ADMINISTRATIVE PRACTICE LETTER

SUBJECT: PURCHASING CARDS

I. OVERVIEW

A purchasing card, hereinafter referred to as “PCard”, is a procurement tool for authorized UMS staff and faculty to facilitate small dollar purchases (typically less than $500), emergency purchases, and rare instances when the vendor cannot take a Purchase Order. Although the standard per transaction limit is $500, cases do exist where it is in the University's best interest to authorize higher per transaction limits (e.g., to facilitate real-time purchases required for repair and/or maintenance of University assets). The business need for higher per transaction limits will be reviewed by the UMS PCard Administrator in consultation with the University CFO.

Since procurement authority has been delegated to the cardholder from the University CFO or the CFO’s designee at each University, it is expected that the cardholder will strive to obtain the best price for the quality needed. A cardholder should weigh price and service, not just convenience, in selecting a vendor. PCard decisions should always be made in the best interest of the University.

_The University’s primary means for procurement is MaineStreet Marketplace, which should be used whenever possible and practical. PCards are not to be used for purchases from MaineStreet Marketplace catalog suppliers._ It is the intent of this practice letter to define parameters for the use of PCards while maintaining sufficient controls.

II. GENERAL

1. The use of PCards is subject to the requirements of all applicable Administrative Practice Letters (APL), in particular:

   - APL Section II-B Motor Vehicle Administration and Guidelines
   - APL Section VII-A.2 University of Maine System Purchasing Procedures
   - APL Section VII-B Procurement Standards of Conduct
   - APL Section VII-E Sales Tax
   - APL Section VII-H Guidelines for Determining Employee vs Independent Contractor Relationships
   - APL Section IV-B Travel and Expense Procedures
   - APL Section IV-C Signature Authority
   - APL Section IV-I Use of University Funds
   - APL Section IV-H Moving Expenses

A listing of University APLs can be found at:

http://www.maine.edu/about-the-system/system-office/finances/administrative-practice-letters/
2. UMS internal controls requires at least two employees to be involved in every transaction. Duties of purchasing, reviewing, approval, and reconciliation are to be properly segregated. Reconciliations of the cardholder PCard statements to the general ledger must be completed within 10 business days of the PCard statement date. The transactions are to be reviewed by the PCard record keepers and/or cardholders, and when deemed appropriate, the CFO or the CFO’s designee to ensure that reconciliations are being performed and that any unreconciled items are resolved in a timely manner.

3. The card is identified as a PCard and the University of Maine System’s name as well as the cardholder’s name will be embossed on the card. The cardholder is responsible for using the card in accordance with this APL and the procedures defined in the UMS PCard Manual and for safekeeping the card, and is accountable for all purchases made using the card. The cardholder’s supervisor must ensure that all transactions are bona-fide, documented and dated in accordance with the procedures defined in this APL and UMS PCard Manual.

III. PRACTICES

The following practices establish the minimum level of controls necessary for the proper use of PCards. The universities are free to adopt additional controls to regulate PCards in their respective environments.

**Issuance and Renewal of Cards**

1. PCards must only be issued to active employees of the University. Students and student employees are not eligible for a PCard unless a special request is made and approval is granted by the CFO or the CFO’s designee at each University.

2. A completed **UMS Request to Apply for Travel / Purchasing Card** form must be signed by the PCard applicant, applicant’s supervisor and/or person responsible for the account, and University CFO or the CFO’s designee before a card will be issued. Renewal of expired cards will be in accordance with the UMS PCard Manual. The University CFO or the CFO’s designee has the ultimate responsibility for making decisions as to which persons will be provided with a PCard. Each appointed CFO designee and their specific responsibility shall be documented in writing and kept on file.

3. Persons assigned a PCard, and individuals who are authorized to approve transactions, must first receive training from the UMS PCard Administrator or the CFO or the CFO’s designee at each University, read the UMS PCard Manual and APL Section VII-C, and sign a **Cardholder Acceptance Agreement**, which specifies that the cardholder will protect the card and adhere to all policies and procedures.
4. A maximum single dollar transaction and a maximum monthly spend credit limit will be established for each card. The University CFO or the CFO’s designee has the responsibility for approving the amounts for each PCard. The University CFO or the CFO’s designee must approve, using an appropriate mechanism, any changes to the maximum transaction and spend limits and the approved documentation must be retained. In the University CFO’s or the CFO’s designee’s absence, the following individuals, in the order presented, will be authorized to make changes and document cardholder limits: University President, the UMS CFO, the UMS CFO’s designee, the UMS Strategic Operations Director, or the UMS Director of Finance and Controller.

Changes in Supervisor or Employee Status

1. Changes and updates to each cardholder’s supervisor should be directed to the UMS PCard Administrator by the cardholder or the cardholder’s department as soon as possible. The UMS PCard Administrator will ensure that the cardholder’s PCard file and documentation is changed appropriately and training is provided for the new supervisor, if necessary.

2. Prior to termination of employment or retirement, cardholders must promptly notify the UMS PCard Administrator, then surrender his/her PCard to the UMS PCard Administrator or to his/her supervisor. The UMS PCard Administrator or supervisor will immediately destroy and dispose of the PCard. As a secondary control, the UMS PCard Administrator shall obtain from the Office of Human Resources a monthly list of employees who have left the University System to verify the PCard accounts have been closed.

Disallowed Transactions and Prohibited Actions

1. All cardholders will be held personally responsible for using a PCard solely for allowable transactions for University business.

2. The following transactions are disallowed unless approved by the University CFO or the CFO’s designee, prior to each purchase, and all transactions are also subject to the requirements of APL Section IV-I; Use of University Funds.
   - Refunds/returns/exchanges for cash.
   - Payment of State of Maine sales tax. It is the responsibility of the cardholder to advise vendors that the University of Maine System is exempt from State of Maine sales tax. A copy of the State of Maine sales tax exemption certificate and form can be found in APL Section VII-E; Sales Tax.
ADMINISTRATIVE PRACTICE LETTER

SUBJECT: PURCHASING CARDS

- Split purchases (splitting a purchase into two smaller transactions to defeat the transaction dollar limit that was placed on the card).
- Other purchases as defined by University policy.

3. It is prohibited to use the PCard for travel related expenses. Employees are required to use a UMS Travel Card or other method of payment for such expenses. If, however, a travel card is not available, any travel costs paid for with a PCard should be reported as a prepaid expense on a Travel Expense Report in the UMS’ travel software and in accordance with APL Section IV-B; Travel and Expense Procedures.

4. Use of the PCard to pay personal expenses is prohibited regardless of the intent to reimburse the University. Use of the card for personal purposes may result in the actions described below. It is the cardholder’s responsibility to ensure that all personal expenses are separated from business expenses and paid by a means other than the PCard. See disallowed transactions and actions listed below.

5. Additional prohibited actions include the following:
   - Lending or sharing the PCard.
   - Failure to obtain original supporting documentation for credit card purchases (receipts, invoices, etc.).
   - Failing to immediately report a stolen or lost card or card number to the credit card provider (the bank), the cardholder’s supervisor and to the UMS PCard Administrator or the CFO or the CFO’s designee at each University.
   - Using the card to acquire goods/services the cardholder has not been authorized to purchase or which are prohibited by University policy.
   - Using another cardholder’s card to circumvent a purchase limit assigned to either cardholder.
   - Other actions as defined by University policy.

6. In the event any of the disallowed transactions occur, the person who becomes aware of the transaction will report the incident to the UMS PCard Administrator. When deemed appropriate, the UMS PCard Administrator will notify the University CFO or the CFO’s designee and the cardholder’s supervisor. The University CFO or CFO’s designee and the Human Resources staff will review the infraction(s) and determine suitable action including, but not limited to, the following:
   - Immediate reimbursement to the University for the amount of the purchase
   - Notification to the UMS CFO or the UMS CFO’s designee
   - Additional training on responsibilities
   - Suspension or cancellation of the PCard
   - Disciplinary action up to, and including, termination of employment
   - Criminal prosecution, if fraudulent activity has occurred
   - Any other recovery action deemed appropriate, that is permitted by law
ADMINISTRATIVE PRACTICE LETTER

SUBJECT: PURCHASING CARDS

Note that any action taken will be subject to the same procedural standards that apply to any disciplinary action.

Approval of Transactions

1. With the exception of purchases under $125, emergency purchases, or other unusual extenuating circumstances, a PCard purchase will be made with prior written knowledge and approval (e.g., email) of the cardholder’s supervisor (or the supervisor’s designee). A supervisor’s designee should not be an individual who is a “direct report” to the cardholder seeking approval unless that person is otherwise responsible for financial approvals (e.g., a department budget manager). A blanket prior written approval may be granted, for up to a fiscal year, for specific named purchases of a routine and repetitive nature (e.g., a blanket approval could be placed on file for internet advertisements that run weekly throughout the fiscal year).

2. For the purposes of this APL, an emergency condition justifies the use of a PCard without prior approval when that condition does not permit securing of advanced approval, cannot be anticipated, and threatens one or more of the following:
   - the preservation or protection of property;
   - the health or safety of any person(s) or animal(s); and/or
   - other bona fide emergencies that otherwise cannot be anticipated.

   Emergencies do not include:
   - purchases that need to be rushed because of failure to plan ahead;
   - end of fiscal year purchases; or
   - end of grant/contract purchases.

   Emergency purchases shall be limited to the types of items and quantities or time period sufficient to meet the immediate threat and shall not be used to meet long-term requirements. Emergency purchases shall be noted so in the transaction comments section, including written justification of why prior approval could not be sought of the PCard.

3. At least two persons are required to approve any PCard transaction: the cardholder approves at the time of purchase, the cardholder’s supervisor, supervisor’s designee or the person responsible for the chartfield combination approves transactions electronically within 14 days of posting, and the supervisor or University CFO or the CFO’s designee approves at a minimum of once every month by electronically approving the cardholder’s statement to provide evidence of timely review. Evidence of approved cardholder statements is subject to periodic review and audit by the UMS PCard Administrator, internal auditors and external auditors.
Required Supporting Documentation

1. All transactions must be supported by signed documentation (credit card receipt, vendor invoice, etc.) Web purchases must be supported by online confirmations or other documents supporting the completeness of the transaction. It is the responsibility of the cardholder to ensure that all goods paid for are received in the quantity and quality desired.

2. PCard supporting documentation such as receipts or invoices must be signed by the cardholder and attached as a PDF file to every card transaction within the PCard software.

3. In regards to PCard documentation (receipts, invoices, paper credit card statements, etc.) not uploaded or available through the PCard software, the University will select an official office, or offices, of record for said documentation. Documentation not stored within the PCard software (receipts, invoices, paper credit card statements, etc.) should be retained in accordance with UMS record retention requirements as outlined in APL IV.D, “Record Retention Practices”. Retention of documentation is subject to periodic review and audit. The documentation for every card transaction must include the following information. If this information is not included in the merchant's documentation, the cardholder needs to record it directly on the documentation:
   - Vendor Identification (merchant name)
   - Date purchase was made
   - Description, quantity and total cost of EACH item purchased

   If the original documentation has been lost, the cardholder must complete and sign a Missing Receipt Affidavit stating that the expense was incurred on behalf of the University for business-related purposes, including specific descriptions of the items purchased. The signed Missing Receipt Affidavit must be attached as a PDF file to PCard transaction within the PCard software.

Review and Reconciliation of PCard Transactions

1. Cardholder transactions showing in the PCard software must be promptly reviewed and reconciled to the supporting receipts within 14 business days of the transaction posting date, ensuring that credits, if any, are posted to the PCard software. Transaction comments for each purchase will be required within the PCard software providing the purpose of the purchase and summary descriptions or transaction details. In the PCard software, transactions should be electronically approved and authorized by the cardholder’s supervisor, supervisor’s designee or the person responsible for the
ADMINISTRATIVE PRACTICE LETTER

SUBJECT: PURCHASING CARDS

chartfield combination within 14 business days from the original posting date of the transaction, so that transactions will post timely to the general ledger and budget balances will be updated accordingly. The 14 business day review, approval and authorization requirement may be waived by the University CFO or CFO’s designee to allow up to 21 business days for extenuating circumstances. Such waiver shall be granted on a case-by-case basis (i.e., not a blanket waiver).

2. Periodically, the UMS PCard Administrator will notify the applicable University CFO or CFO’s designee regarding transactions not yet authorized in the PCard system which exceed the aforementioned limits. Cardholders whose transactions are not reviewed and authorized in a timely manner will be subject to suspension or cancellation of his/her PCard. If transactions remain unauthorized after 28 business days, the UMS PCard Administrator may force approval of any outstanding transactions to the cardholder’s default chartfield combination, unless the outstanding transaction is in dispute or otherwise noted as an exception. Documentation about forced transactions, if any, will be kept on file so that any further appropriate action may be taken.

3. If a cardholder disputes a transaction, he/she must notify the vendor in an attempt to resolve the dispute. If the dispute is not successfully resolved with the vendor, a dispute resolution process should be initiated as described in the UMS PCard Manual.

For example, charges may be disputed for:

- a difference in amount authorized and amount charged
- duplicate charges
- account not yet credited but a vendor credit voucher was received
- failure to receive goods or services
- returned merchandise
- defective merchandise (not returned at vendor’s request)
- unrecognized charge
- unauthorized charges
- altered charges

4. The liability for each University’s PCard program will be posted to the respective University’s PCard liability account in the general ledger. The UMS PCard Administrator will reconcile these liability accounts each month within 10 business days of the PCard statement date.
ADMINISTRATIVE PRACTICE LETTER

SUBJECT: PURCHASING CARDS

Review/Audit of the PCard Program

1. The UMS PCard Administrator, in consultation with the University CFOs or CFO’s designees, shall perform documented periodic reviews of the PCard program including, but not limited to, reviewing for properly maintained supporting documentation and forms, timely and properly completed reconciliations, and evidence of supervisory review. University CFOs or CFO designees should also consider whether card spending limits remain appropriate and should assess whether cards with minimal use should be discontinued. Annually, cards with no activity over the past twelve months should be closed; otherwise, the reason for the continued need should be documented and kept on file.

2. The UMS PCard Administrator, cardholder’s supervisor and cardholder’s record keeper will work together to monitor the program to ensure compliance with this APL and with the UMS PCard Manual. In addition, the UMS PCard Administrator, the cardholder’s supervisor and cardholder’s record keeper will follow up on all deficiencies. If deficiencies are not corrected, cardholders will be considered to have breached their signed Cardholder Acceptance Agreement and their cards will automatically be subject to suspension or cancellation. Appeals to the suspension or cancellation policy will be made to the University’s CFO or the CFO’s designee, the UMS Strategic Operations Director, and/or System CFO or the System CFO’s designee.

Rebates

Vendors may offer rebates to those who use the PCard. All cash and credit rebates received for using the PCard should be deposited to a University bank account and credited to the chartfield combination associated with the original purchase.

This Administrative Practice Letter has been approved by the Treasurer of the University of Maine System.

Related Forms and More Information:
http://www.maine.edu/about-the-system/system-office/strategic-procurement/procurement-card-information/