Effective Date: October 1, 2013
Supersedes: BP 4.2, dated July 1, 2013
Applies To: System Office and Colleges
Procedure Responsibility: KCTCS Office of Purchasing

Procurement Card

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Supplemental Information: Additional requirements are in the KCTCS Procurement Card Guide.

Section 4.2.1 - General

The use of a KCTCS procurement card allows purchase activity only as authorized by KCTCS Purchasing. This enables increased efficiency provided the associated business procedures and controls are followed. Therefore, the KCTCS Procurement Card Program was implemented to increase the efficiency of the purchase and make payment of small dollar acquisitions and is intended to be used as the primary purchasing method for small dollar purchases. Each college shall appoint a procurement card site coordinator who shall be responsible for editing ProCard transactions in ActivePay for migration into the KCTCS' General Ledger. The KCTCS Procurement Card Administrator is responsible for the same for the System Office. Because the procurement card significantly increases the efficiency of small dollar purchases, College/System Office leadership may direct an employee to have a procurement card as part of their job responsibilities. To ensure that proper documentation supports each procurement card purchase a Form BA8 (Expenditure Transaction Detail Sheet) listing the bona fide business purpose of the purchase shall be included with the invoice.

Note: For internal controls (separation of duties purposes) the Procurement Administrator/Site Coordinator shall not have a procurement card. Exceptions must be approved in writing by the KCTCS System Director of Business Services.

A. Procurement cards shall be issued based on justifiable need versus matter of convenience to the user. KCTCS employees responsible for making purchases for their department, division or function may apply for a procurement card when authorized by their department head. Where possible, shared use of a procurement card is encouraged - custodial card, described below in Section D. In such instances, the owner of the card (person to whom the card is issued) shall be the primary contact for the use of the card. However, the procurement card owner shall not be personally liable for misuse of the card by another employee unless the card owner is personally involved in the misuse. In summary, the specific user of the card shall have direct responsibility for proper use of the procurement card while in his or her possession.

The Procurement Card Cardholder Application and Procurement Card Agreement must be completed and signed by the both the cardholder and his or her supervisor. Completed and signed Procurement Card Applications and Agreements are submitted to the College ProCard site coordinator/KCTCS Procurement Card Program Administrator for processing.

NOTE: At both the colleges and System Office, the budget owner must also sign approving the employee's authorization to charge the proposed budget. An exception will be made if the applicant's supervisor is the owner of the budget to which the charges will default.

The application form, agreement, and guide, are available on the KCTCS Purchasing webpage or from the Procurement Card Program Administrator in the KCTCS Purchasing Department.

B. Usage - A procurement card is issued to an individual cardholder (regular not temporary position) with the responsibility for the use of that card and <u>can only be used</u> to make purchases for official KCTCS business.

C. Eligibility Requirements - the general eligibility requirements for cardholders are as follows:

1. The employee must be in a regular position, preferably full-time.
2. The employee must be in good standing and have an "M" - meets or better evaluation rating on their personnel Planning, Performance and Evaluation (PPE) Form.
3. The position responsibilities of the employee must include making small dollar purchases.

D. Custodial Card - means a shared procurement card issued to a functional unit and used by other KCTCS employees. Where possible custodial cards are encouraged.

E. Custodian - means a KCTCS employee who has a custodial card issued in their name and has the responsibility of ensuring the compliance to KCTCS procurement procedures for the custodial card and shall have discretion to determine if an employee may use the card. In such instances, the owner of the card (person to whom the card is issued) shall be the primary contact for the use of the card. However, the procurement card owner shall not be personally liable for misuse of the card by another employee unless personally involved in the misuse. In summary, the specific user of the card shall have direct responsibility for proper use of the procurement card while in his or her possession.

F. Custodial Card User - each employee using a “custodial card” shall sign a Procurement Card Agreement and shall receive a copy of this policy and other written material given to cardholders before using the procurement card.

G. Card Controls - the program has the ability to place the controls listed below on each card. This ability enables a card to be tailored specifically for individual departmental requirements:

- Spending Limit Per Transaction
- Spending Limit Per Cycle
- Transactions Allowed per Day
- Transactions Allowed Per Cycle
- Merchant Category Code
- Default Budget String

KCTCS has established a maximum default limit of $5,000 per transaction. However, monthly and transaction limits will be assigned based on necessity and review of actual usage. Transaction limits range from $500 to $5,000. Consideration may be given to higher limits pending review and justification on a case-by-case basis. Requests for limit changes are to be directed to the KCTCS System Director of Purchasing or designee.

H. Card Levels - there are various card levels for which employees may apply.

Level I - Established for general cardholders. This level will facilitate general purchases, e.g., general operating supplies. This level also facilitates the purchase of airline tickets See section 4.2.3 for additional detail.

Level II - Established for "Special Purpose Activities". These activities are defined as use with accreditation teams, student affairs activities, grants or contracts, System-administered professional development activities, cultural events, and official guests requiring accommodations. Additional purposes will be considered on an individual case by case basis. A Level II card facilitates restaurant and hotel transactions, in addition to the purchasing functionality of Level I.

***Note*:** Whenever possible, the KCTCS Procurement Card (ProCard) shall be used to pay for employee conference registrations and to purchase employee airline tickets in lieu of an employee making the purchase from personal funds and requesting personal reimbursement. Payment of direct-billed lodging, where prior approval has been granted by the KCTCS System Director of Business Services for the direct bill, is also approved with Level II ProCards if the charge falls within the cardholder's transaction limits. Incidentals charges for lodging including, but not limited to, movies, room service, or laundry are not approved for ProCard use.

It is the responsibility of the appropriate supervisor and college Site Coordinator/Program Administrator to audit, review, and ensure:

- The propriety and bona fide business purpose of lodging expenses.
- The time period of accommodations.
- The exclusion of charges for non-employee traveling companions.
- The reporting of prepaid expenses processed for payment using a procurement card.

Section 4.2.2 – General Purchase Authority and Conditions

A. The KCTCS Procurement Card may not be used to make any type of personal purchases. Failure to comply with this policy may result in disciplinary action against the employee making the purchase. Please see Section 4.2.7 for more information about compliance and disciplinary action.

B. Procurement cards are not to be used for:
- Capital equipment purchases.
- Purchases charged to capital project accounts except in accordance with KCTCS Business Procedure 2.7.7.D.
- Items costing more than $500 identified as "high risk" and entered in the Asset Management Inventory Module unless authorized by the KCTCS System Director of Purchasing or designee. See Section 4.2.5 – Conditional Use, below for additional details of conditional use.

As defined by KCTCS policy and procedures, such purchases or acquisitions are to be purchased using a purchase requisition.

C. Advance payment of goods or services is not allowed unless specifically authorized by KCTCS Purchasing. Procurement cardholders are authorized to pay registration fees, purchase annual subscriptions to magazines, periodicals, and make advance payment of equipment maintenance agreements when such payments are within the transaction limits of their procurement card. ***Note:*** Payments that extend beyond the current fiscal year into future periods are to be treated as a pre-paid expense. Please contact KCTCS Accounting for details.

D. The cardholder, custodian, or custodial card user is responsible to ensure the availability of budgeted funds necessary to meet the financial obligation incurred by the procurement card purchase, including obtaining the appropriate signature of review and approval of the monthly ProCard Statement.

E. KCTCS' records retention policy requires that *all* Cardholder Statements of Accounts be authorized by the cardholder's supervisor (and as necessary the budget chart string owner) and maintained *for a period of three full years*. The cardholder statements must be maintained in a secure central location, have supporting documentation attached, and be filed in a manner suitable for auditing purposes.

Every purchase shall be accompanied with a KCTCS Expenditure Transaction Detail sheet (Form BA 8) to include a written explanation of the purchase and a bona fide business purpose. This is especially true for third-party vendors including, but not limited to, the following merchants: PayPal.Com, Amazon.Com, QVC.Com, and Barnes and Noble.Com.

Examples of acceptable supporting documentation include, but are not limited to:

- A valid sales receipt or invoice.
- Original packing slip.
- Original cash register receipt.
- Original copy of order form or application.

In the event that an original invoice/receipt is lost, a copy should be obtained with a statement that the "original invoice or receipt was lost." If an original invoice/receipt is lost, both the cardholder and supervisor must sign the copy of the receipt for acknowledgement and documentation purposes. In the event that an original receipt is lost and a copy cannot be obtained, the cardholder, custodian, or custodial card user should complete an Affidavit for Lost Receipt form and attach it to the cardholder statement.

F. Any time that a procurement card is used for refreshments, meals or accommodations a *Working Meal for Employees or Guest Meal Report* (BA50) must be completed. Use of a procurement card for refreshments, meals or accommodations for students, employees, or guests must be in compliance with Business Procedures 1.13 and 1.14. This report must be attached to the cardholder statement and retained for audit purposes. Failure to fully complete the *Working Meal for Employees or Guest Meal Report* (BA50) may result in suspension of procurement card privileges.

G. Employees are encouraged to use a procurement card for the purchase of airline tickets and conference registrations. The employee should secure the appropriate approval signatures on his/her Out-of-State (or Out-of-Country) Travel Authorization Form *prior* to making travel arrangements. The signed form must be attached to the receipt for airfare and/or conference registration and included with the ProCard statements on which the charges appear.

H. Procurement cards may be used to make purchases at a KCTCS bookstore. All other internal transactions within KCTCS that cross business units shall be processed via a journal entry prepared and submitted to KCTCS Accounting for processing. Internal transactions for operating related expenses are to be processed using a journal crediting account code 54000 - Recharge for Current Expenses.

I. Each cardholder, custodian, or custodial card user is responsible to comply with this procedure and the conditions listed in the Procurement Card Guide. A copy of the guide may be found under the KCTCS Purchasing website: ProCard Program Guide

Section 4.2.3 - Purchase Restrictions

A. Procurement cards have purchase restrictions based upon the ProCard level granted to the procurement card owner. Purchases from certain types of businesses as well as purchases of certain types of commodities are not allowed using a procurement card. The table below illustrates unallowable transactions and purchases. Note that items listed under Level II also are unallowable at Level I.

Unallowable Procurement Card Purchases and Transactions by Procurement Card Level

Level I	Level II
Wire Transfers, Money Orders	Wire Transfers, Money Orders
Furriers and Fur Shops	Furriers & Fur Shops
Drinking Places, Bars, Taverns	Drinking Places, Bars, Taverns
Nightclubs, Cocktail Lounges…	Nightclubs, Cocktail Lounges…
Package Stores-Beer, Wine, Liquor	Package Stores-Beer, Wine, Liquor
Financial Inst. Manual Cash	Financial Institutions - Manual Cash
Financial Inst. Automatic Cash	Financial Institutions - Automatic Cash
Security Brokers/Dealers	Security Brokers/Dealers
Insurance Sales	Insurance Sales
Lodging/ Hotel and Motels	
Timeshares	Timeshares
Dating and Escort Services	Dating and Escort Services
Tax Preparation Services	Tax Preparation Services
Counseling Service - Personal	Counseling Service - Personal
Massage Parlors	Massage Parlors
Motion Picture Theaters	Motion Picture Theaters
Billiard and Pool Establishments	Billiard and Pool Establishments
Betting…	Betting…
Amusement Parks	Amusement Parks…
Legal Services, Attorneys	Legal Services, Attorneys
Misc. Food Stores	
Bakeries	
Freezer, Locker Meat Provisions	
Candy, Nut and Confection Stores	
Dairy Products Stores	
Caterers	
Eating Places, Restaurants	
Fast Food Restaurants	

B. Additional restrictions include:

- Split purchasing to avoid the maximum transaction amount (if over $5,000, a requisition shall be submitted).
- Internal use within KCTCS.
- Printing, as defined in Business Procedure 4.16 – Printing Contracts, is not an allowable procurement card purchase.
- Items costing more than $500 classified as "high risk" and therefore inventoried within the Asset Management Module or classified as a capital asset. (See Business Procedure 2.9 - Property Inventory Control and 3.13 Capital Assets.) Business Procedure 2.9, Business Procedure 3.13

Section 4.2.4 - Sales Tax Exemption Number

At the time of sale, Cardholders, Custodians and Custodial Card Users are to advise vendors of the KCTCS Sales Tax Exemption number, **A-20633**, which is located on the front of all KCTCS procurement cards. Ensuring the tax exempt number is given to the merchant is the responsibility of each card user. Unfortunately, KCTCS has no dispute rights if tax is charged by the merchant in cases where the merchant has not made aware of the tax exemption. Once the receipt is signed for the full amount (including tax), KCTCS has no dispute rights.

Furthermore, it should be noted that if the tax exemption number is not given to the merchant when making a non face to face transaction (i.e., orders placed by telephone, fax, Internet, etc.) KCTCS has no dispute rights.

This means that the purchaser must:

(1) Inform the merchant that KCTCS is tax exempt.
(2) Provide the merchant with the KCTCS tax exemption number, **A-20633**, for each transaction on the procurement card.

If the vendor requests a Tax Exemption Certificate, please contact KCTCS Purchasing at 859-256-3391. A certificate will be issued accordingly.

If the purchase is via mail, telephone, or online, please request that the vendor include a receipt with the merchandise. This receipt is the only original documentation indicating if sales tax has been paid against the purchase. It is the cardholder's responsibility to ensure proper use of the KCTCS tax exemption number.

Section 4.2.5 – Conditional Use

A. Building Maintenance or Repairs – Any building maintenance or repair must be in compliance with Business Procedure 2.6 – Facilities Maintenance. In addition, contractors must have on file with KCTCS Purchasing a certificate of liability insurance. If the contractor does not have the required certificate of liability insurance on file, it is the responsibility of the cardholder to forward to KCTCS Purchasing, via email, fax, or mail, a copy of the insurance certificate. In the event a contractor does not have or will not provide a certificate of insurance, the contractor shall not be used for the maintenance or repair.

B. Information Technology Equipment Associated with KCTCS Networks

Devices such as telephones, personal digital appliances or other equipment (e.g. I-phones, Blackberries, etc.) that cost less than $500 per item purchased using the procurement card that will interface with KCTCS communications or computing networks must be in compliance with KCTCS Technology Solutions security standards and properly configured with appropriate safeguards to maintain protection against unauthorized intrusion into KCTCS information technology systems. It is the responsibility of the cardholder or custodial card user to consult with KCTCS Technology Solutions regarding this to ensure compliance.

For computer related equipment such as desk-top computers, laptops, and iPads costing more than $200 but less than $500 the items are to be tracked in PeopleSoft Asset Manager for purposes of security as these devices often contain sensitive information and need to have their memory cleaned prior to their disposal. Whenever possible such equipment will be assigned either to a permanent fixed location or to an individual employee to aid tracking and accountability and provide a mechanism to help ensure the cleaning of its memory, removal of any licensed software, etc., where and when applicable when the item is no longer in service.

Any purchases of software or services that will impact KCTCS' web presence must be coordinated through System Office Web Services for compliance with KCTCS Web Services policies.

C. Fuel

- *Bulk fuel* may be purchased on a procurement card (any level) for delivery to storage tanks owned by KCTCS. Prior authorization by the KCTCS Director of Purchasing or designee is not necessary. As with any procurement card purchase, the bona fide business purpose of the use of

- The fuel must be documented with each purchase using a *KCTCS Expenditure Transaction Detail Sheet* (Form BA8). FORMS BA8

- *Fuel purchases for a KCTCS vehicle is on an exception or emergency basis (*e.g., a situation where a KCTCS vehicle is in use and fuel cannot be purchased using the KCTCS approved fleet card). Requests for exception to this restriction shall be submitted (in advance where possible) to the KCTCS Director of Purchasing or designee.

Fuel used for instructional demonstrations; non-highway licensed service equipment, such as generators, mowers, weed eaters, etc; or other maintenance or service equipment is on a case-by-case basis.

- Specific cards may be authorized on a case-by-case basis to allow for purchases of fuel at retail service stations pending justification and proper documentation. Requests for authorization to purchase fuel for maintenance or other service equipment shall be submitted (in advance of the purchase) to the KCTCS Director of Purchasing or designee. Proper completion of a *KCTCS Expenditure Transaction Detail Sheet* (Form BA8) is required for each purchase and shall identify the specific equipment, period of time, and the event/purpose for which the fuel is to be used. The business unit requesting the exception shall demonstrate that adequate business controls are in place to ensure both the propriety of the expense and proper storage (safety and security) of the fuel purchased. The request along with the documentation of adequate business controls provided by the business unit and subsequent authorization, if approved, shall be kept with the cardholder application file and cardholder statements for audit purposes.

NOTE: *In no circumstance should a procurement card be used to purchase fuel for a rental vehicle where an employee is in a travel status except in extenuating circumstances described below.* Rather, the employee shall pay for the fuel and the rental and seek reimbursement. *If however, a procurement card is used to rent a vehicle for group transport, directly by a business unit in the name of KCTCS for official transport of visitors, accreditation officials, participants in KCTCS sponsored programs or other non-travel related purposes*, the same procurement card as used to pay for the rental of the vehicle may be used to purchase fuel. In such an instance, the license number of the vehicle shall be written on the fuel receipt and a BA8 form shall document the purchase of the fuel with the bona fide business purpose. (See Business Procedure 1.17 – Car Rental for details.) Business Procedure 1.17

Section 4.2.6 – Vendor Non-acceptance of the Procurement Card

In situations that a procurement card may not be accepted (not a card decline) by a merchant as part of the merchant's normal business operations and the need for the goods or services is critical and a purchase requisition is not practical due to time or other constraints, an *Employee Reimbursement Form* (BA2) with the receipt and written explanation of the circumstance shall be submitted for

reimbursement by the employee. Maximum limit for reimbursement is $500, unless prior approval is obtained from the KCTCS System Director of Business Services. See FORMS BA2 Employee Reimbursement (Non-Travel) Form

Thereafter, the cardholder shall seek to obtain the goods or services from a merchant who accepts the procurement card. It is KCTCS' preferred practice to use the procurement card as much as possible within the established limits to obtain goods and services.

Section 4.2.7 – Ensuring the Security of the Procurement Card

Card users should exercise caution while making purchases electronically. When making internet purchases, card users should only use secure websites. Secure websites are indicated by an "https" preceding the web address, i.e. "https://www.pncactivepay.com**".** There may also be a padlock icon next to the web address bar the user may click to ensure the site is encrypted. Another indicator of a secure site is a "secure authentication" such as McAfee Secure or Thawte. This may be verified by clicking on the padlock icon as well. Card users should also be cautioned to only conduct business online with vendors that are known to be reputable.

Card users should never share a ProCard number and information via email as it is not a secure form of communication. Purchases may be made by faxing the ProCard number to the vendor, however the card user should take care to ensure that there is a representative of the merchant standing by to receive the card information.

If a file containing sensitive ProCard information must be printed, the "Secure Print" function should be utilized. All electronic files containing sensitive ProCard information should be stored in an encrypted format.

Cardholders should also take care to secure the physical card when not in use, by storing the card in a secure area, i.e. a locked file cabinet, safe, or a locked desk drawer.

Section 4.2.8 – Compliance

The use of a KCTCS procurement card allows purchase activity only as authorized by KCTCS Purchasing. Therefore, each cardholder, custodian, custodial card user and supervisor must comply with this procedure and fulfill their requirements as defined in the Procurement Card Guide and supplemental procedures issued by their college or the System Office. The colleges' Procurement Card Site Coordinator and the KCTCS Procurement Card Program Administrator are charged with ensuring compliance for purposes of internal control and sound management practice.

A. Violation Actions

Failure to comply with KCTCS business procedures and related procurement card guide, agreement, etc. will result in the following actions by the ProCard Site Coordinator:

- First Incident - Written notification (email or letter) of non-compliance. Cardholders or custodial card users receiving first incident violations should provide written (email is acceptable) acknowledgement that they understand how their actions violated business procedures and include assurance of compliance with business procedures in the future.
- Second Incident – - Written notification (email or letter) of non-compliance with potential card use suspended for 30 days, depending on the seriousness of the violation and whether violation is a repeat of the first incident. Cardholders or custodial card users receiving second incident violations shall (within 30 days of the issuance of the violation):

  a. Receive additional training.

  b. Provide written (email is acceptable) acknowledgement that they understand how their actions violated business procedures and include assurance of compliance to business procedures in the future.

- Third Incident – Card use suspended for 30 days with possibility of cancellation of cardholder privileges, depending on the seriousness of the violations and whether violations are repeats of the prior incidents. Cardholders or custodial card users receiving third incident violations may be subject to disciplinary action in accordance with KCTCS personnel policies. If deemed appropriate, documentation of such disciplinary action and unsatisfactory job performance pertaining to the use of a procurement card shall become a part of the employee's performance record. It also may be considered in the determination of performance ratings of the employee or the employee's eligibility for award of merit bonuses.

NOTE: Depending on the seriousness of the violation(s), disciplinary action may also include immediate account termination, documentation of unsatisfactory job performance in the employee's personnel file, and/or formal suspension or termination of employment with KCTCS.

B. Violation Period

The Procurement Card Site Coordinator will maintain a record of non-compliances per cardholder within a fiscal year. Each cardholder will start a fiscal year with no carryover of non-compliance. However, if the incidence occurs in the last quarter of the previous fiscal year and the seriousness of the violation is deemed of such significance, the incidence warrants carryover to the next fiscal year.

C. Violations

Example violations of procurement card use include, but are not limited to the following:

- Making personal charges.
- Splitting a transaction to avoid the single purchase limit of $5,000.
- Charging capital assets.
- Receipts having sales tax charged.
- Charging incidentals along with hotel accommodation(s).
- Charging a car rental without prior approval and documented written justification.
- Failure to submit Statement of Account to the Procurement Card Administrator by the established due date.
- Failure to include necessary supporting documentation, i.e., receipts, BA8, or other KCTCS business forms as required.
- Failure to have authorized approval signatures, such as the supervisor and/or budget manager.

D. Violation Appeal

A cardholder or custodial cardholder that has had privileges cancelled may by written appeal reapply for a procurement card at the start of a new fiscal year subject to approval and at the discretion of the KCTCS Director of Purchasing or designee.

E. Termination of Card

KCTCS may terminate the cardholder's, custodians, or custodial card user's right to use the procurement card at any time for any reason. The cardholder, custodian, or custodial card user must cease use of and return the procurement card to the appropriate KCTCS personnel immediately upon request or upon termination of employment.

F. Supervisor Responsibility

Supervisors of cardholders are responsible to carefully review each transaction to ensure compliance and propriety of the business expense. Negligence to do so may result in disciplinary action in accordance with KCTCS personnel policies.

Supervisors noted for failing to provide appropriate review and/or compliance shall receive additional training and be requested to provide written (email is acceptable) acknowledgement of the situation and provide assurance to future compliance to KCTCS business procedures.

Instances of repeated failure of appropriate review and/or compliance shall be subject to disciplinary action including notation of unsatisfactory job performance as part of the employee's performance record with consideration in the determination of performance ratings of the employee or eligibility for award of merit bonuses.

End of Procedure