



# State of Arizona Accounting Manual

Topic 45 Expenditures, Expenses and Disbursements

Issued 04/04/16

Section 35 P-Card

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## General Policies and Procedures

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### INTRODUCTION

To facilitate the purchase of goods and services and to provide an efficient method of paying for these goods and services, the SPO makes a purchasing card, known as the P-Card, available to agencies.

There are two distinct forms of activity for which the P-Card may be employed: purchase activities and payment activities.

A purchase transaction involves the acquisition of goods and, as part of the purchase transaction, also incurs an obligation. A purchase transaction is similar to an individual's using a credit card to acquire merchandise in a store. It is envisioned that many, if not most, of the State employees to whom a P-Card is issued will be authorized to use it in this way. Suitable candidates to receive the P-Card to conduct purchase transactions would be employees who spend a good deal of time out of the office and may be required to make purchases in the field. Relatively low spending limits are appropriate for these types of transactions.

A payment transaction involves making payment on a vendor's account for previously acquired goods or services. A payment transaction discharges an obligation to the seller of the underlying goods or services and incurs a corresponding obligation to the financial institution issuing the card. Those who receive the P-Card to conduct payment transactions are likely to be those processing an agency's accounts payable transactions. Relatively high spending limits are suitable for these types of transactions.

A settlement transaction, which differs from a payment transaction, involves payment to the financial institution issuing the card.

This section of SAAM sets forth the general policies that affect the use of the P-Card. Separate SAAM sections deal with the responsibilities of an agency in administering the State's P-Card program, the responsibilities of an individual to whom a P-Card is issued, and the use of the P-Card in connection with continuity of operations.

The use of the P-Card for both purchase and payment activities encourages its use, which, in turn, increases efficiencies and reduces overall costs to the State.

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### POLICY & PROCEDURES

#### 1. General.

- 1.1. All purchases or payments made using a P-Card must be for a valid public purpose.
- 1.2. The P-Card is to be used solely for authorized State expenditures incurred while conducting State business during authorized duty hours.
- 1.3. State agencies are encouraged to use the P-Card to conduct purchase or payment transactions.
- 1.4. No card except the P-Card issued by the State P-Card Contractor shall be used for the purposes described in this section of SAAM.
- 1.5. P-Card transaction limits apply to the total transaction, including taxes, delivery, installation, etc.
- 1.6. All P-Card transactions shall comply with SAAM, approved State contracts for commodities, agency policies and procedures that are consistent with SAAM and other laws, rules, policies, grant requirements, and contract provisions that apply.
- 1.7. Sufficient spending capacity and authority—that is to say, sufficient cash to liquidate the liability created by the purchase or payment as well as, if applicable, adequate appropriation and allotment balances—must exist for any purchase or payment.
- 1.8. The P-Card may be used to purchase and/or pay for goods or services from another agency subject to the following limitations and conditions:
  - 1.8.1. An agency is not required to accept (and may, in fact, prohibit the use of) the P-Card for purchases made from or payments made to it.
  - 1.8.2. An agency that accepts the P-Card for payments or purchases made by another agency must be able to demonstrate that the benefit of accepting a P-Card under these circumstances outweighs the costs associated with P-Card processing
    - 1.8.2.1. The costs associated with accepting a P-Card include processing, reconciliation and accounting costs as well as discount fees paid to or retained by the card issuer.
    - 1.8.2.2. The accepting agency's cost-benefit analysis related to the acceptance of the P-Card for purchases by and/or payments to another agency must be retained for audit for a period consistent with LAPR's retention schedule for accounting transactions.

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- 1.9. The P-Card may not be used:
  - 1.9.1. By anyone other than the authorized cardholder.
  - 1.9.2. To withdraw cash from ATMs or other sources.
  - 1.9.3. To purchase or pay for traveler's checks or other negotiable instruments.
  - 1.9.4. To purchase or pay for any alcoholic beverage or illegal substance.
  - 1.9.5. By a cardholder after transferring from the issuing agency or cost center or after resignation, retirement or termination from State service.
- 1.10. Dividing purchase transactions to circumvent aggregate purchase limits or single purchase limits is prohibited.
- 1.11. When practicable, cardholders shall purchase from State-contracted vendors.
- 1.12. The P-Card may be used to complete purchases from or payments to both State-contracted vendors and vendors not under State contract as long the supplier accepts the P-Card. Suppliers whose contracts with the State do not explicitly require acceptance of the card may elect not to accept the P-Card for purchases of or payment for State contracted items.
- 1.13. Except as may be otherwise specifically provided, the P-Card may not be used to purchase gasoline, airfare, train fare, hotel lodging, car rental, meals, incidentals or other expenses related to travel.
- 1.14. The P-Card is the preferred method to:
  - 1.14.1. Book and pay for facilities to be used for meetings, conferences and other authorized events.
    - 1.14.1.1. Lodging related to meetings, conferences and similar events should be handled using the ETC.
  - 1.14.2. Purchase and pay for conference and training registration fees.
- 1.15. Unless otherwise prohibited, the P-Card may be used to complete purchases or payments by way of telephone or the Internet.
- 1.16. With respect to P-Cards, the agency that requests the P-Card is responsible for the:
  - 1.16.1. Settlement of all charges.
  - 1.16.2. Payment of late fees, delinquency charges and interest accrued.

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- 1.17. To avoid delinquencies, or to otherwise act in the best interest of the State, the GAO reserves the right to pay the State P-Card Contractor for charges incurred by the issuing agency and to recover such payments from the issuing agency's cash balance.
- 1.18. The cardholder may be personally liable for P-Card charges and may be required to reimburse the State of Arizona for P-Card transactions that violate any applicable laws, rules, policies or procedures.
- 1.19. Unless exceptions are approved in advance by the GAO, the P-Card shall be available only to eligible State employees and no organizational or departmental cards shall be issued. Each agency is responsible for determining employee eligibility.
  - 1.19.1. An agency wishing to issue a P-Card to an organization, division, program or department for purchases or payments should direct a letter of request to the State Comptroller.
    - 1.19.1.1. This letter should contain a justification for the request, the purpose for which the card will be used, the spending limit requested, a listing of the proposed P-Card custodians and their titles, a description of the internal controls in effect to prevent misuse, and any other restrictions, such as the restriction of the P-Card's use to certain preferred vendors or for types of purchases, which will be imposed.
    - 1.19.1.2. Organizational or departmental P-Cards are to be delivered into the custody of an agency P-Card custodian. The P-Card custodian must sign a GAO-PC-101 and is responsible for maintaining stewardship over the P-Cards in his charge.
    - 1.19.1.3. The GAO may require an examination of an agency's internal controls over P-Card usage before rendering a decision with respect to any request involving the issuance of an organizational or departmental P-Card.
- 1.20. The GAO may, in its sole discretion, perform audits of any agency that issues or requests the issuance of a P-Card to any of its employees, departments or programs.
  - 1.20.1. Such audits may involve any aspect of the use, oversight or administration of the P-Card within or by the agency as well as any documents or records related thereto.
  - 1.20.2. Upon the completion of an audit, a report upon compliance, oversight and use will be issued to the agency head, the ADOA Director, the State Comptroller and the State Procurement Administrator.

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- 1.21. An agency's failure to comply with all laws, rules, policies and procedures related to the use of the P-Card may result in revocation of an agency's authority to issue P-Cards or have them issued.
- 1.22. P-Card privileges are a management prerogative that may be canceled, restricted or revoked at any time for any reason by agency management, the State Comptroller, or the State Procurement Administrator.
- 1.23. Improper use of the P-Card is subject to appropriate disciplinary actions (up to and including dismissal and prosecution) and recovery of inappropriately spent State monies.
- 1.24. In the event of an emergency, the ADOA Director or his designee may authorize prudent and reasonable exceptions.
  - 1.24.1. A request for an exception must:
    - 1.24.1.1. When possible, be made in advance of the purchase and should be submitted in writing to the State Procurement Administrator or the State Comptroller from the agency head.
    - 1.24.1.2. Include the cardholder's name, a description of the circumstances requiring an exception, and a justification for the emergency procurement in the manner prescribed for emergencies by the State Procurement Code.
  - 1.24.2. Emergency requests involving accounting issues may be sent directly to the State Comptroller for resolution in accordance with applicable statutes, policies and procedures.
- 1.25. Transferring or lending a P-Card to or borrowing a P-Card from the individual or unit to whom or which it was issued is strictly prohibited.

## 2. Purchase transactions.

- 2.1. Unless a written exception is granted by the State Comptroller, the spending limit for any single purchase transaction shall be established by the agency but shall not exceed:
  - 2.1.1. Five thousand dollars (\$5,000) for monies to be expended out of an appropriated fund.
    - 2.1.1.1. Internal controls over appropriated funds should be implemented to prevent P-Card purchases from exceeding established spending authority and cash availability.
  - 2.1.2. Ten thousand dollars (\$10,000) for monies to be expended out of a non-appropriated fund.

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2.1.2.1. Although transactions involving non-appropriated funds are not subject to the same spending limitations, they must be appropriately managed by the agency—viz., sufficient cash to liquidate the liability created by the purchase on a timely basis must exist.

2.2. An increase in an agency's P-Card purchase transaction limit may be requested by writing the State Comptroller. The request letter is to include a justification for the request, the purpose for which the card will be used, the spending limit requested, a description of the internal controls in place to prevent misuse, and any other restrictions (such as the restriction of the P-Card's use to certain vendors or certain types of purchases) that will be imposed.

2.3. The State Comptroller may require an examination of the agency's internal controls over P-Card use before a decision is rendered with respect to a purchase limit increase request.

2.4. P-Card purchases are subject to the standard of "fair and reasonable pricing."

### 3. Payment transactions.

3.1. Except as may be otherwise prescribed, the spending limit for any payment transaction shall be established by the agency but shall not exceed ten thousand dollars (\$10,000).

3.2. An increase in an agency's P-Card payment transaction limit may be requested by writing the State Comptroller. The request letter is to include a justification for the request, the purpose for which the card will be used, the payment limit requested, a description of the internal controls in place to prevent misuse, and any other restrictions (such as the restriction of the P-Card's use to certain vendors or certain types of payments) that will be imposed.

3.3. The State Comptroller may require an examination of the agency's internal controls over P-Card use before a decision is rendered with respect to a payment limit increase request.