

Kentucky Judicial Branch
Procurement Card Program
Policies and Procedures
Guide

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Kentucky Judicial Branch Procurement Card Program

Introduction

The Procurement Card Program is designed to improve efficiency in processing low dollar purchases from any vendor that accepts a VISA credit card (unless restricted by policy or Merchant Category Code (MCC) by the Commonwealth). A Procurement Card (ProCard) may be issued to a Kentucky Judicial Branch official or employee

The ProCard may be used for both the purchase of goods and services. All procurement cards shall be used in accordance with the Administrative Office of the Courts' procurement policies and procedures.

This program enables employees to make purchases of approved commodities directly from vendors, with the charges assigned to the default accounting structure designated for each ProCard.

The AOC Division of Accounting Services is responsible for reconciling the receipts for purchases and ensuring that the proper accounting structure is assigned to each transaction. If the default accounting structure is not correct, the accounting employee may change it. He/she must ensure that all ProCard documents for a cycle are approved (FINAL status) in sufficient time to pay the bank by the due date for that cycle.

How It Works

The ProCard Program simplifies the procurement and disbursement processes by facilitating point-of-demand procurement. Procurement responsibility is delegated to the ordering department, enabling an authorized Cardholder to place an order directly with the vendor. The ProCard Administrator shall ensure all Cardholders are informed of allowable purchases according to AOC guidelines, as well as supervisory approval needed for various purchases.

The ProCard Program provides enhanced control for all transactions by producing immediate decisions on three specific authorization criteria as explained below. When the supplier at the point-of-sale requests a purchase authorization, the transaction is validated against pre-set limits and restrictions established by the ProCard Administrator or employee's manager. All transactions are instantaneously approved or declined based on the following procurement card authorization criteria:

1. Single purchase limit
2. Spending limit per cycle
3. Merchant Category Code (MCC) restrictions*

*Suppliers are assigned a Merchant Category Code (MCC), which represents their type of business/industry. ProCards are issued with a MCC group of KYSTANDARD Exclude, which is explained in the following chart. If a Cardholder attempts to use a supplier with any of the following codes, the transactions will be denied immediately, provided proper authorization is performed by the vendor.

KYSTANDARD

3000-3299	Airlines
3300-3499	Automobile/Vehicle Rental
3501-3999	Hotels and Motels
5811-5812	Eating Places, Restaurants
5813	Bars, Cocktail Lounges, Discotheques, Nightclubs, and Taverns – Drinking Places (Alcoholic Beverages)
5814	Quick Payment Service – Fast-Food Restaurants
5921	Package Stores, Beer, Wine, Liquor
6010-6012	Financial Institutions
6211	Security Brokers/Dealers
6381	Insurance Premiums
6399	Insurance (Not elsewhere classified)
7011	Lodging
7800,7801, 7995, 9754	Gambling, Horse Racing, Casino, Dog Track. State Lotto, On-Line Gambling

Ordering Process

The Procurement Card Program is an allowable purchasing method for approved goods and services that fall within the AOC's small purchase authority. Small purchases less than \$10,000 may be made with a single quote. Small purchases between \$10,000 and \$49,999 must be accompanied by three quotes.

Allowable purchases include:

- Any purchase not prohibited by this manual that is within the limits established for the card and the AOC's small purchasing authority.
- Any purchase from a Master Agreement, not prohibited by this manual or the terms and conditions of the Master Agreement.
- Utility payments, regardless of the dollar amount.
- Registration fees for employee training and conferences.
- Out of state purchases of fuel for motor pool vehicles only, if the state fleet management fuel card is not accepted. The Cardholder shall attach an approved authorization for travel outside of Kentucky and a statement that the Fleet Management Card was not accepted by the vendor to the vendor's invoice and submit with the transaction receipt.
- Photocopying costs.

Prohibited purchases include:

- Travel and entertainment related expenses, except the Division of Accounting Services or the Department of Specialty Courts may use a ProCard for travel with an Out-of-State authorization form signed by the Chief Justice for any KCOJ elected official or employee,
- Alcoholic beverages,
- Food or beverage, unless authorized in advance by the ProCard Administrator,
- Fixed assets with a purchase price of \$300 or more,
- Automotive gasoline, except purchases of fuel for motor pool vehicles where the Fleet Management Fuel Card is not accepted,
- Cash advances,
- Salaries and wages,
- Legal services,
- Lease purchases,
- Insurance premiums and bonds,
- Professional services,
- Printing Services,
- Purchases from another Commonwealth agency,
- Used equipment,
- Purchases from auction.

The following procedures must be followed when using the procurement card:

1. Ensure the purchase is a legitimate business need of the Kentucky Judicial Branch.
2. Confirm the purchase is appropriate for the ProCard by reviewing the list of restricted goods and services. If the purchase does not meet the criteria, the ProCard must not be used.
3. Ensure the ProCard purchase is within the policy and guidelines.

4. If the purchase is greater than the department's Small Purchase Authority Single Quote Limit, ensure the order is documented either by citing an active Master Agreement or attaching two additional quotes.
5. Inform the vendor that payment will be made by a Commonwealth of Kentucky ProCard.
6. Emphasize that the Commonwealth is a tax-exempt entity. If the supplier requests the Commonwealth's Kentucky State Sales and Use Tax Exemption Number, please provide the supplier with the tax number shown on the tax form supplied when cardholder received the card. If cardholder can't find that form, contact the ProCard Administrator.
7. Purchase or order goods/non-professional services.
8. When making on-line purchases, be sure to use reputable, work-related sites. Ensure the complete shipping address and instructions are provided to the vendor. Follow all procurement policies and procedures.

NOTE: For internet or phone orders, ensure card number is safeguarded. Be sure to obtain a valid receipt.

9. Ensure all departmental procedures regarding ordering, processing, and record retention have been followed.
10. Retain all packing slips as supporting documentation (packing slips may not be used in lieu of a vendor receipt and/or invoice).
11. When a shipment is received, it is the responsibility of the Cardholder to properly inspect the shipment. In case of returns, the Cardholder is responsible for coordinating the return directly with the supplier and contacting the ProCard Administrator with any unresolved issues. Returns for cash are not permitted. The Cardholder shall also obtain a receipt showing the credit transaction.

Proof of Purchase Documentation

The Procurement Card Program facilitates point of demand procurement, providing authorized Cardholders the ability to purchase specific goods and services directly from a supplier. With this authority comes the responsibility of maintaining adequate documentation.

Documentation must be maintained as required by the AOC Record Retention Schedule. Documentation for each transaction shall include the vendor's name, date of purchase, description of each item purchased, price of each item purchased, total cost, Cardholder name or last four digits of the ProCard number, and pay documents.

All purchases must be documented by a valid vendor receipt identifying goods or services purchased. Cardholders, are responsible for getting receipts to the ProCard Administrator. The Cardholder may be held liable for purchases not substantiated by a valid receipt. Once the ProCard Administrator verifies the purchase as being an allowable and necessary business expense, the receipt will be forwarded to the Division of Accounting Services. If the purchase is not an allowable and necessary business expense, the Cardholder may be held liable for the purchase.

Reconciliation of Procurement Card Activity

To ensure the accuracy of transactions posted by the bank and that accurate payment is being made to the issuing bank by the Commonwealth, Accounting will reconcile all transactions at the end of each billing cycle.

The ProCard Administrator is responsible for ensuring Cardholders' purchases are within the guidelines of the program and that payment to the issuing bank is accurate and timely. The Division of Accounting Services is responsible for reconciling each receipt against the transactions on the procurement card payment (PRCC) documents.

Procurement Card Program Administrator Responsibilities

The Procurement Card (ProCard) Program Administrator will administer the program and manage the overall department operation and Cardholder training. To ensure proper separation of duties, this individual shall not be a Cardholder.

The Office of Finance and Administration will train the ProCard Program Administrator how to implement and operate the Procurement Card Program. The ProCard Administrator's responsibilities include (but are not limited to) the following:

- Completing training provided by the Finance and Administration Cabinet.
- Upon consultation with department management determining which of the department's employees will become Cardholders.
- Executing, approving, signing, and maintaining a Cardholder Agreement for all Cardholders.
- Developing and providing mandatory training for each Cardholder prior to issuing a ProCard. This training includes Cardholder duties, responsibilities, and procurement policies.
- Serving as the primary contact with issuing Bank. Providing instructions to the bank on the activities for all cards and billing accounts.
- Adding, changing, or deleting cards as necessary.
- Maintaining an appropriate internal control framework related to the safeguarding of card(s) and card usage.
- Assigning a default accounting template for each card.
- Ensuring all card numbers are properly recorded within eMARS.
- Coordinating the disputed charges process.
- Ensuring receipts are collected for every transaction per Cardholder and attached in OnBase.
- Verifying that the description and purpose of every transaction is identified by each Cardholder in OnBase.
- Verifying that each Cardholder and their respective supervisor have put in transactions in the OnBase system.
- Coordinating the payment process to ensure a complete timely remittance.
- Establishment of a procedure to provide reasonable assurances that Cardholders receive no monetary benefits from use of the card.

A ProCard Administrator may designate an individual to be responsible for some or all of the above listed responsibilities. To ensure proper separation of duties, any such designee shall not be a Cardholder.

Supervisor/Approver Responsibilities

Each ProCard transaction must be approved by the Cardholder's appointing authority.

- The supervisor/approver will access the On-Base system.
- All card transactions should have a purpose and description provided by the Cardholder.
- Supervisors/approvers shall approve all transactions that were received by and for the benefit of the Kentucky Judicial Branch.
- All approvals must be completed by the end of each ProCard cycle. The ProCard Administrator may request approvals be applied more frequently.

Individual Cardholder Responsibilities

Each procurement card is issued exclusively to an individual judicial branch official or employee and MUST NOT be shared or loaned. An official or employee issued an individual card is required to sign a Procurement Card Cardholder Agreement accepting the terms and conditions provided by the AOC. A card embossed with the individual's name shall be issued and used exclusively by that individual.

To ensure compliance with Program Policies and Procedures, an individual Cardholder shall:

- Activate card upon receipt (Website and phone number provided by issuing bank).
- Be aware of allowable purchases on the card as referenced in this policy and procedure manual.
- Be aware and not violate any procurement laws, regulations, policies, or procedures.
- Document all purchases with a detailed receipt. The credit card receipt and/or packing slip may serve as supporting documentation, but may not serve as a valid receipt unless all detailed information is provided on the credit card receipt and/or packing slip.
- Ensure shipping and handling charges are included in the stated price.
- Ensure no purchase is greater than the AOC's Small Purchase Authority.
- Provide merchants with the complete shipping address and instructions when ordering via internet, or telephone orders.
- Complete the purpose and description field in the On-Base system attesting that the purchases were for the benefit of the Kentucky Judicial Branch and not for personal use. Submit for approval (electronically sign) each of your transactions.
- Submit receipts to the ProCard Administrator on at least a monthly basis. This frequency is at the ProCard Administrator's discretion.
- Inform the merchant that the card is tax exempt since Cardholder is an agent of the Commonwealth. (A copy of the certificate must be sent to the vendor upon request. Ensure that sales tax is not charged. Ask the ProCard Administrator if a copy of the tax exempt certificate is needed.)
- Inspect all purchases. Returns shall be coordinated directly with the merchant. Returns for cash are NOT permitted.
- Questions regarding disputes should first be addressed with the merchant. If resolution cannot be reached with the merchant, a dispute must be filed with the issuing Bank. Inform the ProCard Administrator of any dispute.

- Contact the ProCard Administrator immediately if card is lost or stolen. The ProCard Administrator will report it to the bank using their on-line system. Failure to do so may result in penalty or removal of card.
- DO NOT use a procurement card for personal purposes.
- DO NOT split a transaction in order to avoid the maximum limit.
- Document and attach to the receipt each credit received (i.e. defective item, wrong item sent, etc.).
- Ensure the card and card number is properly secured at all times.
- Notify the ProCard Administrator before you leave your position or when you no longer need a procurement card.

NOTE: Improper use of the procurement card may result in revocation of card (temporary or permanent) and disciplinary action, up to and including termination of employment.

Disputed vs Fraudulent Transactions

Disputed and fraudulent transactions are different in nature and must be treated differently.

A disputed transaction is usually a mistake and can be resolved by the merchant in most cases. Examples of disputes included duplicate charges where the merchant may have accidentally swiped the card twice or an on-line charge was made and shipped but the goods were never received. There are other, but these are some common examples.

For a dispute, the cardholder should contact the merchant first for resolution. If a resolution cannot be reached with the merchant, then the cardholder must contact the ProCard Administrator to initiate a dispute claim with the bank.

Fraudulent charges are criminal in nature. They usually arise from external sources when the card number is compromised or the card plastic itself is duplicated. Other fraud may occur internally when an individual from inside the agency is purposefully using the card for purchases not approved by the agency. Fraud should be reported to the issuing bank immediately. For security purposes, fraud should be reported by phone as soon as the charges are recognized. The Cardholder must immediately attempt to contact the ProCard Administrator to cancel the card. If the ProCard Administrator cannot be reached, the Cardholder should call the issuing bank to report the fraudulent charges and advise the ProCard Administrator accordingly. The dispute process should not be used.

It is likely that external fraud may be identified by the issuing bank first and reported to the cardholder and/or administrator. If suspicious charges appear and the bank cannot reach either party, the card may be closed abruptly to prevent further fraudulent activity. Unfortunately, card numbers get compromised more often than we would like even with the best security measures. That is why it is very important the cardholders and approvers be diligent in reviewing transactions and reporting any suspicious activity immediately.

If suspicious activity is found to be the result of internal fraud, the ProCard Administrator must cancel the card immediately. The AOC has internal controls in place to handle disciplinary actions related to the employee or employees responsible for the fraud. Most issuing banks have insurance to cover the losses incurred due to internal fraud, however, this usually will require termination of the employee(s).

Reporting a Lost or Stolen Procurement Card

It is the responsibility of the Cardholder to report the loss of a ProCard immediately to the ProCard Administrator who will cancel the card immediately via bank's website. The AOC is responsible for all charges on a card until it is reported lost or stolen. Therefore, it is imperative that all Cardholders report the lost or stolen card to the ProCard Administrator immediately.

The issuing bank has a 24/7, toll-free number available to report lost/stolen cards. The Cardholder should also contact this number immediately upon realizing a card has been lost or stolen (i.e. weekend, after business hours). After reporting a lost or stolen individual procurement card to the issuing bank, the Cardholder must also immediately report the lost or stolen card to the Program Administrator. A card that has been reported lost or stolen that is subsequently found must be given to the ProCard Administrator.

Security

It is important that card users remember to safeguard not only their card, but also their card number. A card or card number in the wrong hands can result in fraudulent charges. Therefore, to minimize the risk of fraud, Cardholders should adhere to the following:

- Keep procurement card in a safe location,
- Do not loan or share cards,
- Do not email full card numbers
- Ensure all written documentation (forms, reports, statements, receipts, etc.) containing card numbers is stored in a safe location, and
- Destroy any written documentation containing card numbers that is not needed.

It is also important to be diligent and mindful of phishing attempts to obtain card information either via email, phone calls or text. Cardholders and administrators should be cautious and not provide card information to merchants unless the transaction is initiated by them. Card information should never be provided via email or text.

If fraudulent charges appear against a card:

- Report the charges to the ProCard Administrator immediately,
- Report the charge(s) via phone to the issuing bank immediately,
- Investigate to determine possible causes of fraudulent activity.

Procurement Card Internal Controls

Each Cardholder must submit to the ProCard Administrator, on at least a monthly basis, a valid receipt for each charge. The itemized receipt or email confirmation shall be issued by the merchant and identify the good or service purchased. (Dues and subscriptions are allowed to be documented by an order form.)

- a) The Cardholder and his/her immediate supervisor must electronically sign a statement that the purchases were received and used for the benefit of the Kentucky Judicial Branch and not for personal use for each procurement card cycle.
- b) Each Cardholder will receive an on-line monthly statement from the issuing bank. The Cardholder should:
 - Verify that each listed charge on the statement is valid and matches the transaction documentation (i.e., itemized receipts), and
 - Identify any disputed charges.
- c) Each department shall take appropriate disciplinary actions whenever any violation of this policy is identified.