



**VILLAGE OF PINEHURST
STANDARD PROCEDURE**

SUBJECT: Purchasing Card (P-Card) Program Policy	Effective Date: 07/01/2004
Department: Financial Services	Policy No.: FIN-416.2
Prepared by: Financial Services Director, Brooke Hunter	Revised: 06/23/2020
Approved by: Village Council Resolution #20-21	# of Pages: 12

I. PROCEDURE PURPOSE:

To provide a procedure in the purchasing process for the use of procurement cards for small value purchases.

To standardize the documentation and reporting of small-dollar business expenses so that all Village employees are guided by a common set of expense guidelines.

To comply with the preaudit certificate requirements for electronic payments as required by NC Administrative Code 20 NCAC 03.0409.

II. POLICY:

To procure small-dollar items, select Village employees will be issued a VISA-brand procurement card. Small-dollar purchases are individual expenditures of \$5,000 or less. Some cardholders could be authorized to make purchases for greater or lesser amounts.

To control the use of the purchasing card, only the person named on the card is authorized to use it and no one other than the cardholder can “borrow” the card or make purchases on behalf of the department. In addition, each cardholder receives a monthly statement that the cardholder must reconcile against their purchase records.

Any intentional use of the card other than for official Village business shall be grounds for discipline up to and including termination.

III. OVERVIEW:

The Village will issue purchasing cards to employees to streamline the purchasing and payment process.

There are numerous benefits to a purchasing card program.

Benefits to the cardholder include:

- Convenience of purchasing,
- Expedited delivery of goods,
- Expanded list of merchants from whom purchases can be made, and
- Reduced paperwork.

Benefits to the Village's internal departments include:

- Simplified purchasing process,
- Lower overall transaction processing costs per purchase,
- Reduced paperwork, and
- The ability to set and control purchasing dollar limits.

Benefits to the vendor include:

- Expedited payments,
- Reduced paperwork, and
- Lowered risk of nonpayment.

The purchasing card program offers the Village a tool to empower many of our employees, providing them with an easy way to buy the small-dollar goods and services they need to perform their jobs. At the same time, built-in purchasing card controls ensure the Village's purchasing policies are followed. These controls also guard against potential misuses and fraud.

IV. PROCEDURES:

This section describes how cardholders use the Purchasing Card to buy approved goods and services that cost less than \$5,000. (Again, there may be some cardholders with higher or lower authorized amounts.) The cardholder is responsible for verifying that all monthly activity statements are correct and for taking appropriate and timely action to correct any errors that may be identified during reconciliation.

Targeted Purchasing Card Expenses

Items that generally cost less than \$1,000 are candidates for Purchasing Card expenditure . Below are examples of expenditures that may be purchased using a p-card:

- Automotive repair for field personnel, if approved by Fleet Maintenance
- Books and periodical subscriptions
- Food for approved business purposes
- Computer software, supplies, or maintenance expenses
- Electronic database services and supplies
- Gasoline purchases (for Village vehicles when traveling out of town)
- Laundry of uniforms
- Mail and package delivery services
- Repairs & Maintenance (RM) expenses
- Medical supplies

- Office supplies
- Safety equipment or supplies
- Special and emergency miscellaneous supplies
- Stationery and forms
- Training programs and seminars (registration fees)
- Travel expenses, as authorized

Ineligible items include:

- **Cash Advances**
- **Capital items that may impact the Village’s depreciation and investment accounting**
- **Personal items**

Most p-cards are issued with a limit between \$2,000 and \$5,000. The limit is requested by the Department Head when the card is requested and may be increased or decreased as deemed appropriate.

The above categories of eligible and ineligible items are general for all cardholders. Each cardholder’s card is set to allow and/or disallow certain Merchant Category Codes (MCC’s) as determine by the Financial Services Director.

Individual Responsibilities

Card and Program Administrators

The Village has assigned card administrator duties to the Finance Technician in the Financial Services Department. This position is responsible for seeing that the purchasing card controls are properly enforced. The program administrator is the Director of Financial Services. The program and card administrators approve and issue all Purchasing Cards and handle all related procedures. The card administrator or the program administrator can revoke a purchasing card at any time for any reason.

The card administrator is responsible for maintaining a file of individuals authorized to make purchasing card transactions. The card administrator is also the focal point for overall program administration and problem resolution.

The card administrator and Assistant Financial Services Director review and approve the consolidated monthly Purchasing Card statement for payment.

Department Head

The department head recommends which employees in their department should be issued purchasing cards. This number should be kept to a reasonable limit. The department head notifies the employees selected for the program and explains the program. The department head will request that the employee sign a New Employee Enrollment/Change Form, which indicates that they fully understand and accept card responsibilities. The department head will forward the signed application form to the card administrator for filing and further processing. The card administrator reviews the completed Application Form, forwards it to the Finance Director for approval, and then

applies online for the Bank to issue the card. Department heads also must notify the card administrator **immediately** if they wish to revoke a card or if a cardholder terminates employment with the Village of Pinehurst.

Department heads are responsible for monitoring proper card usage and reviewing/approving transaction logs, statements, and receipts to ensure that they are accurate and complete.

The Department Head is responsible for ensuring that cards of terminated employees are recovered prior to the distribution of a final paycheck to that employee. The Department Head is also responsible for immediately notifying the card administrator of recovered cards.

Cardholder

When the card arrives, the cardholder will be contacted by the program administrator. A training session must be completed before the holder receives their purchasing card. They must sign it immediately and also sign and return an Employee Acknowledgement Letter to the card administrator confirming receipt of the card. The card administrator will file the acknowledgement letter in the employee's p-card file.

The cardholder must activate their card prior to their first use by calling the Bank's Customer Service and providing the four digit pin number provided by the Bank via mail.

As required by NC Administrative Code 20 NCAC 03.0409, **before a transaction is made** using a p-card, the cardholder is responsible for: 1.) ensuring there is a budget ordinance appropriation authorizing the expenditure, and 2.) ensuring that sufficient funds remain in the appropriation to cover the amount that is expected to be paid out in the current fiscal year. To do so, the cardholder should access their department's Encumbrances and Expenditures Statement located on the Village's Intranet and ensure there is sufficient unencumbered balance in the respective general ledger account to cover the cost of the transaction.

Each cardholder is responsible for maintaining original credit slips or receipts and reconciling the receipts with their monthly Transaction Log and the monthly activity statement issued by the bank. They are also responsible for insuring that the goods have been delivered or services rendered before the charge appears on their purchasing card. Upon completion of their reconciliation, the cardholder must forward it to their Department Head for review and approval.

If a card is lost, damaged, stolen or misplaced, the cardholder is responsible for **immediately** notifying the bank **at any hour of any day**. The cardholder must also notify the card administrator as early as possible on the next business day.

Individual cardholders are charged with using their cards properly, obtaining purchase orders where required and entering every purchasing card transaction, with the required sales tax and account code information, on their Transaction Logs. These receipts should be numbered and attached in numerical order before submitting to their department head.

All individuals that are issued a card or responsible for the management of the purchasing card program should refer to the Contact Sheet for the person to call for questions that may arise while performing their purchasing card responsibilities.

Application for a Purchasing Card

To request a purchasing card for an employee, a department head must submit a New Cardholder Enrollment/Change Form to the card administrator. An enrollment form must include a department and general ledger account code that will be used as the default account number to allocate purchases made by the cardholder. It must also contain the employee's social security number and the card limit requested.

Both the program and card administrator approve the addition of a new cardholder.

The card administrator then processes the purchasing card requests. The card administrator keeps the application on file until the employee terminates or retires from employment with the Village of Pinehurst.

After approval, each cardholder must attend a training session before they will be issued a purchasing card. The training session is intended to insure their understanding of their cardholder responsibilities and to provide them with instructions on how to complete their Transaction Log and perform their monthly reconciliation.

Each purchasing card is issued to the Village of Pinehurst and the individual employee named on the card. No one else can use this card - even in an emergency situation.

When cardholders receive their cards from the Finance Technician and complete training, they must sign and return an Employee Acknowledgment Letter. The acknowledgment letter confirms receipt of the card and is the employee's signed pledge to follow the Village's purchasing policies and procedures and accept responsibility for any personal misuse of the card.

Using the Purchasing Card

The purchasing card program is designed to let end-users of goods and services buy these necessary small-dollar items directly from vendors, thus increasing efficiency, decreasing cycle time and dramatically reducing paperwork.

The Village of Pinehurst's general criteria (authorized amounts may be higher or lower) for using a purchasing card are:

- An eligible item must cost \$5,000 or less (including tax and freight). Goods or services that cost more than \$5,000 **may not** be broken into smaller purchases (parceling) to meet this transaction dollar limit (Note: All purchases that exceed \$1,000 must also be encumbered by a purchase order per Village policy).
- Items in the following categories are considered ineligible regardless of how much they cost: capital expenditures over \$5,000; cash advances; and any item for the cardholder's personal use or the personal use of another party.

- Unless approved by the program administrator, no cardholder may spend a cumulative total of more than \$5,000 a month.
- Each cardholder must maintain a monthly transaction log listing all goods and services acquired using the purchasing card.

The Village's purchasing cards will be accepted by most merchant groups who regularly accept VISA cards as a method of payment. However, each card may be programmed to allow and disallow merchant types by MCC codes as determined by Financial Services.

As noted previously, some merchandise is excluded from the purchasing card program. If the card is presented to an excluded merchant, the transaction will be declined. If a cardholder believes a vendor who declines a transaction should fall within an approved category, he/she should contact the bank's customer service number on the card to determine if the transaction was declined because of merchant exclusion or for another reason. For example, a transaction may have been declined because the cardholder exceeded daily or monthly limits.

When a cardholder is declined at a point-of-sale terminal, the bank's Commercial Card Customer Service will not authorize the transaction but will identify the reason for the decline. If a merchant has been improperly excluded, the cardholder can contact the card administrator to change the blocking procedure that is in place. If a dollar limit has been exceeded, the cardholder should contact his/her department head to determine if the card limit should be increased.

Each purchasing card is linked to a single general ledger account code. All purchases made with the card are automatically charged to the default account code, *unless* another account code is given as a substitute at the time the transaction is made or when a cardholder identifies a different account code for a specific transaction on the Transaction Log that is forwarded to the card administrator.

An account code can be given to a vendor or store only if they are equipped with an "enhanced point-of-sale device". If they have the device the sales clerk will be prompted by the card reader to enter the additional information.

Account codes for each transaction, which is not to be coded to the default account code assigned to the card, must be listed on the Transaction Log.

After making a purchase, the cardholder enters the required details on a Transaction Log. An account code for each item must be listed if it is to be charged against a code other than the default. Sales tax for each item must also be listed. Each individual receipt must be marked with the transaction log number. If the receipt does not include a complete description of the purchase, the cardholder should hand write a description on the receipt or request an invoice from the supplier.

A Transaction Log should be printed and forwarded in a large blue envelope that is used to store the receipts and invoices, which are numbered to correspond with each transaction logged. Purchasing card transaction receipts should be placed in the transaction log envelope. For telephone orders, the cardholder should request a receipt

to be sent via e-mail or fax from the vendor. For purchases made online, the cardholder should ensure the website is secured and print a receipt to include in the transaction log envelope.

If any item purchased with the purchasing card is returned, the merchant must credit the card account. The cardholder should then note the credit on the Transaction Log and include the credit receipt with their Transaction Log. A note of the credit should be written in the log's "description" column.

The card administrator is responsible for all card maintenance and must be notified of any updates or changes that are needed, *such as a cardholder's change of name or address, or a change in transaction authorization limits.* Department heads should request these changes by completing the appropriate section of the New Cardholder Enrollment/Change Form.

Monthly Reconciliation

The card administrator will forward a monthly activity statement to each individual cardholder. The Bank sends a consolidated statement to the program administrator for payment.

Each employee who has been entrusted with a purchasing card is responsible for verifying the accuracy of charges by performing the following reconciliation steps:

- First, the cardholder verifies that all items included on the monthly activity statement are correct. For items that are incorrect, the cardholder should call the bank and report the potential fraud. The charge should be listed on the Transaction Log. Secondly, the cardholder should immediately notify the card administrator of any unauthorized charges. The cardholder should follow up to ensure the credit is issued on the next month's statement. Timeliness in uncovering unauthorized use is critical. From the date the statement is received, the Village of Pinehurst has a time limit of 60 days to file any dispute of charges.
- The cardholder must identify items that they purchased during the month that are on their Transaction Log but not on the monthly statement. The receipts associated with these items should be removed from the current month envelope and put in the envelope for processing the next month.
- The cardholder encloses the reconciled monthly activity statement with his/her receipts/invoices, along with the Transaction Log for the month in the transaction log envelope and submits it to their approving department head for review by the 25th of each month. The receipts should be numbered and in correct order before submitting to the department head.
- The approving department head is responsible for reviewing, signing and forwarding the Transaction Log to the card administrator by the last working day of each month. By his/her signature, the department head indicates that all charges for the cardholder have been reviewed and approved as expenditures made in compliance with the Village's purchasing policies and procedures.

Billing and Remittance

The Village of Pinehurst's purchasing card payment program is an individual bill/central payment program. Each cardholder receives a monthly activity statement for information and reconciliation purposes only. A summary of all charges with supporting detail is downloaded by the card administrator who pays the bank on behalf of all cardholders and posts the individual charges to the proper general ledger accounts.

Reconciling the transactions shown on the monthly activity statement supplied by the Bank with the cardholder's Transaction Log and individual charge slips is the primary responsibility of the cardholder. This crosscheck is essential to verify accuracy. If all of the charges are correct, then the cardholder forwards the Transaction Log and monthly statement to the approving department head, who in turn signs the log and forwards it to the card administrator. Vendors should not charge a cardholder's account unless goods have been delivered or services rendered.

If an error is discovered on the monthly activity statement, the cardholder should ***immediately*** notify the bank and the card administrator. Errors not reported within 60 days cannot be corrected. If a cardholder fails to notify the card administrator of errors, then their card privileges may be revoked.

Auditing

The card administrator will perform routine audits to ensure that funds are being spent properly and that adequate transaction information is being kept to document how, where and for what purposes purchasing cards have been used.

The audit procedures include:

- Comparing cardholder supplied information on Transaction Logs to VISA purchasing card records,
- Asking cardholders to explain any discrepancies between cardholder and VISA purchasing card data,
- Reviewing cardholder receipts and log records to confirm that the goods and services acquired represent approved purchasing card expenditures obtained following proper procedures,
- Reviewing cardholder receipts to determine that only cardholder has signed for purchases.

Records

After payment, the card administrator reviews the monthly reconciliation packages and files them in alphabetical order by employee last name in the accounts payable files. If a transfer or adjustment of operating expenses is required, the card administrator will make the adjustment in the month the Transaction Log is received.

Budget Allocations

General ledger entries related to purchasing card use are posted monthly. The billing date for the purchasing card is the fifteenth (15th) day of each month. Therefore, any purchases made from the sixteenth (16th) day of the prior month through the fifteenth (15th) day of the current month are posted to the ledger in the current month.

Example: May entries posted to general ledger accounts for purchasing card goods and services would include all transactions made from the sixteenth (16th) day of April through the fifteenth (15th) of May. Special procedures are followed for the period of June 16 – June 30 for fiscal year-end accruals.

Summary

Participating suppliers are typically paid by VISA within three days of each business transaction. The Village of Pinehurst expects its employee cardholders to exercise good judgment and act responsibly when using their Purchasing Cards. These cards are issued in the names of individual employees and all activity is assumed to have been incurred by employees named on the cards. Employees are expected to maintain accurate Transaction Logs and always to retain detailed card purchase receipts. All questions about the purchasing card program should be directed to the card or program administrator.

This document replaces all previous versions of this policy in their entirety.

VILLAGE OF PINEHURST PURCHASING CARD PROGRAM FREQUENTLY ASKED QUESTIONS

Q Who can use the Village of Pinehurst's Purchase Card?

A Department heads can request cards for any employee who routinely makes small-dollar purchases of goods or services for the Village of Pinehurst.

Q What type of purchases can I make with my purchasing card?

A You may purchase small-dollar, necessary expense items on the card. The card should not be used to purchase capital outlay items over \$5,000.

Q Should I use my card for travel expenses?

A Yes. You may use the card for approved travel expenses that are within the daily and monthly limits of your card. However, travelers should not charge meals on their p-card when receiving a per diem.

Q Where can I use the Purchasing Card?

A You may use the card in making purchases from suppliers and merchants who accept VISA for payment and are engaged in business categories approved for purchasing card use as approved for each card.

Q Can I use my card for purchases made over the phone?

A Yes. You must request a receipt with the order.

Q Can I use my card immediately upon receipt?

A No. You must activate your card by calling Customer Service, using the four digit pin number provided by the bank.

Q Are there any limits on the use of the purchasing card?

A Yes. Individual transactions cannot exceed \$5,000. No cardholder can purchase more than \$5,000 in a given month. Department heads may impose lower limits on certain cardholders.

Q What happens if a vendor indicates that authorization to accept my purchasing card has been declined?

A A vendor could decline your purchasing card for several reasons, including the following: (1) You may have exceeded your daily or monthly limits on dollar value or number of transactions. (2) You may have tried to charge an item that costs more than the maximum set for any single item. (3) You may have attempted to use your purchasing card with a supplier

or vendor who is prohibited from accepting the card because his business falls within a “blocked” merchant or MCC code. You can call the Bank Customer Service, at (888) 449-2273 to find out why any transaction has been rejected. If you feel it would be beneficial to use your purchasing card with a vendor that is currently excluded from the program, you may want to discuss the matter with your department head. Your department head also is the person to contact if you feel transaction limits should be altered to meet your normal monthly purchasing requirements.

Q Who pays my monthly bill?

A Neither employees nor their department heads make any monthly card payments directly. The program and card administrators pay a monthly, consolidated bill for all Village departments. The card administrator later allocates these costs to the appropriate departments by debiting the appropriate expenses accounts. Employees are responsible for keeping charge receipts or slips for all purchasing card transactions and maintaining a monthly Transaction Log.

Q How do I reconcile my purchases with my monthly statements?

A You must compare your charge slips or invoices with your monthly statement. You will use a blue envelope to send a Transaction Log attached to send the slips or invoices, copy of any dispute forms and the companion monthly statement to your department head for review. Your department head will forward the envelope to the card administrator.

Q What if there is a mistake on my statement?

A If you believe a mistake has been made, first try to resolve the issue directly with your supplier/vendor. Note that charge on the Transaction Log with comment of “fraud or disputed”. Be sure to make a note to watch for the credit to be issued on the next statement.

Q What if I lose a receipt?

A If you lose a receipt, try to obtain a copy from the vendor. If this is not possible, make a note on your statement and Transaction Log.

Q How do card purchases get into the accounting system?

A All purchases made on your card will be charged to the accounting code specified on your original application.

Q What if I want to charge to a different accounting code?

A Only one accounting code per card is possible. All purchases made with the card are automatically charged to the default account code, *unless* another account code is given as a substitute at the time the transaction is made or when a cardholder identifies a different account code for a

specific transaction on the Transaction Log that is forwarded to the card administrator.

Q What if I lose my card?

A If your card is lost, stolen or misplaced, immediately notify the Bank Customer Service at (888) 449-2273. Customer service representatives are available 24 hours a day, 365 days a year. You also should notify the Village of Pinehurst card administrator as early as possible on the first business day after you discover the loss.

Q Will my Village issued p-card affect my personal credit rating?

A This account is for business purchases only. It must not be used for personal charges. Therefore, the issuing bank does not report card activity to any credit bureau.

Q Whom do I call if I need additional assistance?

A Contact your Village purchasing card administrator at (910) 295-8648 or Bank Customer Service, which is available 24 hours a day, 7 days a week, at (888) 449-2273. Refer to the Contact Sheet for the person to call for questions that may arise while performing your purchasing card responsibilities.