



**STATE OF MISSISSIPPI**

**OFFICE OF PURCHASING AND TRAVEL**

**PROCUREMENT CARD PROGRAM**

# PROCUREMENT CARD PROGRAM PURPOSE

- The State of Mississippi Procurement card is designed to provide a convenient and efficient method of purchasing small dollar (\$5,000 and below) orders of goods and services.
- The State Of Mississippi Procurement Card replaces the traditional purchasing method of requisition, purchase order, delivery, invoicing, check disbursement and storage.
- The Procurement Card Program allows State Agencies and Governing Authorities personnel to make small dollar purchases (under \$5,000) using a credit card. The Procurement Card can be used for a large number of small purchases.



# WHAT IS A PROCUREMENT CARD (P-Card)

- A purchasing card (also known as a P-Card or PCard) is an enhanced credit card used by a State Agency/Governing Authority and distributed to employees. It is similar to a Visa Card or Mastercard charge card that allows goods and services to be procured without utilizing a traditional purchasing process.
- A purchasing card is a form of a company charge card that allows goods and services to be procured without utilizing a traditional purchasing process.



# P-CARD TERMINOLOGY

## THE PROCUREMENT CARD IS ALSO KNOWN AS:

- P-Card
- P-Cards
- PCARD
- Purchasing Card
- Procurement Card
- Corporate Purchasing Card
- Corporate Procurement Card

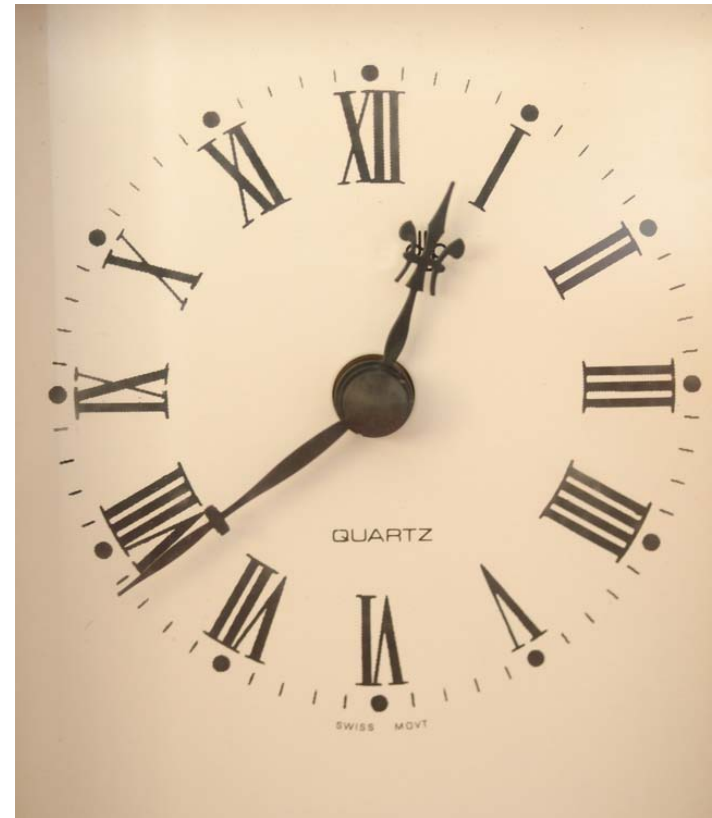
## ADDITIONAL TERMINOLOGY:

- Procurement Card Administrator (PA)
- Procurement Card Coordinator (PC)
- Merchant Category Code (MCC Codes)



# BENEFITS OF A P-CARD PROGRAM

- Reduce the cycle time of purchasing transactions,
- Reduce the number of invoices, thereby reducing expenses on accounts payable personnel,
- Restrict buying non-authorized categories of goods and services,
- Reduce processing costs for invoices, purchase orders, check processing, etc.



# BENEFITS OF A P-CARD PROGRAM

- Establish dollar limits per transaction or monthly credit limit,
- Increase efficiency and control,
- Limit to specific suppliers,
- Assign cards to employees with variable controls,
- Change purchasing authority and spending limits quickly and easily.



# LAWS, REGULATIONS AND POLICY

- MS Code, 1972 Annotated, Section 7-7-23, the State Fiscal Officer established a general rule to allow state agencies to make certain purchases without first issuing a purchase order,
- MS Code, 1972 Annotated, Section 27-65-21, Contract and taxes and 27-65-105, Governmental Exemptions,
- The State Procurement Manual establishes regulations for the Procurement Card Program; Chapters 10.113 and 10.115, and
- State Procurement Card Program Guidelines



# USE OF THE P-CARD

- Maximum amount of purchases is \$5,000 per single transaction.
- Agencies/Governing Authorities may use the Procurement Card for bona fide needs of the agency/department.
- Agencies/Governing Authorities should have designated operating procedures and designated personnel to manage the program.





# IMPLEMENTING A P-CARD PROGRAM

There are several questions an agency/governing authority must ask prior to implementing a P-Card Program.

- How do you develop and implement a purchasing card program?
- Which banks/financial institutions offer purchasing card services?
- How does an agency/governing authority maintain control over expenditures?
- How does an agency/governing authority prevent abuse of the card?
- How does an agency/governing authority allocate expenses to the proper account codes?
- Will a purchasing card create additional work for the Purchasing Card Program and Accounting Staff?
- Is it possible to establish a paper trail for the auditors?

# DEVELOPING AND IMPLEMENTING A P-CARD PROGRAM

- Establish a Task Force/Committee to research a P-Card Program (Purchasing Staff & Accounting Staff),
- Establish a P-Card Policy,
- Investigate P-Card Programs offered by banks,
- Talk with other agencies/governing authorities about the P-Card Program,
- Develop a policy that will provide fiscal control and purchasing accountability, and
- Implement Purchasing Cards agency wide.

# BANKS/FINANCIAL INSTITUTIONS WHO OFFER P-CARD PROGRAMS

- American Express
- Bank of America Merrill Lynch
- BMO Financial Group
- Bank of New York
- Citibank
- Commerce Bank
- First National Bank of Omaha
- HSBC
- J. P. Morgan Chase
- PNC Bank
- Regions Bank
- SunTrust Bank
- TD Bank
- UMB
- U. S. Bank
- Wells Fargo Bank



# MAINTAINING CONTROL OVER EXPENDITURES

- Set Single Purchase Limits,
- Set Credit Limits, and
- Establish Merchant Category Codes (MCC) – disallow purchases from unauthorized vendors.

# PREVENTING P-CARD ABUSE

- Require employees to submit a signed copy of the statement to his/her supervisor,
- Supervisor should review and sign statement,
- Program Coordinator and Purchasing Department conduct random audits, and
- Employee must sign an agreement to use the P-Card for agency business only.

# ALLOCATING EXPENSES TO ACCOUNT CODES

- Partner with the IT Department to develop a system or purchase software to integrate with current software to account for purchases made by each cardholder,
- Develop software to track cardholder purchases, and
- Include in the purchasing card policy procedures for reviewing and posting transactions to the general ledger.

# PURCHASING AND ACCOUNT STAFF WORKLOAD

- Reduce the number of purchase order and payment voucher requests.
- Studies have shown that 80% of purchasing transactions account for only 20% of total dollars spent.
- Reduce the number of requests for checks translating into lower banking costs, and less time required for reconciling bank statements.



# PURCHASING AND ACCOUNT STAFF WORKLOAD

- \*The 2010 Purchasing Card Benchmark Survey Results shows that the average cost of a traditional Purchase Order based process was reported to be about \$93. The cost to procure and pay for goods using the Procurement Card is reported at approximately \$22. The P-card generated administrative cost savings of approximately \$71 per transaction when compared to the traditional procurement process.
- Efficiency savings range from 55% to 80% of the traditional procurement process cost when switching the payment method from the traditional procurement process to a Purchasing Card.





# DOCUMENTATION FOR AUDITS

- Signed copies of monthly Card Statements,
- Itemized Receipts,
- Results of monthly random audits of expenditures,
- Copy of purchasing card policies, and
- Copy of Fraud and Abuse policies.



# APPROVAL OF P-CARD PROGRAM

- Present proposed purchasing card policy,
- Presentation to Director, Mayor, Board President, etc.,
- Discuss Pros and Cons of the P-Card Program,
- Benefits outweigh the risks, and
- Conduct a Pilot of the P-Card Program.

# OBTAINING A P-CARD

- Define documentation and process for Procurement Card,
- Prepare a filing system to maintain cardholder agreements, monthly statements, and applications, etc.,
- Designate a Departmental Program Coordinator,
- Complete Agency Billing Account Setup Form,
- Complete Purchase Card Setup Form,
- Complete Cardholder Agreement Form,
- Complete MS Governing Authority Users Form, and
- Provide a copy of the Agency's/Governing Authority's last two years Balance Sheets and Income Statements.

# PROGRAM COORDINATOR'S RESPONSIBILITIES

- Identify cardholders authorized to purchase on behalf of the agency/governing authority,
- Establish internal procedures consistent with the guidelines/policies,
- Conduct orientation/training session of authorized cardholders and provide cardholders with information concerning the procurement card program and state purchasing laws, and
- Collect and sign cardholder agreement forms.

# PROGRAM COORDINATOR'S RESPONSIBILITIES

- Ensure transaction log and information are complete and accurate,
- Ensure that cardholders are within spending limits set by the agency,
- Responsible for distribution of pertinent information to agency/governing authority staff, and
- Ensure cardholders are trained on proper policy and procedures set by the agency/governing authority.

# MINIMUM REQUIREMENTS

- Assure that items purchased are required for bona fide government purposes,
- Assure no cash advances are made,
- Assure no travel expenses are charged,
- Assure all items are received (no back orders),
- Assure prices are fair and reasonable, and
- Assure no state and local sales taxes are applied.

# MINIMUM REQUIREMENTS

- Purchases must be within the limits set by the agency/governing authority,
- Review and confirm a list of items purchased (itemized/detailed receipt or an order description, if missing complete a Missing Document Affidavit),
- Assure state contract items are purchased only from approved contract vendor(s) at or below the approved contract price,
- Cardholder shall review all charges to assure accuracy and reconcile with receipts,
- Submit statement, copies of receipts, logs and disputed documents to approving official, and
- Report lost or stolen cards immediately.

# SPLIT PURCHASES

- The maximum amount of a Procurement Card purchase is \$5,000,
- Purchases over \$5,000 must be on a purchase order and require two written quotes, and
- Do not split purchases – defined as splitting one purchase totaling more than \$5,000 into several to circumvent the \$5,000 limit.



# PROHIBITED PURCHASES

- Travel related expenses,
- Contractual services to an individual, Sole Proprietor, Partnership or LLC,
- Cash Advances,
- Radioactive, Explosive or other Hazardous material,
- Items for personal use,
- Alcoholic beverages,
- Gifts,
- Items on back order,
- State Taxes, and
- Entertainment

# BILLING

- The bank will send an electronic or hard copy statement at the end of each billing cycle,
- Approving official will distribute individual cardholder statements for review and verification,
- The approving official will forward approved master statement to the accounting office, and
- A copy of the master statement, original individual statements, logs, etc., related to the program must be maintained at the agency and available upon request for audit purposes.

# BALANCES ON ACCOUNTS

- Per Section 10.115.01, Mississippi Procurement Manual, balances on credit cards shall be paid at the receipt of the monthly statement, once statement(s) have been reconciled for accuracy,
- Balances shall not be carried over to the next month, and
- If payment for undisputed amounts is not mailed or otherwise delivered within 45 days after the receipt of the statement, the public body shall be liable to the bank for interest at a rate of one and one-half percent (1-1/2%).

# TAXES

- Taxes should not be charged to procurement card purchases,
- Tax exempt status is only applicable to Mississippi sales tax,
- Cardholder is responsible for informing vendor of tax exempt status,
- Internet and out-of-state purchases are not exempt from sales taxes, and
- If taxes are charged, cardholder should obtain a credit.



# SECURITY ISSUES

- Keep the procurement card in a secure location (e.g. locked filing cabinet or office safe),
- Agency only P-Cards – require users to sign the card out and in after use,
- Do not carry the P-card on weekends, vacations or holidays,
- Keep the P-Card separate from personal credit cards, and
- Request Supervisor/PC to check receipts against bank statements.



# LIABILITY

- The State of Mississippi will not accept any liability or financial responsibility for state employees' charges that have not been authorized and exceed any specified limits and violate any of the MCC code restrictions pursuant to current P-Card association rules and regulations.



# OVERVIEW

- Define documentation and process for Procurement Card,
- Designate a Program Coordinator,
- Identify Authorized Employees/Cardholder,
- Provide training on P-Card policies,
- No cash advances or travel related expenses,
- Tax Exempt,
- Obtain itemized receipts, and
- Keep P-Card in a secure location.



# **DFA PROCUREMENT CARD STAFF**

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Office of Purchasing and Travel**

**Ross Campbell, Director  
Marketing and Audit  
Office of Purchasing, Travel and Fleet  
Management**

**Mike Cook, Director  
Office of Purchasing and Travel**

**Monica Ritchie, Director  
Office of Purchasing, Travel and Fleet  
Management**

**Small Purchase Procurement Card Services Contract:**

**<http://www.dfa.state.ms.us/Purchasing/StateContracts/ProcurementCardServiceContract946.pdf>**

**[Email: PurchasingandTravel@dfa.ms.gov](mailto:PurchasingandTravel@dfa.ms.gov)**



# QUESTIONS & ANSWERS



SWP-8/16/13