



Purchasing and Travel Services

Purchasing Card Procedures

January 2015

1. PURPOSE

To give direction to the administration of purchasing cards and the operational support necessary for use of purchasing cards for the acquisition of low-dollar value approved items and services. The card is designed to eliminate the formal purchase order and invoice processing associated with low-dollar value transactions and to provide flexibility and convenience in making small purchases.

2. SCOPE

This procedure applies to all Brigham Young University Hawaii (BYUH) departments and their card users that use the Bank of America Merrill Lynch VISA purchasing credit card.

3. DEFINITION

3.1 Purchasing Card. A bank card issued to Brigham Young University Hawaii to acquire goods and services (normally transactions less than \$1,000). A limit per transaction and per month is established for each card. The card is used in addition to other approved purchasing methods currently available (See paragraph 4.1). The university pays all charges made on all cards monthly. The usage of the card will be blocked (See paragraph 3.6) for selected categories of businesses and uses where use of the purchasing card is not authorized.

3.2 Purchasing Cardholder. A university employee who:

- is issued a purchasing card in his/her name
- is authorized to make purchases of goods and services for his/her assigned area of responsibility in accordance with the policies and procedures defined in the program
- obtains and retains receipts for purchases made (See paragraph 4.12)
- reconciles receipts to online transaction data on a monthly (more frequently as high volumes requires)
- adheres to single transaction and monthly dollar limits
- maintains the security of the purchasing card
- reviews and verifies each transaction on the monthly statement

- provides the Cardholder Supervisor/Manager, for review and approval, receipts and explanations of all transactions appearing on the monthly statement
- Corrects any incorrect charges with the supplier and disputes unresolvable charges (See paragraph 4.16.1).

Misuse of the card may result in disciplinary action which may include termination of employment.

3.3 Single Transaction Limit. Each purchasing card will have an associated single transaction limit set by the Purchasing Department Card Administrator. Single transaction limits will normally be \$1,000 or less unless an exception has been given (See paragraph 4.1 and 4.2).

3.4 Monthly Limit. Each purchasing card account will have an associated monthly dollar limit set by the Purchasing Department Card Administrator. The total of outstanding card purchases made during a month cannot exceed the pre-established limit. The Purchasing Card System rejects transactions at the time of purchase that exceed the limit. Monthly limits will normally be \$5,000 or less unless an exception has been given (See paragraph 4.1 and 4.2).

3.5 Merchant Restrictions. Certain types of suppliers are excluded from the purchasing card program. These types of suppliers have been “blocked” based on merchant category codes (MCC) and any attempt to use the card at these suppliers will be declined by the Purchasing Card System. Department/organization needs and compelling business reasons might require an exception to the restricted items. Exceptions must be approved by the Purchasing Department Card Administrator (See paragraph 4.1 and 4.2).

4. GUIDELINES

4.1 Purchasing cards are used for appropriate low value purchases (up to \$1,000) in lieu of using petty cash funds, check requisitions, low value purchase orders. A limit per transaction (up to \$1,000), and a monthly dollar limit (up to \$5,000) is established for each card. (See paragraphs 3.3 and 3.4) Exceptions may be approved by the Purchasing Department Card Administrator for one time emergencies or for permanent exceptions (See paragraph 4.2 below).

4.2 Spending limits are requested by the Cardholder Supervisor/Manager and approved by the Purchasing Card Administrator up to the regular limits specified in paragraph 4.1. If a spending limit above the regular limits specified in paragraph 4.1 is needed, the following must be done:

4.2.1 For temporary onetime adjustments - The Cardholder Supervisor/Manager reviews the spending limit adjustment request with the cardholder and submits a request to the Purchasing Department Card Program Manager.

4.2.2 For permanent adjustments - The Department Supervisor/Manager completes a Purchasing Card Exception Request form and forwards the completed form to Purchasing. Purchasing will then forward this request to the Church Purchasing Card Group who will present the request to the Committee for approval.

4.3 The Purchasing Card may be used for:

4.3.1 Purchase goods and services as determined by the approved transaction limit (See paragraphs 3.3 and 3.4).

4.3.2 Use preferred vendors, whenever possible. (The Purchasing Department establishes and maintains vendor agreements using purchasing card history, and will provide a list of preferred vendors for commonly purchased items. See paragraph 4.17).

4.3.3 Make purchases by telephone, via the Internet, through the mail, or in person. (Appropriate measures should be taken to prevent disclosure of the purchasing card account number to unauthorized individuals).

4.3.4 The cardholder may make authorized acquisitions for other employees. However, responsibility to verify receipt, correction, and authorization for the transaction remains with the cardholder and the cardholder's supervisor.

4.3.5 Adequate budget must be available to cover the transaction.

4.4 The purchasing card may be used to purchase items or services that are for the use and benefit of the university only. The following are prohibited uses of the card unless specifically approved by Purchasing. Violations of these prohibitions may result in disciplinary action which may include termination.

4.4.1 Securing cash advances from a bank or automatic teller machine (ATM) unless cash advances have been approved by Purchasing Department Card Administrator.

4.4.2 Allowing anyone but the cardholder to use the card (See paragraph 4.3.4).

4.4.3 The card may not be used to make personal purchases.

- 4.4.4 The card may not be manipulated or used to split a transaction to make purchases that fall outside the guidelines. This will constitute misuse of the card.
- 4.4.5 Travel related expenses.
- 4.4.6 Gas Station purchases while using a personal vehicle for business purposes.
- 4.5 Before the card is used for Federal Withholding (1099) transactions, correlate with the Financial Services controller to ensure that the correct information is gathered for government reporting. Transactions that require the university to issue 1099 statements are those where payment goes either to individuals for rent, medical, or non-employee compensation or the payment goes to unincorporated businesses.
 - 4.5.1 Name and address of the individual or unincorporated business to whom the payment is made.
- 4.6 Each Purchasing Cardholder will sign a Purchasing Card Application and the Cardholder Agreement. The signature on these forms indicates that the employee understands: the intent of the purchasing card program, how to use the purchasing card, agrees to adhere to the policies and procedures and guidelines established for the program, and understands the disciplinary actions that may be applied if the card is misused.
- 4.7 The Cardholder Supervisor/Manager also signs the Purchasing Card Application and the Cardholder Agreement. The supervisor/manager's signature on the Purchasing Card Application and the Cardholder Agreement indicates that the supervisor/manager understands his/her responsibilities under the purchasing card program (See paragraph 4.13).
- 4.8 The university Controller also signs the Purchasing Card Application. The controller's signature provides controller sign-off on those aspects of the purchasing card program that can be approved prior to a purchasing card purchase, such as: 1) The authorized requestor's (cardholder) authority to approve purchases and the expenditure of funds against budget, 2) availability of budget and consideration of budget implications, 3) Appropriateness of the assigned account codes.
- 4.9 Misuse of the purchasing card can result in forfeiture of the card and may result in disciplinary action, including possible termination.
- 4.10 All university employees participating in the purchasing card program must be vigilant to ensure that purchasing cards and purchasing card account numbers are protected and

cared for properly. Purchasing cards should be kept in a secure location. Account numbers should never be posted or written down. Employees must do all that they can to prevent the cards from being lost, stolen, or misused. Employees must also do everything possible to promptly detect that a card has been lost, stolen, or is being misused.

- 4.11 A cardholder who leaves university employment , or whose assignment changes will immediately surrender his/her purchasing cards and any outstanding transaction information to his/her supervisor/manager.
- 4.12 File documentation for all purchases in a Purchasing Card reconciliation file you establish. Typically, a store receipt and purchasing card charge slip are provided to the cardholder at the point of sale. If the documentation is not available, the cardholder should prepare and sign a memo or add the item to a purchasing card transaction log. The memo or log copy must show the merchant name and address, purpose and items or services purchased, date, location, sales tax if applicable, and amount of the purchase. This memo must be signed by the cardholder's supervisor/manager to be a valid document. The documentation must be filed with the monthly statement after it is reconciled and certified as accurate and complete by the cardholder and supervisor/manager (See paragraph 4.13). Documentation must specifically identify the goods purchased rather than referring to the goods in general terms such as "merchandise purchased."
- 4.13 The cardholder is required to reconcile (i.e. review and approve) all transactions made using the purchasing card. The internet on-line system provides cardholders and their managers with data to reconcile and approve individual transactions, provides a means to allocate account codes prior to mapping to the general ledger and recording sales tax, and allows cardholders to monitor monthly spending activity as it happens and dispute purchases on-line. At least monthly (more frequently if high volume requires) cardholders and/or their supervisor/manager should go on-line to review and approve any charges that may have posted by clicking on the box next to each transaction
- 4.14 Each month the Purchasing Card System will deliver to the cardholder a statement which includes a listing of purchases made and credits received during the monthly billing cycle. The monthly statement is a reference document. It is not a bill. The cardholder is responsible for verifying that all activity listed on the statement is accurate. The verification takes place on-line.
- 4.15 It is critical that the cardholder reconcile the statement and the cardholder's supervisor approves the reconciliation. If internet access is available this review and approval of each transaction may have been done previously in the on-line system (See paragraph 4.13 above). The monthly statement and the documentation must be ready for filing by

the 7th day of the month after receipt of the statement whether the statement was used for reconciling the transactions or the on-line system was used.

4.16 The cardholder is responsible for initiating action promptly, upon review of the transactions in the on-line system or the monthly statement, to correct errors and questionable charges. The cardholder should first contact the supplier directly to notify them of a dispute. Most errors and questionable charges can be corrected by contacting the supplier directly. If the supplier agrees that an error has been made, the supplier will adjust the cardholder's account. This should be noted in the reconciliation to ensure that the appropriate credit is received and is reflected on the next monthly statement. A cardholder should always have the merchant post a credit to the Purchasing card account to which the purchase was originally made. The cardholder should never accept cash.

4.16.1 Errors that cannot be corrected with a supplier are resolved by calling the Purchasing Card System Customer Service at (888) 449-2273 to report the dispute. The disputed transaction should also be indicated in the on-line system. All disputes must be submitted to the Purchasing Card System either on-line or by phone call within 60 days of the transaction posting date.

4.17 The Purchasing Department is responsible for vendor relationships. Purchasing will initiate vendor contacts and discussions to encourage vendors to accept purchasing cards, and negotiate contracts with vendors where the cards may be used extensively.

4.18 All purchases made with a given purchasing card will be charged against a predetermined general ledger account code.

5. PROCEDURE

Authorization and Issuance of Purchasing Card

5.1 Determines the need for a purchasing card within his/her area of responsibility and identifies who will be the Purchasing Cardholder. Along with the cardholder, completes a Purchasing Card Application, including the recommended transaction and monthly dollar limits (See paragraph 3.3 and 3.4). Has the cardholder read the Cardholder Agreement Form and discusses it with him/her. Signs the application and agreement forms, along with the recommended cardholder. Makes a copy of the application and agreement to keep on file, and forwards the original to the department/organization controller.

Application forms must include the following:

1. The maximum amount that can be purchased with one transaction (transaction dollar limit). Normally this will be \$1000 or less, however, any amount may be set and approved by the department and purchasing director.
2. The maximum amount is \$5000 for all purchases during the month (monthly dollar credit) limit. This amount should be consistent with the acquisition assignment of the employee that will be issued the Purchasing Card. The limit should be high enough to cover unusual months but not so high as to expose the university to excessive risk.
3. The General Ledger default account code to be associated with the card.

Use of Purchasing Cards

5.2 The Purchasing Cardholder does the following:

- Determines that there is a need to purchase goods or services and that the purchases fall within the guidelines established (See paragraph 4.4).
- Determines that there is adequate budget to cover the cost of the purchase.
- Where possible, use vendors the university has contracts with. Use vendors recommended by the Purchasing Department for the type of item to be bought.
- Agrees to a price if one has not been established (See paragraph 4.17). If the purchase is outside the card limits or authorized purposes, the charge will be declined by the Purchasing Card System.
- Orders goods and gives the purchasing card or number for payment.
- Obtain documentation (VISA customer receipt, the sales receipt, packing slip, etc.) from the vendor that clearly shows what goods are being purchased.
- Ensures that the goods received are clearly identified on the purchase documents and that the price is clearly noted, as well as any sales tax that is paid if required. The purchase documentation should be retained.

Purchasing Card Account Reconciliation

Purchasing Cardholder

5.3 Goes into the on-line system at least monthly (more frequently if high volume requires) to review and approve each transaction.

5.3.1 Compare each transaction on the statement to documentation (receipts, receiving slips, memos etc.) in the Purchasing Card reconciliation file to verify each transaction and amount. All transactions should be supported by some form of documentation.

5.3.2 Ensures that any debits and or credits expected as the result of returned or exchanged goods, or credits from disputed charges from the previous month, are accurately reflected on the account.

5.3.3 Corrects any discrepancies or errors with the supplier (See paragraph 4.16) and reports any disputed non-resolvable charges in the on-line system by clicking on the dispute box and by calling the Purchasing Card System Customer Service at (888) 449-2273 within 60 days of the transaction posting date (See paragraph 4.16.1).

5.3.4 Indicates appropriate general ledger account code, if other than the default account, by clicking on the transaction and entering the new account code and selects the correct approver for each transaction.

5.3.5 Description of all transactions must be filled in the transaction notes section.

5.3 Attaches all sales receipts and other documentation to the hard copy statement and sends all documents to the Purchasing Department within 5 working days after the 7th of each month. Purchasing will retain statements for three years.

Purchasing Cardholder's Supervisor/Manager

5.5 Goes into the on-line system at least monthly (more frequently if high volume requires) to review each transaction. The supervisor/manager determines to his/her satisfaction that:

1. The Charge is appropriate
2. Evidence of receipt of the goods or services has been acknowledged by the cardholder
3. Accounts indicated are correct, if the default account is not to be charged, and budget is available for the purchase
4. Cardholder has complied with all other aspects of this procedure

5.6 If supervisor/manager has been given approval authority by Purchasing the “signed off” box must have a notation indicating that all transactions are approved. Failure to reconcile will result in the suspension of card privileges.

Reporting Lost, Stolen or Misused Cards

Purchasing Card Holder

5.8 Immediately notifies Purchasing Card System Customer Service at (888) 449-2273 if the card is lost, stolen, or is being misused.

5.8.1 The cardholder's account will be immediately closed and a replacement card will be delivered within 7 business days.

5.8.2 Also notifies the supervisor/manager and the Site/Department Administrator who will notify Purchasing.

5.8.3 Documents how the card was lost, stolen, or is being misused. Documents when and who was notified.