



Chapter 45 - Purchase Cards

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45.10 Purchase Card Programs

45.10.10

October 1, 2007

Purpose of this chapter

This chapter contains the policies and procedures for the use of purchase cards by state agencies. These policies and procedures also apply to the one card (combination purchase and travel card), as described in Subsection 85.36.20, when it is used for non-travel purposes.

The purpose of purchase card programs is to improve the efficiency, flexibility and convenience related to purchasing goods and services. Purchase cards provide an alternative procurement method for purchases. They are not intended to be considered a procurement approach, or to be used to avoid or bypass purchasing policies. Rather, purchase cards are to be used within the same statutes, rules, policies, and procedures as purchases by any other means of payment.

The Department of General Administration (GA) through their Office of State Procurement (GA-OSP) has established a purchase card program. Refer to Subsection 85.36.20 for a description of the other charge card types, such as the one card, offered under the GA-OSP charge card contract. This contract is available for all state agencies choosing to use purchase cards. Agencies may independently contract for purchase card services if specifically authorized by statute or rule.

45.10.20

June 1, 2004

Authority for these policies

- 45.10.20.a RCW 43.19.185 authorizes agencies to use credit cards (e.g., purchase cards) for making purchases under rules established by GA. GA codified these rules in WAC 236-48-250 through WAC 236-48-253.
- 45.10.20.b RCW 43.19.1905 authorizes state agencies to purchase materials, supplies, services, and equipment of equal quantity and quality to those on state contract from the state's contractor or from non-contract suppliers provided that an agency follows the GA-OSP Best Buy Procedures.
- 45.10.20.c RCW 28B.10.029 authorizes institutions of higher education to independently exercise certain powers otherwise granted to the Director of GA.

45.10.30

May 1, 1999

Applicability

This section applies to all agencies of the state of Washington, unless otherwise exempted by statute or rule. The Budget and Accounting Act ([RCW 43.88.020](#)) defines the term “agency” to mean and include “every state office, officer, each institution, whether educational, correctional or other, and every department, division, board and commission, except as otherwise provided.”

Agencies may request a waiver from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

45.10.40

July 1, 2009

Acceptable use of purchase cards

Acceptable uses include:

- Goods and services for official state purposes purchased in person, by mail, by phone, or over the internet.
- Purchases complying with all applicable state statutes, rules, policies, and procedures.
- Purchases within spending and other limits established on the card, as established by the agency within the pre-determined agency aggregate limit.
- Purchases between Washington State agencies, **but only when**:
 - The paying and/or receiving account is a local account (not a treasury, treasury trust, nor petty cash account); and,
 - The receiving agency agrees to accept the inter-agency purchase card payments. Receiving agencies have the right to refuse acceptance of purchase card payments from other state agencies.

45.10.50

July 1, 2009

Unacceptable use of purchase cards

Unacceptable uses include, but are not limited to:

- Cash advances.
- Purchases in excess of the limits authorized for the card.
- Gifts/donations.
- Splitting purchases to circumvent the daily or monthly purchase limits on a card, or to avoid competitive bidding limits or purchasing authority limits.
- Purchases between internal departments within an agency, unless prior written approval is received from OFM based on the requirements in Subsection 40.40.10.
- Except as noted below, purchases between state agencies. For interagency payments, the preferred payment method is Inter-Agency Payment (IAP). Journal vouchers may also be used to transfer funds between state agencies. Refer to Subsection 85.36.20. **Exceptions** to this are as follows:
 - When prior written approval is received from OFM based on the requirements in Subsection 40.40.10; or,
 - When the paying and/or receiving account is a local account, and the receiving agency has agreed to accept the inter-agency purchase card payments. Refer to Subsection 45.10.40.
- Prepayments unless otherwise authorized by statute or rule. Refer to Subsection 45.20.35.
- Purchases from any merchant, product, or service normally considered to be inappropriate use of state funds, including, but not limited to:
 - Items for personal use.
 - Materials or services from any member of the card user's immediate family.
 - Equipment, materials, services, or supplies restricted by state statutes, rules, policies, procedures, guidelines or contractual agreements.
 - Alcoholic beverages or liquor licenses, unless permitted by statute or rule.

45.10.60

October 1, 2007

Agency responsibilities

45.10.60.a

Agency responsibilities include:

- Administration of their agency's purchasing card program.
- Developing agency specific policies and procedures in accordance with state policies.
- Designating an "Agency Program Administrator" who shall manage the program within the agency. If an agency is using the GA-OSP contract, they should notify GA-OSP of any change in the administrator.
- Determining whether the agency will issue individually assigned cards or department cards. Refer to Subsection 45.10.65.
- Determining card limits, including determining and managing the agency aggregate limit.
- Establishing a system for responsibility, control, and distribution of purchase cards within the agency.
- Educating cardholders, card custodians, and designated card users on use of the card, sales and use tax issues, and 1099 reportable merchants.
- Determining who within the agency will be responsible for following up with the merchant to resolve disputes and arranging for returns, credits, delivery problems, etc.
- Performing routine reconciliation of card transactions to the issuing bank's online purchase card transaction data to monitor purchases made for proper use of the card.
- Keeping up to date of program updates from GA-OSP, if using the GA-OSP contract.
- Designating appropriate records to be maintained. If using the GA-OSP contract, such records shall be available for review by GA-OSP as required by WAC 236-48-251. The following information should be maintained at a minimum:
 1. The number of cards used.
 2. The type of cards used.
 3. The amount of purchases made by card within a stated period.
 4. Reports of any problems encountered with the use of the purchase cards.

45.10.60.b Agency policies and procedures related to accounting for individual purchase transactions using the purchase card must comply with all applicable federal and state accounting and reporting requirements including:

- Requirements of the Internal Revenue Service, such as Annual U.S. Information Returns (1099's).
- Reporting requirements established by the Office of Minority and Women's Business Enterprises (OMWBE).
- Requirements of the Department of Revenue related to sales and use tax.
- Applicable expenditure coding requirements established by the Office of Financial Management.

45.10.65

July 1, 2009

Individually assigned cards and department cards

45.10.65.a Agencies may choose whether to issue purchase cards to individuals or departments. It is recommended that agencies utilize individually assigned cards rather than department cards in order to ensure better accountability of card users and full fraud protection from the issuing bank. The agency program administrator is responsible for determining who is authorized to receive and/or use purchase cards within their agency. The agency is responsible for charges against the purchase cards.

45.10.65.b **Individually assigned cards**

An individually assigned card is one that, in addition to including the name of the agency, department or institution, contains the name of the individual cardholder on the card. In order to ensure full fraud protection from the issuing bank, the individual cardholder's name must appear on the first line of embossing. The individual to whom the card is assigned should sign the back of the card. The individually assigned card cannot be used by anyone other than the employee to whom the card has been assigned.

45.10.65.c **Department cards**

A department card is issued bearing the name of a group (agency, department, workgroup or division), and generally does not have an individual name listed. The card is issued to a card custodian within the group. An agency may choose to include the card custodian's name on the card. The card custodian provides the card to designated card users as the need arises for them to make purchases.

In general, department cards should not be signed by an individual. If signed by an individual, it would be difficult for any staff member other than the signer to use the card. Instead, the card custodian should consider writing either the department or workgroup name on the space on the back of the card or writing the words "Request Employee Identification" on the back of the card.

45.10.70

July 1, 2009

Roles and responsibilities

45.10.70.a

Statewide program administrator (GA-OSP Contract)

GA-OSP acts as the statewide program administrator for agencies participating in the GA-OSP purchase card contract and is responsible for the following:

- Negotiating all contract terms and conditions with the issuing bank.
- Managing and administering the statewide program.
- Providing liaison services between the issuing bank and agencies, as required.
- Approving requests for agency participation in the program.
- Assisting agencies in the implementation, administration, and management of individual agency programs.
- Communicating program updates and enhancements to users.
- Providing training to agency program administrators and card users.

45.10.70.b **Office of Financial Management (OFM)**

OFM is responsible for the following:

- Establishing statewide policies and minimum procedures governing purchase card programs.
- Working with the issuing bank and agencies to assist with mapping purchase card data from the issuing bank into the statewide Agency Financial Reporting System (AFRS).

45.10.70.c **Agency program administrator**

The agency program administrator is the person responsible for management and oversight of the purchase card program within the agency, and is responsible for the following:

- Managing the purchase card program within the agency.
- Developing and enforcing agency policies and procedures for using the purchase card, including disciplinary procedures related to unauthorized use of cards and card renewal procedures. The agency policies and procedures should meet the minimum requirements of the statewide policies and procedures contained in this chapter. State ethics laws should also be considered when developing agency policies.
- Establishing and maintaining the purchase card reporting structure/hierarchy for the agency and ensuring proper separation of duties. For example, a card user may not be the reviewer or approving official for their own transactions.
- Reviewing purchase card applications and determining who within the agency should receive a card. For agencies utilizing department cards, this also includes designating card custodians.
- Ensuring that a card user agreement form has been signed by both the card user and appropriate approving official before issuing the card, and maintaining copies of the signed agreements in the agency's files.
- Maintaining a list of current cardholders, card custodians, and designated card users that are authorized to use cards.

- Obtaining cards from the issuing bank and distributing new and reissued cards to agency employees.
- Providing training to approving officials, cardholders, card custodians, and designated card users in the management, security, and use of the card.
- Reviewing the agency purchase card program at least annually to ensure that proper procedures are being followed.
- Ensuring card users satisfy documentation requirements for purchases.
- Closing card accounts as necessary, and collecting and destroying cards upon employee reassignment or termination.

45.10.70.d

Approving official

The approving official is assigned to monitor, review, and approve card transactions to ensure compliance with purchase card policies and procedures, and is responsible for the following:

- Complying with all state, agency, and purchasing statutes, rules, policies, and procedures.
- Establishing authorization controls for each card, which includes limits on the types of purchases, dollar limit per transaction, billing cycle purchase limit, etc.
- Establishing procedures for maintaining security of the purchase card.
- Ensuring timely reconciliation of card statements, including ensuring that supporting documentation is attached.
- Monitoring card activity for unusual patterns of use or unacceptable transactions, and taking appropriate disciplinary measures with card users who misuse their purchase card.
- Timely submission of the approved card statements to the fiscal staff for payment.

45.10.70.e

Card custodian (department cards)

For agencies who choose to utilize department cards, the card custodian administers and controls the use of department cards by authorized designated card users within the card custodian's workgroup and is responsible for the following:

- Complying with all state and agency statutes, rules, policies, and procedures.
- Maintaining a current list of designated card users who are authorized to use the department card.
- Training designated card users on the use of the card.
- Maintaining a department card log for designated card users to check out and check in a purchase card for use and record the business purpose for each use of the card.
- Tracking and verifying designated card user transactions.
- Ensuring that designated card users obtain and submit valid supporting documentation for each purchase made.
- Maintaining a purchase card transaction log for all transactions made according to agency procedures.
- Safeguarding card security at all times. The card shall be kept in a secured (locked) location while not in use. The only people authorized to use the department card are the card custodian and/or the designated card user(s).
- Reporting lost or stolen cards immediately following agency procedures.
- Reconciling the online data and the card statement to the purchase card transaction log and supporting documentation, at least monthly, and submitting to the approving official for approval.

45.10.70.f

Designated card user (department cards)

For agencies who choose to utilize department cards, the designated card user is an authorized user of a department card, and is responsible for the following:

- Receiving a copy of agency policies and procedures for purchase cards, signing a card user agreement form and receiving training before using a purchase card.
- Using the purchase card in accordance with all state and agency statutes, rules, policies, and procedures.
- Requesting the card when needed. Designated card users should check out the card on a department card log in order to make a purchase.
- Describing the business purpose for each use of the card on the department card log.
- Obtaining and submitting valid supporting documentation for each purchase made.
- Checking card back in on department card log after use and immediately returning card and supporting documentation to card custodian.
- Safeguarding card security at all times.
- Reporting lost or stolen cards immediately following agency procedures.

45.10.70.g

Cardholder (individually assigned cards)

For agencies who choose to utilize individually assigned cards, the cardholder is the employee issued an individually assigned purchase card to make purchases and is the only one authorized to use that card. The cardholder is responsible for the following:

- Receiving a copy of agency policies and procedures for purchase cards, signing a card user agreement form and receiving training before being issued and using a purchase card.

- Using the purchase card in accordance with all state and agency statutes, rules, policies, and procedures.
- Ensuring that the individual card is not given to or shared with other employees.
- Obtaining and submitting valid supporting documentation for each purchase made.
- Maintaining a purchase card transaction log for all transactions made according to agency procedures.
- Safeguarding card security at all times.
- Reporting lost or stolen cards immediately following agency procedures.
- Surrendering cards upon termination, reassignment, or request.
- Reconciling the online data and the card statement to the purchase card transaction log and supporting documentation, at least monthly, and submitting to the approving official for approval.

45.10.70.h

Fiscal staff

The fiscal staff are responsible for the following:

- Receiving approved card statements and reconciling with the corresponding monthly invoices.
- Reconciling purchase card transactions to the accounting system, and ensuring that all purchase card transactions have been recorded.
- Ensuring timely payment of card program invoices.
- Ensuring receipt of goods or services prior to payment of the purchase card bill, as applicable. Refer to Subsection 45.20.35.
- Ensuring that any disputes with the merchant are resolved, and arranging for credits, etc.



45.20 Required Procedures for Purchase Card Programs

45.20.10

October 1, 2007

Minimum requirements

This section contains the minimum requirements that should be included in an agency's purchase card policies and procedures. These requirements also apply to non-travel purchases on one cards. Refer to Subsection 85.36.20 for a description of the one card. Agencies may establish supplemental policies and procedures that are more stringent than the requirements established in this chapter.

45.20.15

October 1, 2007

Card issuance, changes and cancellation

45.20.15.a

All purchasing card services should be obtained through participation in the statewide contract administered by GA-OSP, unless there is a specific authority which authorizes an agency to independently contract for purchase card services. An agency electing to participate in the GA-OSP purchase card contract should contact GA-OSP to obtain the necessary forms and information.

The agency program administrator may order the purchase card(s) after completing all necessary implementation forms. Cards are issued to cardholders or card custodians after they have been provided with a copy of the agency policies and procedures for purchase cards, they have signed a card user agreement form, and they have received training on purchase card use. All cards should be delivered to the agency program administrator for distribution.

45.20.15.b

Credit limits and other controls are established when the card is authorized and approved. Card users should contact their supervisor if card limits are restricting purchases that are required to perform job responsibilities, or to update changes in work address, etc. The card user's supervisor should approve all changes.

45.20.15.c

It may be prudent to cancel and obtain all new purchase card numbers periodically (e.g., every three years).

45.20.15.d **Individually assigned cards**

For agencies with individually assigned cards, cardholders going on seasonal leave without pay should turn in their cards for secure storage by the agency until they return. The approving officials should notify the agency program administrator when cardholders are on seasonal leave. The agency program administrator should then notify the issuing bank or reduce the monthly purchase limit to \$1. Failure to notify the issuing bank or to reduce the monthly purchase limit to \$1 may result in agency responsibility for all charges.

Agencies are required to make a reasonable attempt to physically recover purchase cards from employees who terminate or are reassigned. Agencies should destroy the plastic card and immediately cancel it with the issuing bank. The card user agreement form that was signed when the employee received the card should be completed with an agency signature verifying that the card has been returned by the employee.

45.20.15.e **Department cards**

For agencies with department cards, agencies should consider obtaining new cards if the cards were under the control of a person who terminates, depending on the circumstances of the termination.

45.20.20

July 1, 2008

Controls

45.20.20.a

Internal controls

An agency should establish internal controls to address the use of the purchase card as a means of expending state funds. The following is the minimum level of controls acceptable:

- Maintaining a list of all cardholders, card custodians, and designated card users in the agency.
- Card users shall be given a copy of the agency purchase card policies and procedures, should sign a card user agreement form, and should complete training prior to a purchase card being issued and used.
- All cards should be ordered by and delivered to the agency program administrator for distribution to card users.

45
Purchase Cards

- Promptly recording, properly classifying, and promptly reconciling all transactions.
- Assigning key duties and responsibilities to ensure a proper separation of duties.
- Safeguarding purchase cards and account numbers against loss, theft, and unauthorized use. Cards should be kept by the cardholder or card custodian in a secure (locked) location when not in use.
- Agencies utilizing department cards should create and maintain a department card log to track card use. Designated card users should check out and check in the card on a department card log and describe the business purpose for each use in order to make a purchase.
- Making a reasonable attempt to physically recover and destroy purchase cards from terminating or reassigned employees.
- Setting spending limits for card users.
- Reconciling and approving card statements at least monthly.

45.20.20.b

Spending limits and other controls

Spending limits and other controls are set by the agency and the issuing bank when the card is authorized and approved. Limits can be set at the agency or card level, and can include:

- Single transaction purchase limit – Restricts the cost of an individual purchase against a pre-set limit on a card.
- Spending limit per cycle – Restricts the total amount of purchases in a month against a pre-set limit on a card.
- Merchant Category Code (MCC) – An MCC code is a 4-digit number assigned by a merchant’s charge card processor according to category or type of business a merchant conducts. By designating each MCC as allowable or restricted, the card user is blocked out at the point-of-sale for all unauthorized merchant types.
- Maximum number of daily transactions – Restricts the number of purchases in a day against a pre-set limit.

- Maximum number of transactions per cycle – Restricts the number of purchases in a month against a pre-set limit.
- Aggregate spending limit per cycle – Restricts the total amount of purchases in a month against a pre-set limit for the agency. For agencies using the GA-OSP contract, the aggregate limit for purchase cards for each agency is established by GA-OSP per WAC 236-48-252.

45.20.25

October 1, 2007

Purchase card misuse

It is the card user's responsibility to purchase only items that are necessary to carry out their job requirements and to comply with all state and agency statutes, rules, policies, and procedures.

The approving official, in consultation with the hiring authority and the agency program administrator, is responsible for taking appropriate disciplinary actions, consistent with applicable policies, for misuse of the purchase card. Card users who improperly use a purchase card may be subject to prosecution and penalties to the full extent provided for by law.

45.20.30

July 1, 2008

Transaction log

Agencies must utilize a purchase card transaction log to record each purchase made using the purchase card. The log may be a manual log that the agency develops and/or maintains, or an online tracking log. The transaction log should contain all information necessary to reconcile transactions to the online data or the monthly card statement. All supporting documents (sales receipt, charge slips, cash register slips, order forms, receiving reports, etc.) should be kept and should be readily available when requested. Any items returned should also be recorded on the log.

45.20.35

July 1, 2008

Payment for purchase card transactions

The agency program administrator will establish procedures to ensure timely, accurate, and cost effective payment of the purchase card bill.

The agency fiscal staff should ensure that goods or services are received prior to payment of the purchase card bill. Refer to Subsection 85.32.20.b. Generally goods and services are not to be prepaid (paid for before receiving) unless expressly allowed by statute. Some examples of when prepayments are allowed include:

- **Maintenance Service Contracts** – Pursuant to RCW 43.88.160(5), under certain conditions, payments for equipment maintenance services may be made up to twelve months in advance.
- **Postage, Books and Periodicals** – Pursuant to RCW 42.24.035, agencies may make payment for the costs of postage, books and periodicals in a manner consistent with normal business practices, but in the case of subscriptions, for periods not in excess of three years.
- **Airline and Other Common Carrier Tickets** – May be purchased in advance under certain conditions as described in Subsection 10.50.40.

Each agency determines their cycle and due dates with the issuing bank. Purchase card payments are to be made by the established due date. The terms are net 30 days from the statement date. If agencies fail to make timely payments, the issuing bank can charge a late payment fee of 1 percent per month on the amount overdue or a minimum of \$1.00 under RCW 39.76.010.

Payments should be made in a manner that maximizes the use of the funds to the state while ensuring timely payment and avoiding finance charges. Agencies should consider how early payments may negatively impact their investment earnings on their account balances. Agencies should also consider obtaining statements electronically from the issuing bank to allow for more time for reconciliation and timely payment.

45.20.40

October 1, 2007

Rebate/incentive programs

Each agency should establish a policy for accounting for any rebates/incentives received from any merchants or the issuing bank. The policy should address the individual business needs of the agency and should cover how the rebates are to be recorded. Note that all merchant losses on agency accounts may be deducted by the issuing bank when determining agency rebate amounts. Therefore an agency should make a reasonable effort to ensure that unauthorized or disputed transactions are promptly reported.

Rebates should be recorded as either a recovery of expenditures or miscellaneous revenue depending on the timing of the receipt of the rebate and/or the source of funds expended for the purchase card transactions.

45.20.45

July 1, 2008

Disputed items

Agencies should immediately notify the merchant of any items in dispute. If the agency is unable to get satisfaction from the merchant, the amount should be disputed with the issuing bank. Disputed items must be communicated to the issuing bank within 60 days after the date on the statement on which the disputed or incorrect charge first appeared.

45.20.50

October 1, 2007

Reconciliation, documentation, and records retention

The issuing bank shall provide online purchase card transaction information, as well as a summarized monthly card statement for each card that displays detail transactions made during the current billing cycle. Responsibility for reconciliation of the card statement rests with the cardholder or card custodian. The cardholder or card custodian should reconcile purchases made during the billing cycle by matching the bank statement or online purchase card transaction data to their purchase card transaction log and the documentation obtained from the merchant on purchases. The cardholder or card custodian should secure and retain documentation supporting purchases charged to the purchase card. The approving official should review, sign, and date the reconciliation within a specified period of time, as specified by the agency. Disputed items should be reported to the bank within 60 days of the statement cycle date in accordance with contract terms.

Purchase Cards

A pattern of missing documentation should result in the loss of purchase card privileges. Agencies are required to monitor and cancel the purchase card for card users who frequently do not provide appropriate purchase card supporting documentation.

In addition, the agency may wish to utilize the issuing bank's secure online reporting features to facilitate interim reviews and monitoring for unauthorized usage.

Card statements with supporting documentation approved by the cardholder or card custodian and the approving official are to be retained in accordance with agency procedures and state records retention laws. The general records retention schedule for purchasing records is to be followed. Transactions involving federal or grant funds may require a longer retention period. Records must be available for review or audit on request.

45.20.55

October 1, 2007

Lost or stolen cards

If a purchase card is lost or stolen, the cardholder, card custodian, or designated card user should immediately notify the issuing bank and the agency program administrator. Failure to notify the issuing bank may result in agency responsibility for all charges.

Refer to Section 20.30 for procedures to follow for suspected losses of public funds or property.

45.20.60

October 1, 2007

Post audit

Purchase card transactions are subject to audit for compliance with the terms and conditions of the purchase card program. Agencies are required to retain all source documents for all purchases made using the purchase card. Records must be available for audit on request.