

GAO Topic of the Month - May 2021

P-Cards/On-and-Off-Contract Purchasing



Introduction

The Topic of the Month is being provided as a resource to agencies and employees to better understand the requirements, responsibilities and expectations that come with certain processes, positions, and functions. The goal is to ensure that agencies have the knowledge to consistently comply with State and Federal law, regulations and guidelines, while reducing the risk of fraud, waste and abuse. This month's topic is *Purchase Cards/On-and-Off-Contract Purchasing*. If there are any topics that your agency is struggling with and/or would like additional information on, please contact your GAO Liaison. GAO is here to help!

Background

GAO Internal Audit recently conducted a statewide Purchasing Card (P-Card) review. This review identified a significant number of agency cardholders who are not checking for State contracts prior to making purchases, resulting in inappropriate off-contract purchases. Purchasers must always check for a state contract before making any purchase. If you have any questions regarding procurement or contracts, please contact the State Procurement Office (SPO) or your procurement officer.

One of our current focuses of the current P-Card review is to make sure P-cards are being used appropriately and following the Procurement Code, rules, laws, regulations, etc.

SAAM 4520 – Expenditures, Expenses & Disbursements

SAAM 4520-4 states, "As applicable, expenditures must comply with the Procurement Code. This means, among other considerations, that purchases are to be made from vendors on State contract whenever practicable." Remember, practicable is more than practical. It means that something can be reasonably achieved, even if it is inconvenient. See SAAM 9505 for definitions.

State Contract Waivers For Off-Contract Purchases

The State Procurement Office offers a "standard procedure" as a resource to assist state agencies when making off-contract purchases. [Standard Procedure - State Contract Waivers for Off-Contract Purchases](#).

SAAM 4537 – P-Card Cardholder Responsibilities

Although it is possible to pay a vendor/contractor directly from AFIS for an item that is not under contract, the majority of off-contract purchases are made using a State issued purchase card. SAAM 4537-4.4 states, "A cardholder shall, except as otherwise provided, purchase items on State contract from a State contracted vendor; items not on State contract shall be purchased using such competition (e.g., price comparisons) as is practicable under the circumstances."

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How should my agency make off-contract purchases that are not covered by existing contracts?

If the item does not exist on any statewide or agency contract, AAC R2-7-D304 states the agency chief procurement officer shall use reasonable judgement in awarding contracts of \$10,000 and less that are advantageous to the state. As a result, the aggregate spend by using a P-card must also not be in excess of \$10,000. Per State Procurement Office's Standard Procedure SP 040, if the needed item is on-contract and costs less than \$200 (inclusive of tax and freight), but there is an immediate need, a P-card may be used in such a manner that the aggregate purchase of items does not exceed the \$200 limit. If the material or service is dissimilar in some salient way to what is available on the State contract or the State Contractor is unable to fulfill the material or service within the terms of the contact, the Procurement Officer may request an Off-Contract determination from SPO or administrator designee. Cost is not a factor in determining Off-Contract Approval.

Do agencies purchasing items that are not under contract have a requirement to check pricing from multiple sources/vendors before placing an order?

If the spend is \$10,000 or more and there is no contract or if the request is to bypass a state or agency contract, the form SPO 104 – *Off-Contract Purchase Authorization* will require the requester to determine that the price is "fair and reasonable." The best way to accomplish this is to informally request quotes from at least three (3) sources.

For purchases where there is no contract and spend is under \$10,000, SAAM 4537-4.4 states, "items not on State contract shall be purchased using such competition (e.g., price comparisons) as is practicable under the circumstances." If the aggregate spend is less than \$200, the requirement to ensure the price is fair and reasonable is a good practice, but not required.

Can I use my P-card to purchase an item on contract?

Yes, if there is a contract, you can use the P-card as a payment tool to pay for an item that is covered under the contract. However, you may need to directly contact the vendor to make sure your purchase is made under the contract and to get the correct pricing, etc. It may be easier to get the correct pricing and items by going through APP instead of paying online using a P-card.

Per SAAM 4535-1.13, "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 as the supplier accepts the P-Card. Suppliers whose contracts with the State do not explicitly require the acceptance of the card may elect not to accept the P-Card for purchases or payments for State contracted items." Remember, vendors who accept card payments must pay the associated fees with accepting card payments. Some contracted vendors may have established their contracted prices without the additional cost and therefore, are not willing to accept P-cards for payment for items purchased under the contract.

If an item is under contract, the agency/cardholder is responsible for making sure they are purchasing the items under the contract for the correct items, pricing, etc. The P-card can be used as a purchasing tool, but the cardholder is still responsible for following procurement code, rules, regulations, etc.

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If I find an item cheaper than the contract price, can I purchase it somewhere else using my P-card?

No, you must purchase the item under the State contract. If you have any questions or concerns about purchasing the item on the contract, please contact SPO or CPO for further assistance.

Additional Resources:

A.R.S. 41-2501 et. seq. - [Title 41, Chapter 23, Arizona Procurement Code](#)