FAIRFAX COUNTY, VIRGINIA

PROCEDURAL MEMORANDUM NO. 12-02

To: Administrative Staff	**Date**: November 30, 1999
	Reference: Procedural Memorandum No. 12-02 dated October 6, 1997
Initiated by: Department of Purchasing and Supply Management (DPSM)	**Approved by County Executive:**
Subject: Use of the County Procurement Card	

PURPOSE:

The purpose of the County's procurement card program is to provide County agencies with an efficient and reliable way to make low dollar value purchases. The procurement card may be used as an alternative to the Small Purchase Order or Petty Cash procedure.

While the procurement card can simplify and expedite procurement, its use requires strict adherence to internal control procedures and a commitment to accompanying accounting procedures. Before participating in the procurement card program, the using agency must determine that it has the resources to do so.

BACKGROUND:

Fairfax County uses Small Purchases Orders to acquire goods/services with a value of $5,000 or less. Petty Cash is also used up to a limit of $100. The procurement card offers an alternative to these two methods. In most cases, card use reduces staff procurement efforts and shortens delivery time; however, it may increase necessary financial tracking and control efforts.

PROGRAM OVERVIEW:

The Department of Purchasing and Supply Management (DPSM) administers the procurement card program. DPSM coordinates card issue by the bank. All cards are imprinted with the Fairfax County seal. The using agency assigns an index and subobject code to each card it requests. If card expenditures will affect more than one subobject code, the agency should generally assign clearing account subobject code (3375) to the card.

The using agency uses the card in accordance with the guidelines provided in this Procedural Memorandum and its own internal control procedures. On a weekly basis, DPSM posts the procurement card billing to FAMIS through a computer interface and then initiates payment to the bank based on the total amount billed. The Department of Finance (DOF) pays the bank each week. On a weekly basis, the using agency reconciles its

purchases to the weekly transaction report provided by DPSM and, on a monthly basis, to its FAMIS expenditure reports. See page 5, #9 for a discussion of alternative reconciliation procedures. If the using agency utilizes a clearing account, the agency also posts expenditures from that account into the appropriate expenditure accounts monthly.

Additional information regarding the County's Procurement Card Program is available on DPSM's INFOWEB site at *http://infoweb.co.fairfax.va.us/DPSM/pcard.htm*.

PROGRAM POLICIES AND LIMITATIONS:

Except for the prohibited transactions shown in the following paragraph, the procurement card may be used to make all types of authorized purchases within the following guidelines:

- Maximum Transaction Limitation – The maximum amount per each individual purchase, or transaction, is generally $2,500. Agencies may set a *lower* limit on their card(s), if so desired.
- Maximum Transaction Limitation for Travel Purchases – The maximum amount per transaction for specific types of travel related expenses is $5,000. See Attachment D for a listing of travel related merchants that qualify for this increased transaction limitation.
- Sales Tax Exemption – In most cases, procurement card purchases are exempt from Virginia states sales tax. The County's exempt number is printed on the face of each card. By state statute, the County is not exempt from sales tax for meals, catered events, lodging, or other accommodations.
- Ordering from County Contracts – Provided the contractual agreement between the County and the vendor allow it, County agencies may use the procurement card to order from County contracts. Because procurement card ordering will not provide the vendor with a written purchase order, the card user must be certain that he/she obtains the contract price when placing the order.
- Electronic Ordering through County Contracts - Agencies may use the procurement card to place electronic orders with County contractors that offer this process, provided the vendor and the County have agreed to this method of payment.
- Telephone and Internet Ordering – The procurement card may be used to order goods by telephone and through the Internet.
- Authorized Card Users – Only County staff members may make procurement card purchases. Contractor or non-County personnel may not use the card.
- Card Use by Program Manager – In general, the agency Program Manager may not use the card. See page 3, Section 1.b. for further details.

Procurement cards may **NOT** be used for the following:

- Cash Advances
- Personal Purchases – of any kind.
- Services Subject to 1099 Reporting – In general, these are *services* performed by a non-corporate vendor.

- Capital Items – those items over $500 that must be approved by the Department of Management and Budget prior to purchase.
- Technical Review Items – those items requiring technical review.
- Central Stores Items – those items available at Central Stores.
- Inventory Items – stocked items that are replenished through the CASPS Inventory Management (IM) process.

PROCEDURES:

The following procedures set forth the steps necessary to participate in the procurement card program. The number of each paragraph below corresponds to the "Step" number indicated on the Checklist (Attachment A to this Memorandum). The discussion below gives more detailed information regarding each "Step" and is chronologically ordered.

1. The using agency will:

   a. Determine if the procurement card will enhance their procurement capability and if they have the resources to comply with administrative procedures required for card use.

   b. Identify an agency Program Manager who will be responsible for all aspects of the procurement card program.

      - Card Use by Program Manager - In general, the agency Program Manager should be an individual who does not use the card. However, if an urgent need arises, the Program Manager may use the card. When this occurs, another staff member at the same level or senior to the Program Manager must perform the reconciliations for that period. See the section below on Internal Control Procedures for further discussion of required reconciliations.
      - Exception for Travel - The Program Manager may use the card for travel purposes. When this occurs, the agency must follow the same procedures (discussed above) that are followed when the Program Manager uses the card to meet an urgent requirement.
      - Replacement of Program Manager - If the assigned Program Manager will no longer perform as such, he or she shall notify the procurement card Program Coordinator, DPSM. The notification should include the name of the replacement Program Manager. If a replacement manager is not immediately available, the notification should identify a temporary Program Manager. In order to participate in the procurement card program, the agency must have an active Program Manager at all times.

   c. Advise the procurement card Program Coordinator, DPSM, in writing, of the agency's desire to participate in the procurement card program and provide the Program Manager's name and telephone number.

d. Require the agency director to sign the "Statement of Responsibility," included as Attachment C to this Procedural Memorandum. This statement acknowledges the director's responsibility for the agency's proper use of the procurement card. Submit the signed statement to DPSM with the document discussed at 1.c above.

2. DPSM will:

a. Contact the agency Program Manager directly to set up program training. Training is normally scheduled within two weeks of DPSM's receipt of the notification discussed at 1.c above.

b. Provide a training session for the agency Program Manager and any other agency personnel who wish to attend, including proposed card custodians. The training provides detailed discussion of the procedures necessary to obtain, use and properly account for agency cards. Training is an hour to an hour and a half in duration.

c. Provide the Program Manager with bank application forms. The forms and instructions are also available on DPSM's INFOWEB site, under "Forms."

3. The agency will:

a. Complete the card application forms. As part of the application process, the agency must set appropriate limits for each card requested. See page 7, "Card Limitations" for detailed discussion of required card limitations. Card limitations should be set as close as possible to the agency's anticipated use. DPSM will work with the agency to determine appropriate card limitations.

b. Forward application forms to the Program Coordinator, DPSM. Upon satisfactory review, the Coordinator will forward the completed application(s) to the bank.

c. Draft internal control procedures for card use within the agency. Additional discussion of internal control procedures is included in this Procedural Memorandum and is covered in detail during the agency Program Manager training. Sample internal control procedures are also provided during training.

d. Forward agency internal control procedures to the Program Coordinator, DPSM, for approval.

4. The bank will process the agency application forms and forward card(s) to DPSM.

5. DPSM will:

   a. Review internal control procedures submitted by the agency. DPSM will work with the agency to suggest any necessary revisions.

   b. Upon final approval of agency internal controls, DPSM will notify the agency of that approval and the availability of agency cards.

6. The using agency agrees to use the procurement card(s) in accordance with the guidelines set forth in this Procedural Memorandum and to comply with all applicable internal control procedures.

7. DPSM will download the daily transaction report from the bank through a computer interface. The daily transaction report contains all transactions (purchases and credits) posted to the bank during that business day. The download reports are available online to those agencies that have installed specialized, vendor-provided software. Those agencies that have not installed the specialized software will receive a copy of their transactions weekly on a report sent to the agency by DPSM.

   On a weekly basis, DPSM will upload the transaction reports to FAMIS through an automated program. The program will post each card transaction to the FAMIS account associated with the individual card used to execute the transaction.

8. The Department of Finance (DOF) will make weekly payments (wire transfer) to the bank based on billing information posted to FAMIS. Any adjustments necessitated by incorrect billing, returned products, etc., will be made in a subsequent billing cycle.

9. The using agency must perform both the bank records reconciliation and the FAMIS reconciliation discussed below. Timely reconciliation and review of charges are essential to assure that unauthorized charges, if any, are discovered promptly:

   a. Bank Records Reconciliation - The using agency must reconcile their records to the bank records using either of the two the reconciliation methods described below. #1 below is the recommended method:

      1. On a weekly basis, reconcile the individual procurement card receipts and/or charge slips to the weekly transaction report provided by DPSM. If this weekly reconciliation is performed, it is not necessary to reconcile to the monthly cardholder statement provided by the bank; ***OR***

      2. On a monthly basis, reconcile the individual procurement card receipts and/or charge slips to the monthly cardholder statement provided by the bank, **and** on a weekly basis, *review* the weekly transaction report provided by DPSM for unusual or unauthorized transactions.

b. FAMIS Reconciliation:

1. Reconcile the monthly statement or weekly transaction report to the amounts posted to FAMIS ; **AND**

2. If using a clearing account for procurement card purchases, post from that account into appropriate expenditure accounts in FAMIS. **The Program Manager must ensure that the clearing account is completely distributed each month**.

10. Audits:

a. A program review team, consisting of members of DPSM and/or DOF, will conduct a periodic review of agency program procedures and supporting documentation. DPSM may also review system-generated reports provided by the bank or FAMIS to determine compliance with procedures. Failure to comply with guidelines may result in loss of authority to participate in the procurement card program.

b. Internal Audit will also perform periodic, unannounced audits to ensure the continued success of the program. The purpose of these audits will be to ensure that each agency is following proper policies and procedures.

c. Internal Audit and the program review team will coordinate their efforts to minimize possible duplication and will share their audit findings with the appropriate personnel.

INTERNAL CONTROL PROCEDURES:

Each using agency must develop and adhere to internal control procedures that govern card security, use, and accounting. As discussed above, DPSM will review the agency's internal control procedures prior to card issue and, if revisions are necessary, will work with the agency to assure that effective procedures have been developed. DPSM will not release procurement cards to the agency until its internal control procedures are approved.

Development of internal control procedures is delegated to the using agency since procedures may vary significantly from agency to agency, based on each agency's organization and procurement needs. A sample internal control procedure will be provided and discussed during the Program Manager's training session. Using agencies may tailor this sample to fit their needs or develop their own procedures, subject to DPSM approval. Any questions regarding the development of internal control procedures should be directed to the procurement card Program Coordinator.

Adherence to internal control procedures is essential to the success of the procurement card program. Using agencies are to ensure that controls meet or exceed ATB020 and its companion, OFN20-1.

At a minimum, agency internal control procedures must address the following issues:

- Assignment of Duties – Procedures must describe the assignment of card related responsibilities and the flow of card related paperwork within the agency. Procedures should identify staff members by position title rather than by name. This will minimize necessary revisions to procedures if staff members change. Procedures must include appropriate separation of duties. In general, the approval function, the accounting/reconciling function, and the card custody function should be separated among employees. When these functions cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity.

- Card Names – Card names are assigned by the using agency. In general, the name embossed on the first line of each card is a work group name, rather than an individual's name. Cards are most frequently named for their function or area - for example "Administration" or "Lab Supplies." If an agency has more than one card with the same function, the card names may be numbered – such as "Travel 1" and "Travel 2."

  The agency name, abbreviated to not more than six letters, is embossed on the second line of the card.

- Signature on Card – Although the card has a space for signature on the back, in general, the cards should NOT be signed. If signed, it would be difficult for any staff member other than the signer to use the card.

- Card Security - Cards should be kept in a secure (locked) location while not in use. Procedures for obtaining, safeguarding and returning cards should also be addressed.

- Card Custodian – Identify a custodian for each card. If possible, the custodian should be identified by position title rather than by name. If the card custodian is changed, the internal control procedures should be revised to reflect that change and a revised copy forwarded to the Program Coordinator, DPSM.

- Card Limitations - Based on anticipated use, number of cards, budget constraints, and any other relevant factors, the agency must set limitations, as discussed below, for each card requested. Limitations may be set at different levels for each individual card. Card limitations provide an important safeguard against card misuse. It is important that card limitations be set as close as possible to the card's actual use. DPSM will work with the agency to determine appropriate limits.

  1. Single Purchase Limit – The maximum single transaction limit is $2,500 for general purchases and $5,000 for travel expenses. Merchant categories that qualify for the higher travel spending level are identified on Attachment D. Agencies may set their card's single transaction limit *lower* than these limits, if desired.

2. Cycle Spending Limit (CSL) – The maximum *dollar* limit of total purchases allowed for the month. This limit should be set at an amount slightly above anticipated monthly spending.

3. Authorizations per Day – The maximum number of purchases or requests for purchases that are allowed in one day. Like the CSL above, this number should be just higher than the maximum number of purchases anticipated in one day.

4. Transactions per Cycle – The maximum number of purchases that are allowed in a month. This figure should be slightly greater than the maximum number of purchases anticipated on a monthly basis.

- Merchant Category Code Group (MCC Group) - In an effort to ensure that improper purchases are not made, DPSM has blocked purchases from certain categories of vendors. See Attachment D for a list of these vendors. Those vendors will receive a "not approved" message when attempting to process the card for payment.

  In general, agencies must choose between two standard MCC groups designated for County use.

  1. FC1 – This group excludes purchases from vendor groups listed on Attachment D. Purchases up to a maximum of $2,500 may be made from all other authorized vendors. This MCC group is the standard purchasing card group.

  2. FC2 – This group is the same as FC1 above, except that purchases up to $5,000 (single transaction) may be made from travel merchants. Specific travel merchant groups are identified on Attachment D.

  3. Custom Groups - If desired by the agency, DPSM will work with the Program Manager to develop custom MCC groups, other than the standard groups shown above.

- Changes to Card Limitations/MCC Groups – If an agency wishes to make changes to an existing card's limitations or MCC Group, the agency Program Manager should complete a bank application form, available on DPSM'S INFOWEB site or directly from DPSM. Forward the completed form to DPSM.

- Adequate Funding - Using agencies must devise a method to assure that adequate funds are available before each purchase is made. Weekly posting of billing to FAMIS will provide relatively current expenditure information, but a log or other similar method must be used to determine up-to-date funding information.

- Expenditure Log - A system that tracks expenditures as they occur must be in place. Agencies may use appropriate manual or computer log. Entries must be contemporaneous to give up-to-date information on funds expended.

- Employee Acknowledgment Disclosure Form (See Attachment B) - All first-time card users must sign an Employee Acknowledgment Disclosure Form. The form acknowledges the employee's responsibilities regarding card use and sets forth consequences for card misuse. A sample of the agency's Employee Acknowledgment Disclosure Form should be included as an attachment to their internal control procedures. The agency Program Manager shall maintain the signed forms.

- Card User Training – The agency Program Manager is responsible for providing ***all*** card users with appropriate training prior to card use.

- Document Maintenance - Using agencies must maintain all ORIGINAL receipts, invoices, and credit slips from each transaction for a minimum of two years. These documents should be associated with the appropriate bank record (monthly statement or weekly transaction report) and retained for review. Photocopies are generally not acceptable. If, for any reason, an original receipt is unavailable, a photocopied receipt or memorandum providing the purchase details and reason why a receipt is not available must be included with the monthly statement. The Program Manager must sign and date these documents.

- Reconciliation to Bank Records - On a weekly basis, the using agency should reconcile receipt/charge slips to the weekly transaction report (provided by DPSM) to verify that all charges are proper and the correct amounts have been charged. As an alternative, the agency may reconcile receipt/charge slips to the monthly bank statement on a monthly basis. However, if this method is chosen, the agency must *review* the weekly transaction reports on a weekly basis. In either case, the Program Manager must initial and date the weekly transaction report or monthly bank statement to indicate approval.

- Reconciliation to FAMIS - On a monthly basis (at minimum), the using agency must reconcile the bank statement or the weekly transaction reports to the amounts posted as expenditures in FAMIS. If card billing is posted to a clearing account, the charges must be moved to the appropriate expenditure account monthly (at minimum).

- Problem Resolution - The Program Manager should attempt to resolve disputes directly with the vendor and/or the bank. If unable to resolve directly within a reasonable time period, contact DPSM Program Coordinator for assistance. Any adjustments to billing will be made on subsequent statements.

- Dispute Procedures – Dispute procedures are defined by the County's procurement card contract with the bank. The contract requires that disputed items be identified within 60 days of the cycle end date for the cycle in which the disputed charge appears on the bank statement. Disputed charges must be identified to the bank in writing. Although items identified outside the 60-day period may still be disputed, the County's legal standing in the matter is decreased. Further information and forms pertinent to dispute procedures are available on the DPSM INFOWEB site.

- Lost or Stolen Cards - Procedures must be set forth to report lost or stolen cards to the bank immediately. A toll-free number is provided by the bank for this purpose and is

indicated on the paperwork that accompanies each new card. The agency Program Manager and DPSM must also be notified directly after bank notification.

- Card Cancellation - If an agency wishes to cancel a card for any reason, the Program Manager should submit a completed application form to DPSM. The Program Manager must destroy any cancelled card(s). If there is an urgent need to cancel a card, contact the DPSM Program Coordinator for immediate assistance. Remember that lost or stolen cards may be reported directly to the bank through a 24-hour toll-free telephone number.

Attachment A

Agency Checklist for Participation in Procurement Card Program

More detailed information regarding each "Step" is available under the "Procedures" section of this Memorandum.

Step No.	Responsibility	Step	Estimated Time Frame
1	Using Agency	Determine need for card. Identify agency Program Manager. Forward the following to DPSM - a) request to participate in program, b) name and phone number of Program Manager and c) executed Director's Statement of Responsibility (Attachment C).	Variable
2	DPSM	Contact agency Program Manager. Provide training session. Provide card application forms.	1 – 2 weeks
3	Using Agency	Complete application form(s). Work with DPSM to establish appropriate limits for each card. Forward to DPSM for submission to bank. Draft internal control procedures and submit to DPSM for review and approval.	Variable
4	Bank	Issue card(s) to DPSM	2 weeks
5	DPSM	Review agency internal control procedures. Upon approval, notify agency of approval and availability of card(s).	2 weeks*
6	Using Agency	Use card(s) in accordance with guidelines.	
7	DPSM	Download transaction report from bank. Post transaction information to FAMIS weekly. Provide weekly transaction report to agency.	Weekly
8	Dept of Finance	Pay bank via wire transfer based on amount provided by bank transaction report for the week.	Weekly
9	Using Agency	a) On a weekly basis, reconcile individual card invoices/charge slips to weekly transaction report provided by DPSM (See page 5 for alternative reconciliation method). b) On a monthly basis (minimum), reconcile amounts posted to FAMIS to bank records. Distribute clearing account to appropriate expenditure accounts.	As Indicated
10	DPSM/DOF/ Internal Audit	Conduct coordinated reviews to assure that cards are being used in accordance with guidelines.	Periodic

*Two weeks are generally concurrent with two-week period shown in #4. While bank is processing card applications, DPSM reviews agency internal control procedures.

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Attachment B

EMPLOYEE ACKNOWLEDGMENT DISCLOSURE FORM

County of Fairfax

_____
[Agency Name]

By signing below, I, _____(employee's name), agree to the following regarding participation in the County's procurement card program.

1. I have read and familiarized myself with the County's Procedural Memorandum 12-02, *Use of the County Procurement Card* and my agency's Procurement Card Internal Control Procedures and agree to comply with the guidelines set forth in those procedures.

2. I agree to return the card to the agency Program Manager upon my departure from the agency or upon the manager's request.

3. If the card is lost or stolen, I will immediately notify Bank One at **(800) 848-2813**.

4. I understand that misuse of the card may result in disciplinary action, including termination of employment.

_____
Employee's Name (printed)

_____
Employee's Signature Date

_____
Employee's Work Telephone Number and Location

_____
Supervisor's Signature Date

_____
Program Manager's Signature Date

Attachment C

USING AGENCY DIRECTOR'S STATEMENT OF RESPONSIBILITY

I acknowledge responsibility for my Agency's proper use of the County's Procurement Card and will assure that my Agency follows all policies and procedures regarding card use, security and accounting.

_____
Director's Name (Typed or Printed)

_____
Signature Date

_____
Agency Name

When completed, please forward this form to DPSM with a memorandum identifying the Agency's Program Manager for the procurement card.

Attachment D

County of Fairfax
MCC Groupings
dated 3/99

MCCG Name	MCC #	MCC Description	Include	Exclude	SingleTrans $Limitation*
FC1	4829	WireTransfer, Money Orders		X	0
	5813	Bars, Cocktail Lounges, Taverns – Drinking Places		X	0
	5921	Package Stores		X	0
	5933	Pawn Shops		X	0
	6000-6999	Financial and Related Institutions		X	0
	7273	Dating and Escort Services		X	0
	7297	Massage Parlors		X	0
	7995	Betting (Lottery, Off-Track, Race Track, etc.)		X	0
		All other MCCs	X		$2,500.00
FC2	4829	WireTransfer, Money Orders		X	0
	5813	Bars, Cocktail Lounges, Taverns – Drinking Places		X	0
	5921	Package Stores		X	0
	5933	Pawn Shops		X	0
	6000-6999	Financial and Related Institutions		X	0
	7273	Dating and Escort Services		X	0
	7297	Massage Parlors		X	0
	7995	Betting (Lottery, Off-Track, Race Track, etc.)		X	0
	3000-3350	Airlines	X		$5,000.00
	4511	Air Carriers, Airlines - Not elsewhere classified	X		$5,000.00
	3351-3500	Auto Rental Agencies	X		$5,000.00
	7512	Auto Rental Agencies - Not elsewhere classified	X		$5,000.00
	3501-3800	Hotels and Motels	X		$5,000.00
	7011	Lodging - Not elsewhere classified	X		$5,000.00
		All other MCCs	X		$2,500.00

* Maximum single transaction limitation. This figure may be set *lower* by agency request.