



North Carolina Department of Administration


Michael F. Easley, Governor
Gwynn T. Swinson, Secretary

Division of Purchase and Contract
J. Arthur Leaston, State Purchasing Officer

July 12, 2002

MEMORANDUM

TO: Purchasing and Fiscal Officers for all
State Agencies, Institutions, Universities, Community Colleges,
and Public School Systems

FROM: J. Arthur Leaston 

SUBJECT: Procurement Card Program

As enabled by H.B. 231, Section 28.(b) (2001 session), The Secretary of Administration has adopted temporary rules for implementation and operation of a statewide procurement card program. Copies of those rules and program guidelines are attached for your reference.

Possibilities for expanded use of cards through NC E-Procurement @ Your Service are being explored with project management. If you wish to start planning for use of procurement cards in your organization, please contact the contract administrator, Barbara Stone Newton (barbara.stonewton@ncmail.net or 919-733-4505, ext. 117).

JAL:cb

Attachments: NCAC T01:05B.1522
General Information

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State Courier 51-01-06
Internet Home Page: <http://www.state.nc.us/pandc/>
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Raleigh, NC 27603-8002



1 NCAC 5B .1522 is adopted as a Temporary Rule as follows:

.1522 PROCUREMENT CARDS

Procurement cards (organizational charge cards) are for official use only and shall be used in accordance with this section and with the statewide contract established and maintained by the Division of Purchase and Contract. Use of procurement cards by any agency is contingent on satisfactory compliance review, as determined by the Division of Purchase and Contract. As the State's electronic procurement system is implemented, it shall be used to the fullest extent possible, including issuance of purchase orders. Procurement cards may be used as a payment mechanism within e-procurement if permitted by fiscal policies of the agency.

- (1) Each participating agency shall designate a procurement card program administrator, who shall be the chief purchasing officer or chief fiscal officer (or person specifically designated by either of these).
 - (a) All cards requested on behalf of the agency shall be sent to the program administrator
(not to individual cardholders) by a traceable delivery method.
 - (b) Cards shall show the agency name, cardholder, the state seal and/or agency logo, and clearly indicate they are for official use only.
- (2) The card program administrator, in consultation with the agency's chief executive or fiscal officer, shall determine appropriate limits by per-transaction amount (not to exceed the statewide per-transaction limit set by the State Purchasing Officer, after taking into consideration, current market trends, the economy, and recommendations received from the State Controller and the State Auditor), total per billing cycle, merchant categories, and similar factors. Agencies shall submit a copy of their procurement card policies and procedures to the Division of Purchase and Contract within ninety (90) days after program implementation and thereafter whenever such policies and/or procedures are updated.
- (3) The card program administrator shall ensure compliance with agency policy and procedures, including cardholders' acknowledgement prior to issuance of cards, account reconciliation, and security.
- (4) Procurement card transactions processed through e-procurement, utilizing the card as a payment mechanism within electronic workflow and approval processes, may be in any amount consistent with agency fiscal policies.

- (5) For procurement card transactions processed outside the State's electronic procurement system, the per-transaction limit shall be \$2,500. This limit can be changed only under the following circumstances:
- (a) In an emergency (as defined by NCAC T01:05B.1602 or Governor's declaration), the agency card program administrator may request higher limits on cards in critical areas. Such increases shall be in effect no longer than the duration of the emergency. Requests for increased limits are to be made through the Division of Purchase and Contract if time permits and must be reported to Purchase and Contract in any case.
 - (b) Agencies may apply to the SPO for higher limits on specific types of transactions, with justification required.
 - (c) The SPO may adjust limits based on analysis of the procurement card program's results, on a statewide or agency basis (See subparagraph 2 of this rule).
- (6) Agencies shall comply with procurement card policies prepared and disseminated by oversight fiscal offices (e.g., Office of the State Controller for State departments) governing those agencies under their responsibility.
- (7) No other charge cards that obligate payment by the agency or the State shall be used unless an existing contract obligation requires its use, but that obligation shall be discontinued no later than June 30, 2003. Requests for exceptions to this rule shall be submitted in writing to the State Purchasing Officer. Consideration of requests will be based on need, compliance reviews and contract obligations.

History Note: Authority G.S. 143-49(8)

PROCUREMENT CARD GENERAL INFORMATION

Procurement cards (also known as purchasing cards) enable organizations to make small purchases more quickly and efficiently by minimizing paperwork and processing time. Similar to familiar VISA, MasterCard, etc., formats, procurement cards can be processed by vendors just like personal charge cards. (They do not have to enroll specifically in a procurement card program.) Rather than making multiple small payments to many vendors, the using organization writes one check to the card provider.

Users, accounts payable, and purchasing can all benefit from the cards' streamlined process. It also offers an easy method of making emergency purchases (for repairs, for example). Vendors receive payment from the card processor within a few days, without extra paperwork, thus encouraging small local businesses to do business with the State.

Under P&C's contract with MBNA for their VISA card, there is no charge for issuance or maintenance of the cards. Rebates may be possible based on annual volume and prompt payment arrangements. (Optional electronic records programs are available for a charge.) Control of the program is with the purchasing officer or chief fiscal officer, who determines who may use the cards and for what types of purchases.

The cards are for official use only. Improper use of a card must be dealt with by the agency in the same way it would handle wrongful use of any purchasing process (petty cash, local pick-up authorization, or purchase order). Agencies are strongly advised to make signed acknowledgment of all procedures, regulations, etc., prerequisite to receipt of a card.

Procurement cards do not change WHAT you can buy; they offer another means to process the purchase.

Term contract items will still be bought from vendors on contract but you may be able to process small orders with the card. Competition is to be sought on open-market items as you would for other small purchases.

Each transaction on the procurement card is not to exceed \$2,500.

Agencies may set lower limits either for all purchases or specific cases, as they think best. Purchases can be limited by amount per transaction, total per time period, number of purchases per period, Merchant Category Codes (MCC), and in many other ways. Each card can have specific controls unique to that cardholder's responsibilities.

Choose cardholders carefully. The most likely candidates are those employees who have frequent need to make small purchases and who have demonstrated that they are responsible and will follow proper procedures. In exchange for a faster way of making purchases, cardholders must be willing and able to keep good records for accounting/reporting purposes. (This may be as simple as a receipt envelope and log sheet, but is very important.)

The full balance is to be paid at least once a month, as specified in our contract with the card provider. Payment of interest goes against the State's Cash Management Plan. You can choose the best billing date for your accounting cycle when your agency's card program is established. If there is a questionable transaction on the statement, it can be coded as "disputed," (Ask your account representative for more information.).

The card program does not change existing reporting requirements. You still must account for taxes (both in-state and out-of-state), report HUB expenditures, and maintain sufficient budget information to comply with the Executive Budget Act and related statutes. Your Chief Fiscal Officer must certify annually that your agency is in compliance. Start planning how your agency will handle these requirements before the first card is issued! The card program contractor can provide a variety of reports to assist you. In addition, there are several automated models created by state agencies and university campuses, who are willing to share them. If you are unsure how to handle a particular category of purchases, prohibit or block that.

Note: Many agencies require their cardholders to get an itemized receipt at time of purchase so expenses can be assigned to the correct account code. This is easier than receiving separate invoices later from the merchant, but still provides necessary information.

Maintain control of your program. Purchasing and accounting must work together on a regular basis to monitor card usage and make any changes needed. Utilize the contractor's reporting mechanisms as management tools. Report lost or stolen cards immediately. Be sure cardholders return their cards when they leave or change jobs.