

STATE OF WISCONSIN
STATE ACCOUNTING MANUAL

SECTION:	V	Expenditures	EFFECTIVE DATE:	July 1, 1999
SUB-SECTION:	13	Purchasing Card	REVISION DATE:	November 30, 2001
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GENERAL POLICY

The State has authorized the use of a purchasing card for individual transactions up to and including the level where bids are required. Individual credit limits, including card and cycle limits, vary as determined by agency. To assure the effectiveness of the program, the policy and procedures in this section must be followed by agencies using the purchasing card.

To maximize the benefits of using the card, accounting processes must be flexible. To enable the agencies to distribute the transactions to different appropriations, projects, or cost centers without excessive handling, a WiSMART table with codes that will represent cost centers is available. The object code, 3800, "Purchasing Card Transactions", should be used to record most purchasing card transactions in the accounting system. The object code 3800 is recommended for use in the table unless a cardholder only purchases items within one object code. (See discussion of object code 3801 under Foreign Emergency Major Medical section.) In this instance the unique object code may be used in the table. If additional detail is necessary, the 3800 object code may be distributed periodically on an acceptable cost allocation method.

While there are many inventory items that fall under the dollar requirement for bids, the agency should make every effort to allow the purchase of inventory items with the purchasing card. One method of keeping track of inventory items would be to have the cardholder identify inventory items on the documentation forwarded. The purchasing card coordinator, the procurement staff, and accounting staff must work together to arrive at an acceptable method for tracking inventory items purchased. The use of requisitions and purchase orders for inventory items not requiring a bid process is not recommended.

The purchasing card should not be used for tax (1099) reportable services to prevent difficulties in reporting to the IRS. It is acceptable to use the card for training, conference registrations and non-reportable services. **If the purchasing card is used for reportable services, the agency is responsible for any tax (1099) reporting requirements that result from using the purchasing card for such services.** For a discussion of reportable services see the IRS publications.

TRAVEL RELATED ITEMS POLICY

Since July 1, 1999, the purchasing card program has allowed certain travel costs to be charged. These travel costs include airline tickets, lodging, car rentals in compliance with UTSA rules, hotel and airport parking and rental car gas.

When possible it is recommended that an agency travel coordinator be assigned the purchasing card and make arrangements for the travelers. In some cases, it will be appropriate for a traveler to have the purchasing card in his or her possession. In addition to the general purchasing card merchant category code specification, there

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exists a separate merchant category code specification that will allow charges only for the selected travel costs: airlines, lodging, car rental, hotel and airport parking and rental car gas.

In order to facilitate entry into the central accounting system, the PCRD table object code field will still use 3800 as the object code. However, the programming identifies the merchant category code for air, lodging, and car rental and redirects the travel items to object code, 2190, for purchasing card travel. This will allow agencies to keep track of travel costs related to the purchasing card separate from the other charges.

The purchasing card summary report (PCRD-SUM) on EOS will provide detail airline itinerary information as well as specific hotel information. The log for the travel portion of purchasing card use should include items that would normally be found on the travel voucher: business purpose, number of nights stayed, room rate, is it a conference site, departure and return times and so forth. The original airline (travel agency) bill and the original hotel/motel folio must be included with the purchasing card log. If a traveler is not using the purchasing card for these items then the originals should appear with the traveler's travel voucher. **DO NOT PAY FROM COPIES.**

The processing of these items in the accounting system will not be significantly different than with the original purchasing card program as described below. Issues related to air, lodging and car rentals have been so identified.

FOREIGN EMERGENCY MAJOR MEDICAL EXPENSE

The State has some employees that travel to foreign countries. Occasionally, circumstances arise that require immediate medical attention. Some medical facilities in foreign countries will not perform the necessary procedure unless the bill is paid in advance. They are also reluctant to deal with the required paperwork for making a claim to the employee's health insurance and demand payment from the employee. The employee usually does not have the capability to pay for an emergency major medical expense out of pocket and wait for reimbursement from their insurance company. In addition, travel insurance is not a reimbursable expense and should not be purchased. Due to the above, the Bureau of State Risk Management, State Bureau of Procurement and the State Controller's Office have determined that a purchasing card may be used to pay foreign emergency major medical expenses. The following procedures provide guidance on use of the purchasing card for this type of expense.

A separate purchasing card should be issued to the foreign traveler that may be used only for foreign emergency major medical expenses. We recommend that the third line embossing identify the card as Foreign Medical. This is the only card that is acceptable for foreign emergency major medical expense. **DO NOT USE A STANDARD STATE PURCHASING CARD FOR FOREIGN EMERGENCY MAJOR MEDICAL.** A separate merchant category code specification, STMEDICAL (I, include), must be used and only merchant category codes for foreign medical institutions will be available. Those

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merchant category codes are: 8011, 8021, 8031, 8041, 8042, 8043, 8044, 8049, 8050, 8062, 8071, 8099, and 4119.

The object code in the accounting string for this card must be 3801, purchasing card foreign emergency major medical expense. This code needs to be used because of the need to isolate these costs. When the charge is processed through the purchasing card subsystem and into WiSMART, the programming diverts object code 3801 to balance sheet account 3609, Foreign Emergency Major Medical Receivable. This balance sheet account serves as a clearing account as the state agency must be reimbursed for this personal expense as outlined in the following paragraph. The receipt for reimbursement of this major medical expense must be credited to the 3609 balance sheet account. When reimbursement is complete the balance sheet account 3609 should be \$0.00.

As a convenience to the employee, the State will initially pay for foreign emergency major medical expense. However, when the traveler returns stateside, the employee must file a claim with their health insurance company for reimbursement to the state agency that paid the medical expenses. If qualified, the claim can be made through the Workers Compensation process. The employee must repay any deductibles or items not covered by insurance to the state agency. The agency purchasing card coordinator must follow-up with the employee (cardholder) to assure that an insurance claim is filed. The agency accounting section must reconcile the reimbursement to the balance sheet account.

ACCOUNTING SYSTEM PROCESSING

The State Controller's Office (SCO) receives the billing file electronically. WiSMART support staff run a program using table information to reformat the file to the accounting system. Payment documents, P1's, are created and available on the suspense file for agency **review** on the day following receipt, usually a Tuesday. The P1 documents are designed to make a payment using electronic funds transfer (EFT).

The total amount on the P1 documents must not be changed and payment must be by EFT. The Purchasing Card User Manual addresses how to handle returns, non-receipt of goods, disputes with the merchant, etc. See also cardholder's responsibilities section in this manual. If a purchasing card is used for both regular charges and travel charges two accounting lines are created based on an identified travel merchant category code.

Payment documents are loaded with overrides applied and enter the suspense file as accepted documents. Agencies must review the suspense file for any rejected documents. These rejected documents must be adjusted and approved within the grace period according to the established schedule. If payment is beyond the grace period a late fee of .5% or \$100 whichever is greater will be charged to the agency/campus account.

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DOA will conduct RANDOM AUDITS. At a minimum a sample of transactions including travel related items should be reviewed by the agency each billing cycle. The PCRD-SUM report on EOS identifies the merchant where items including travel items were purchased by a particular cardholder. The auditor may want to verify that the P1 created for some of those cardholders agrees with the EOS report. Depending on when travel vouchers are processed (and timing is an issue) the auditor may want to compare what the cardholder claims as paid by the card with what appears in the EOS report.

The primary purpose of the audit is to ensure that the Purchasing Card program procedures are being followed and that:

- Purchase volume appears reasonable.
- The card is being used for appropriate transactions.
- Documentation is complete.
- Agency is following required procedures
- Proper internal controls exist with regard to the program

PURCHASING CARD ISSUANCE

At the time a purchasing card is requested for an employee, it must be determined which accounting string(s) will be assigned to that card. The purchasing card coordinator or agency designated employee must make an entry in the WiSMART PCRD table. This is the table that determines the accounting string that will be used on the created P1's for all purchases on a particular card.

The key code information tied to the card identifies the agency, a group within the agency and the cardholder. There are 19 spaces available for the code, three for agency number and eight each for group and a suffix that identifies the cardholder. This code will appear on the detail billing file and will be used to access the PCRD table and reformat the billing information into P1 documents in the accounting system.

Special instructions for agencies using the small agency set-up provision will be explained at the time the agency begins the set-up process.

The PCRD table (see sample below) provides the agency with four options: N, J, F, and B. The N option will only create the P1 payment documents. The J option will create the payment documents and shell JV documents that the agency will use to distribute purchases to proper funding sources if necessary. The F option will create the payment documents and provide the agency with a complete agency file to manipulate the data for its own use. The B option will create the payment documents, the shell JV documents, and provide the file for agency use. Other than option F, the option selected may be different for each cardholder.

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PURCHASING CARD ACCOUNTING SPLIT TABLE KEY IS CARD AGENCY, GROUP, AND CARD SUFFIX							
CARD AGENCY: ___		GROUP: _____			CARD SUFFIX: _____		
CARDHOLDER SSN:				CARDHOLDER NAME:			
REALLOCATION OPTION:							
LI						REPT	
NO	FUND	AGCY	ORG/SUB	APPR	UNIT	ACTV	OBJ/SUB PROJ NO CATG % SPLIT
01-	___	___	___	___	___	___	___

RESPONSIBILITIES

The following sections are the minimum requirements for the responsibilities of the cardholder, the supervisor and accounting. With SCO approval agencies may adapt these policies and procedures to develop their own method of recording, approving and maintaining an auditable record of transactions.

CARDHOLDER

Each cardholder is responsible for the following activities

- **Cards must not be loaned to others for two important reasons: 1) If the card is used inappropriately, the cardholder is responsible for all inappropriate charges, and 2) The State loses the liability protection from the credit card company if the card is loaned.**
- The card must not be used for personal transactions. If personal transactions occur, the item must be returned to the merchant for full credit or the employee must repay the State including any applicable state, county or city sales taxes. Even if the merchant does not charge these taxes, the agency must remit the taxes to the Department of Revenue.
- Record each purchase.
- Keep receipts for documentation and forward to supervisor for review as described later. A credit card charge slip with only the total is not sufficient documentation. A receipt needs to include an original record of what was purchased. Any exceptions must be documented.

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- Receive information statement from card company.
- Verify cardholder statement agrees with record of purchase and receipts. Sign the record to attest that all purchases are for state business purposes and comply with appropriate rules and regulations.
- Forward the signed record with original receipts to supervisor for review.
- Cardholder is responsible for resolving disputes as described below and in the cardholder user manual.

Returns, Credits and Disputed Items

The cardholder has responsibility for following up with the merchant or bank on any erroneous charges, disputed items or returns as soon as possible. Disputed billings can result from failure to receive the goods charged, defective merchandise, incorrect amounts, duplicate charges, credit not processed, as well as fraud and misuse.

If the cardholder has a problem with a purchased item or a billing resulting from use of the VISA Purchasing Card, they should first try to reach a resolution with the supplier that provided the item. In most cases, disputes can be resolved directly between the cardholder and the supplier.

Credits

Referring to the cardholder receipt, request from the merchant to record a credit on the card account. If the item was shipped, refer to the shipping form you kept with envelope transaction record.

Returns

The supplier should issue credit for any item that has been approved for return. The credit should appear on a subsequent statement. Any item purchased with the VISA Purchasing Card that is returned must be returned for credit. Do not accept a refund in cash or check.

Make sure you keep documentation of credits, returns and exchanges on the purchase record.

Disputed Items

If you have a disputed charge and cannot reach resolution with the supplier, complete the "ELAN Visa Purchasing Card Billing Inquiry Form" and send to ELAN Financial Services with a copy to your Agency Purchasing Card Coordinator. This written notice of dispute must be received by ELAN within 60 days of the date of purchase.

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SUPERVISORY REVIEW

The following items should be performed by the cardholder's supervisor, who must be trained regarding what is required of the cardholder and the supervisor.

- Review information submitted by cardholder. The amount of review will depend on a number of factors but the supervisor should, at a minimum, compare receipts to the purchase record submitted by the cardholder.
- Verify purchases are for use in state business. Sign on cardholder submitted record to certify that purchases are for state business purposes and comply with appropriate rules and regulations.
- Verify travel related charges have been authorized.
- Verify a cross-reference to the cardholder's travel expense report (TER) for consistency and double charges, if possible.
- Send signed record with original receipts to designated accounting office.
- The card must not be used for personal transactions. If personal transactions occur, the item must be returned to the merchant for full credit or the employee must repay the State including any applicable state, county or city sales taxes. Even if the merchant does not charge these taxes, the agency must remit the taxes to the Department of Revenue.
- If it is determined that personal or other unauthorized charges are occurring on the card, then appropriate steps, up to and including dismissal, will be taken to resolve the misuse/abuse of the card.

ACCOUNTING

The accounting section has three different areas of responsibility: payment, audit, and allocation if necessary.

Payment

The State Controller's Office (SCO) receives the billing file electronically. WiSMART support staff run a program using table information to reformat the file to the accounting system. Payment documents, P1's are created and available on the suspense file for agency review on the day following receipt, usually alternate Tuesdays. The P1 documents are loaded without the need for approvals and payment is made using electronic funds transfer (EFT). **Agencies must make sure there are not any rejected P1 documents as a result of the overnight processing.**

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The detail billing, (location of purchase), information is usually available in the afternoon of the first workday after the end of a cycle on the EOS reporting system (PCRD-SUM report) to authorized employees. The PCRD-SUM report should be made available to the same hierarchy levels as reports from the bank. If during the course of review of the detail on the EOS file an agency determines that there is a gross error (\$1,000+), such as the wrong agency being billed or a typing error where \$100 becomes \$1,100 contact the agency purchasing card coordinator immediately.

Detail of purchase locations may also be reviewed through the "TBR 400" report which will be received by the purchasing card coordinator by mail several days after the end of the billing cycle. This provides the same information as the billing file received electronically by SCO.

The information on EOS is intended to provide agencies with a means to scan the purchases being made on the card for reasonableness. Supporting documentation will be received later from the cardholder, **usually** after payment.

P1 documents are loaded to the suspense file for agency review; no approvals or overrides are needed. **If a document has rejected for some reason then approvals must be applied.**

- ◆ Review billing file on EOS for reasonableness. The following items may be reviewed but in any event the total on P1 documents must not be changed.
 - Are purchases more than the credit limit established for the cardholder? This should not happen. If it does, contact the agency purchasing card program coordinator immediately.
 - Is the total consistent for the type of supplies the cardholder is authorized to buy?
 - Is there a pattern of always charging the same amount each cycle?
- ◆ Approve P1 documents that have been rejected in overnight processing. **DO NOT CHANGE THE AMOUNT.** The transaction will have the proper coding to create an EFT payment once it is approved.
 - See the cardholder responsibility section on Disputes for procedures established for the cardholder to take care of questioned items and returned items.

Audit

- ◆ After payment has been made, review documentation received from cardholder supervisors in an accounting office.

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- Audit cardholder record(s) of purchase and receipts received from cardholders for propriety. An acceptable sampling method is permitted.
- Reconcile cardholder record with billing file to determine accuracy and appropriateness.
- Receive and review requested management reports from the card company.
- If it is determined that personal charges are occurring on the card, then appropriate steps, up to and including dismissal, must be taken to resolve the misuse/abuse of the card.

FRAUD REPORTING In accordance with Section 16.55, Wisconsin Statutes agencies shall report all fraud to the Department of Administration, State Controller’s Office.

Allocation

- ◆ If necessary, allocate purchasing card transactions to detail object codes periodically using an acceptable allocation method or exact cost.

DEFINITIONS:

“Purchasing Card” means a credit card issued to an authorized state employee through the Department of Administration, State Bureau of Procurement’s Purchasing Card Contract.

“Cardholder” means a specific state employee who has been issued a Purchasing Card by an agency.

“Agency Purchasing Card Coordinator” means the individual appointed by the agency head to manage, coordinate and control Purchasing Cards within the agency.

“Supervisor” means the individual to whom the cardholder reports and submits the purchasing card log and receipts for review. The individual who signs the log or statement to acknowledge that the purchases made are reasonably work related for the cardholder before forwarding to an accounting office for audit.

“Original Receipt” means the customer copy of the Purchasing Card receipt signed by the cardholder at the time of purchase. In the case of phone orders, “original receipt” means the copy of the receipt sent by the supplying vendor to the purchaser with the goods purchased. This “original receipt” should be annotated by the cardholder to indicate that the order was placed by phone or fax. A credit card charge slip with only the total does not qualify as an original receipt. A receipt needs to include an original record of what was purchased. Any exceptions must be documented.

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“Statement” means the statement of charges that is sent to the cardholder by the Purchasing Card vendor.

“Billing File” means the bi-weekly billing received electronically by the State Controller’s Office (SCO) from the Purchasing Card vendor. The file is reformatted in WiSMART, creating P1 documents that will be available for **review** at the Paying Location on the day following receipt. The P1 documents are designed to make payment by Electronic Funds Transfer (EFT).

“PCRD Table” means the WiSMART table, maintained by the agency, established to tie the information on the purchasing card to an accounting string.

REFERENCES

For information on procurement rules and responsibilities, refer to the State Procurement Manual, Section PRO-E-23. On-line access to the State Procurement Manual is available through the State Bureau of Procurement’s Vendornet.

For information on how to use the purchasing card, refer to the “Purchasing Card User Manual.” Follow the link to the user manual on the State Bureau of Procurement website. <http://vendornet.state.wi.us/vendornet/purchcrd/manual6.asp>