HFA, AFA and PA. Cards will be revoked by IDOA if cardholders do not comply with the annual training requirement.

Section 5: Cardholder Responsibility – Every P-Card and travel card will be assigned to a specific employee. Once the cardholder has signed the user agreement and completed the P-Card training, he/she is subject to the IDOA P-Card Suspension Policy upon failure to adhere to State of Indiana P-Card policies and procedures. In addition to suspension, cardholders are personally financially liable for any inappropriate purchases made with the P-Card. Examples of inappropriate use of the card include (but are not limited to):

- The Procurement Card is used for personal or unauthorized purposes.
- The Procurement Card is used to purchase alcoholic beverages or any substance, material, or service which violates any State Personnel or agency office policies, laws or regulations.
- The Cardholder splits a purchase to circumvent the limitations of the Procurement Card.
- The Cardholder uses another Cardholder's card to circumvent the purchase limit assigned to either Cardholder or the limitations of the Procurement Card.
- The Cardholder fails to provide receipts for all transactions.
- The Cardholder fails to provide, when requested, information about any specific purchase.
- The Cardholder accepts a cash refund in lieu of credit to the Procurement Card account.
- The Cardholder neglects to report a lost or stolen card in a timely manner, in accordance with policy.
- The Cardholder neglects to review and verify all transactions in a timely manner, in accordance with policy.
- The Cardholder does not adhere to any other Procurement Card policies and procedures as provided in the Cardholder manual.
- A Travel Cardholder uses their travel card for anything other than direct travel expenses (prohibited purchases include meals, gasoline, cab/taxi fares and parking).

Possible penalties for misuse include suspension of account, termination of account, disciplinary action, personal financial liability, and termination of employment. Card use is subject to the Indiana Code of Ethics and jurisdiction of the Office of Inspector General. In addition, the Procurement Card is subject to 42 IAC 1-5-12 which states "A state officer, employee or special state appointee shall not make use of state materials, funds, property, personnel, facilities or equipment for any purpose other than for official state business unless the use is expressly permitted by a general written agency, departmental or institutional policy or regulation."

Section 6: Risk Management Requirements – Risk management controls, policies and practices are a critical tool for ensuring the efficiency and integrity of charge card programs by eliminating payment delinquencies, charge card misuse, fraud and other forms of waste and abuse.

Several internal controls are set up to mitigate the risks. First, IDOA and OMB have established a standard Merchant Category Code (MCC) list for the procurement card and

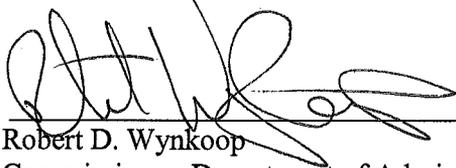
travel card programs which apply to all agencies. These lists authorize specific vendor types based on typical government purchasing needs. For an agency to give its cardholders authorization to purchase from vendor types that are not included in the standard MCC list, the Agency Program Administrator (PA) must make the request to IDOA with written justification. IDOA and OMB can approve or deny the request. Second, IDOA and OMB will establish an agency-wide credit limit for each agency. The agency has discretion as to how the credit is distributed among cardholders, but this will be reviewed as part of the annual P-Card Management Plan approval. Next, a single purchase limit will be established for each cardholder. Generally, the single purchase limit will be set at \$500; exceptions are subject to IDOA and OMB approval. Finally, IDOA will continually monitor agency purchases and payments for fraud, misuse and abuse.

Section 7: Merchant 1099 Information Collection – Service purchases are subject to the Auditor’s 1099 reporting requirements.

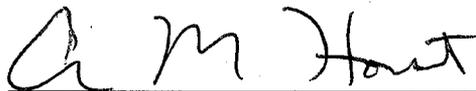
Section 8: Tax Recovery – Each P-Card and travel card is marked “tax-exempt” and includes the State of Indiana’s tax-exemption number. It is the cardholder’s responsibility to ensure that vendors are aware of the tax exempt status and to supply the correct tax exempt form upon request.

Section 9: Agency Considerations before Using the P-Card – IC 5-22-4 establishes that IDOA is the purchasing agency for all agencies under the executive branch with noted exceptions. IDOA is also charged with establishing policies and procedures to oversee this task. To ensure compliance, each agency should establish policies and practices to ensure that all P-Card purchases are being made after all State of Indiana purchasing rules are considered (e.g. IDOA Procurement Division Streamline Delegation rules, current Quantity Purchase Agreements (QPAs), Buy Indiana, etc.).

Section 10: This FMC rescinds FMC #2008-1.



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