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Procurement Card Policy

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Executive Summary

The Commonwealth Procurement Card (P-Card) program aims to simplify and expedite Department's routine purchases under 801 CMR 21.00, including incidental purchases. The program can also be used to minimize reimbursable travel processing costs or as an alternative payment method. The P-Card purchasing process includes pricing inquiry, order placement, delivery of goods, invoices and voucher review. Also, the P-Card program offers individual detailed purchase entries and streamlined payment entry and disbursement processing. Additionally, the Commonwealth P-Card will assist Departments in fulfilling immediate or non-office hour purchasing needs and dramatically shortens and simplifies the payment cycle processing.

Departments can use the P-Card to purchase goods, services, including travel expenses consistent with established policies and procedures and the internal controls of the Department. Travel expenses include, but are not limited to, the following:

- Airline ticket payments;
- Registration fee payments;
- Vehicle rental payments;
- Office supplies;
- Gasoline for rental vehicles;
- Other transportation ticket payments;
- Hotel folio payments including business related costs such as business phone charges and business internet access; and
- Payment for food up to the allowed amount in the red book or any other approved rates.

For the Department to reap the benefit of payment efficiencies that the P-Card offers, the Cardholder should not charge more than the authorized amount and "repay" the Department. The Cardholder should split the payment and only charge the authorized amount to the P-Card and pay the balance in cash or other means.

Except where otherwise exempted by statute or rule, an itemized receipt must be obtained for each transaction placed on the P-Card. Receipt documentation may be paper or electronic and shall be retained by the Department as an audit trail. The receipt must be:

- Legible;
- itemized (reflecting the good or services purchased); and
- contain the Vendor name;
- date of purchase; and
- detail price of items.

A receipt description, which only states “Miscellaneous” or “Merchandise” or only includes a Vendor’s stock or item number, is not acceptable. Departments should not honor any payments unless properly documented invoices (statements) are provided by the Cardholder.

All items purchased with a P-Card should be received by the Department before the end of the monthly billing cycle of the P-Card purchase. Purchased items must be received before June 30 of the fiscal year for payment to be made for that fiscal year. No backordering of merchandise will be allowed if goods will be received after that date.

The Cardholder shall inform all Massachusetts vendors that the Commonwealth is a tax exempt entity and that items purchased are not to be taxed. The Cardholder should not accept payments which include Massachusetts sales or meal tax. All P-Cards have the words “MA TX EXMPT 046002284” embossed on the Hologram side of the card.

The Commonwealth P-Card SHALL NOT BE USED for the following:

- Cash Advances (ATMs);
- Gift Cards;
- Legal Services;
- Alcohol purchases; or
- Any additional purchases identified by the Department in its Department’s Internal Control P-Card Use Policy.

Quality Assurance and Internal Controls

Departments must establish a comprehensive Internal Control Plan to ensure Departmental compliance with this policy. It is the Chief Financial Officer’s (CFO’s) responsibility to develop and document appropriate internal controls, ensuring that P-Card usage is consistent with this document and to develop guidelines for distribution to Cardholders. If the Office of the Comptroller (CTR) determines that a Department’s internal controls are not adequate, CTR may request policy improvements and/or place restrictions on the Department’s card(s) until proper internal controls are established, documented, and implemented. Internal controls are addressed in CTR’s mandatory training of CFOs.

Departments are responsible for reconciling receipts with the monthly statement issued by the Bank. Departments must make timely payments to the Bank for all P-Card purchases made by the Department during a monthly billing cycle.

Department payment activity is subject to quality assurance reviews by CTR. Quality assurance reviews include checking backup documentation for payments, spending authorization, procurement compliance and validation of monthly bill paying statements/reconciliations. CTR uses the statewide enterprise accounting and financial reporting system (“Mosaic”) to conduct these reviews. Supporting documentation must reflect the information provided in each transaction. The P-Card contract includes a 25-day payment schedule. Departments must manage the review of charges and schedule payment to be received by the due date to avoid finance charges.

Commonwealth P-Card Use Policy

The standard P-Card limit for each account per monthly billing cycle will be determined based on the business need of the Department as determined by the Department Head. This limit may be adjusted for any one Cardholder or all Cardholders by a Department as part of its Department Internal Controls P-Card Use Policy.

The Cardholder of a Commonwealth P-Card will have his/her name embossed on the card and it may only be used by the Cardholder. No person other than the approved cardholder is authorized to use that P-Card. The Cardholder may make expenditures on behalf of others in their department based on pre-authorization in accordance with Department's Internal Control P-Card Use Policy. However, the Cardholder is responsible for all use of his/her card. It is the Cardholder's responsibility to safeguard the P-Card and account number to the same degree that a Cardholder safeguards his/her personal credit information.

The Department CFO is responsible for ensuring that sufficient funds are encumbered to cover the charges anticipated under all cards issued to Department Cardholders.

The Department must have sufficient controls in place and routinely communicate with Cardholders to ensure that charges are not incurred that will exceed encumbered or available appropriations or other available funds for payment (or result in goods being received after the close of the Fiscal Year).

Departments are encouraged to encumber funds on an annual basis based upon anticipated use.

Suggestions for Developing an Effective Internal Department P-Card Use Policy

An effective Internal Department P-Card Use Policy is one of the most important features of the Commonwealth P-Card program. The CTR Procurement Card Use Policy sets minimum standards for use of P-Cards on a statewide basis. However, the development of an Internal Department P-Card use policy enables a department to establish additional controls and administrative procedures for the use of P-Cards for the particular needs of its department.

Departments should consider the following when developing the Internal Department P-Card Use Policy Attachment:

- The volume and type of petty cash and incidental purchases currently made in the Department that could be made using a P-Card, as opposed to the standard employee reimbursement and/or Payment Request procedures;
- The type of petty cash and incidental purchases that would be authorized for the Department as a whole, and for each individual Cardholder if desired;
- An estimated annual fiscal year amount of funds that will be encumbered for P-Card purchases. A portion or all of this amount must encumbered prior to issuance of P-Cards to Department;
- The opportunity to reduce or eliminate travel advances;
- The "Single Card Limit" that will be assigned to each Cardholder issued a P-Card;
- The Department's current Internal Control procedures around monitoring and approving expenditures must be updated to reflect the Department's P-Card policies. These must be available for review prior to Department card issuance;
- How employees will be trained on the Commonwealth and P-Card Use Policies and Procedures and any Department restrictions to the Commonwealth Policies and Procedures;

- The process that Cardholders will use to remit P-Card receipts, expenditure logs and/or Cardholder monthly statements of account for the purposes of reconciling P-Card purchases with monthly billing invoices;
- The individual who will act as the Approving Supervisor(s) for approving individual Cardholder P-Card receipts, expenditure logs and/or Cardholder monthly statements for reconciliation with monthly billing invoices;
- The process for reconciliation of P-Card expenditures, payments, and other post payment audit procedures;
- The process for disciplining a Cardholder who makes unauthorized purchases or carelessly uses the credit, including the type of internal Department disciplinary action that the Cardholder may be subject to in accordance with internal employment practices.

Additional Bank Forms

- Procurement Card Company Setup Form. Department Head signature required.
- Procurement Card Employee Setup Form. May be sent electronically from CFO.
- Procurement Card (P-Card) Employee Use Agreement Form.

Information Sources

Related Policies

- CTR Key State Finance Law Compliance Roles and Responsibilities Document
- CTR/OSD Commodities and Services Policy
- CTR Department Head Signature Authorization Policy

Legal Authority

- Expenditure Classification Handbook
- M.G.L. c. 7A: Office of the Comptroller
- M.G.L. c. 29: State Finance Law
- M.G.L. c. 133: Uniform Electronic Transactions Act
- M.G.L c. 7 § 22: OSD – Goods and Services
- M.G.L. c. 30 § 51: OSD – Goods and Services
- M.G.L. c. 30 § 52: OSD – Goods and Services
- M.G.L. c. 15A: Public Education
- M.G.L. c. 73: State and Community Colleges
- M.G.L. c. 75: University of Massachusetts
- 801 CMR 21.00: (Level III – Executive Only)
- Massachusetts Executive Orders: (Level III – Executive Only)
- Administrative Bulletins: (Level III – Executive Only)
- C815 CMR 2.00 – 10:00: Office of the Comptroller Regulations

Contacts

- CTR Solution Desk