

**NORTH DAKOTA UNIVERSITY SYSTEM
PROCEDURES MANUAL**

Subject: FINANCIAL AFFAIRS

Effective: April 1, 2018

Procedure: 803.4 Purchasing Cards

1. NDUS institutions must participate in the statewide purchasing card (p-card) program administered by the North Dakota office of management and budget. The p-card can be used to pay vendors who accept the card as a form of payment. The p-card provides efficiency and reduces the cost of initiating and payment of purchases.

Purchases made with the p-card must comply with:

- a. SBHE policies,
 - b. North Dakota Century Code, and
 - c. Institution policies.
2. For the purposes of this procedure:
 - a. “Cardholder” means an NDUS employee whose name appears on the p-card and is responsible for all charges made with the card.
 - b. “Default departmental funding” means the NDUS budget fund and account number assigned to the cardholder’s p-card. Only one budget fund and account number can be assigned to a card. Cardholders can reallocate transactions to one or multiple funds.
 - c. “Designated approver” means the supervisor or other designated employee determined by the individual institution, other than the cardholder, who is familiar with the departmental budget and expenditures.
 - d. “Detailed Documentation” means the original and detailed documentation of the purchase. Electronic copies are acceptable. Receipt, vendor invoice, charge slips, cash register receipts, printout of E-mail or web page transaction confirmation must include:
 - i. Itemized description of goods or services purchased, including unit price,
 - ii. Vendor name,
 - iii. Transaction date,
 - iv. Transaction total, and
 - v. Proof of payment. Documentation for proof of payment will contain, at a minimum:
 1. Invoice or other appropriate documentation showing payment amount, or
 2. Invoice or other appropriate documentation showing a zero remaining balance.
 - e. “Merchant Category Codes” or “MCC” means the four digit codes assigned to a supplier by their merchant bank. The MCC identifies the type of business conducted by the supplier and are categorized into groups of commodities and services. P-cards are assigned MCC codes by the p-card administrator based on an institution’s purchasing needs.
 - f. “Purchasing card or “p-card” means the credit card issued to an NDUS employee for

making authorized purchases of supplies and services, including travel arrangements. NDUS will process a monthly payment for all p-card charges directly to the credit card company.

A p-card is not:

- i. For personal use,
 - ii. A means to access cash or credit,
 - iii. A means to avoid appropriate procurement or payment procedures,
 - iv. A means to pay other departments, or
 - v. A right of employment.
- g. “Purchasing card administrator” means an NDUS employee responsible for administering the p-card program. The p-card administrator also approves temporary exceptions to credit limit increases and purchases. The p-card administrator cannot also be a p-card holder.
- h. “Reconciliation” is the process where the cardholder will review the statement to ensure transactions and amounts listed are correct and the cardholder performed all transactions. Then the cardholder assigns a fund-department-account (project/program if applicable), attaches detailed documentation, indicates the business purpose for each transaction, and traces it to the cardholder’s statement. Reconciliation is performed on a monthly basis by the cardholder and approved by the designated approver. Cardholders should document the reconciliation by signing and dating the statement. The designated approver will document the review and approval by signing and dating the statement.
- i. Retention: Required to follow current NDUS [retention policy](#).
- j. “Statement” means the monthly detail listing of transactions to and for individual cardholder issued by the credit card company.
- k. “Transaction limit” means the limits assigned to cardholders for individual single and monthly total purchase amounts.
3. Institutions will not restrict or limit expenditures that are for a legitimate business purpose and are allowable under SBHE policies and North Dakota Century Code. Per-diem charges for meals are an exception and are not allowed to be charged on a p-card. However, meals related to student group travel are allowed, per North Dakota Century Code. Travel charges, such as in-state and out of state lodging and transportation are allowed.

Individual p-card holders are restricted through assignment of MCC codes and credit limits. Institutions are to assign MCC codes and credit limits, taking into consideration the institution’s purchasing needs and the individual’s cardholder’s role and responsibilities.

At a minimum of once a year, institutions will review MCC codes and credit limits of existing p-card holders to determine if they are appropriate for the institution’s purchasing needs and the cardholder’s current role and responsibilities. The review must be documented and retained for audit purposes, in accordance with the NDUS records retention schedule outlined in SBHE Policy 1912(7).

Each institution will use the NDUS p-card change request [form](#) to change MCC codes or increase credit limits on a temporary or permanent basis when it is deemed necessary by the cardholder's designated approver.

4. Employees requesting a p-card will complete the NDUS purchasing card application and use agreement [form](#). All institutions will use this form. The form must be approved by the employee's authorized department supervisor. Upon supervisor approval, the form is submitted to the p-card administrator. The p-card administrator will assign an MCC code for each approved card.
5. The cardholder shall:
 - a. Sign the p-card and safeguard the p-card, immediately upon receipt;
 - b. Use the p-card only for NDUS purposes and in accordance with SBHE policies, North Dakota Century Code and institution policies;
 - c. Maintain detailed documentation of all transactions;
 - d. Reconcile monthly statements;
 - e. Forward the signed and completed statement of account and related receipts, invoices or other supporting documentation to the designated approver;
 - f. Notify the supervisor and the credit card company immediately in the event of a lost or stolen p-card;
 - g. Resolve disputed charges in a timely manner; and,
 - h. Destroy and discard an expired p-card.
6. Only the NDUS employee whose name appears on the p-card may use the p-card. The employee is accountable for all charges made with that p-card. A cardholder will not lend the p-card to anyone. If another employee in the department needs a p-card, the director or supervisor of the department should request one for that individual.

P-cards are not issued in the name of the department. They are only issued to individuals.

The cardholder must be a NDUS employee. Students, including graduate students and student organizations are not allowed to obtain a p-card. If an employee is also a student, the issuance of the p-card must be based on their status as an employee, and all transactions must be related to their employment.

P-cards must be kept in a secure location, such as a locked drawer, and shall only be used to process transactions by the respective cardholder. In order to prevent exposure to fraud, the full p-card account number shall not be in locations that are accessible.

The credit card company provides liability protection to NDUS once notification of any loss, theft or fraudulent use is made. However, the same level of liability protection does not apply to cards that are made available to multiple users. Therefore, only the person whose name appears on the card is authorized to use the p-card.

7. P-card purchases must be reviewed by a designated approver. At a minimum, the approver shall:

- a. Review information submitted by the cardholder. The approver should match receipts to the cardholder statement submitted by the cardholder;
- b. Verify that purchases are for institution business use only;
- c. Sign cardholder statement to certify that purchases comply with appropriate rules and regulations to the best of the approver's knowledge; and
- d. Verify that no personal transactions are on the statement. If personal transactions occur, the employee must repay the institution, including any applicable sales tax. If it is determined that personal or other unauthorized charges are occurring on the p-card, appropriate steps, up to and including dismissal, will be taken to resolve the misuse of the p-card.

At their discretion, institutions may implement additional reviews including, but not limited to, sample audits and review by the institution's accounting or purchasing departments.

Individual credit limits, including single transaction and monthly transaction limits vary and are determined by each NDUS institution. Even though a p-card is issued in an employee's name, it is considered the property of the institution and must be used only for institution business. Failure to use the p-card in accordance with applicable policies and procedures may result in revocation of the p-card and may involve appropriate disciplinary action, up to and including termination and possible criminal prosecution.

8. The following are examples of misuse of a p-card:
 - a. Allowing someone else to use their p-card;
 - b. Purchasing items with the p-card for personal use;
 - c. Making unallowable or unauthorized charges;
 - d. Failing to submit a statement and supporting documentation by the monthly deadline;
 - e. Intentionally splitting a purchase to circumvent purchasing policies. In most cases, the cardholder should ask permission to temporarily increase the single transaction limit if applicable; and
 - f. Repeatedly allowing sales tax to be charged when the purchases are tax exempt.

Whenever the p-card is used, the vendor should be informed that it is a tax-exempt sale. The tax-exempt number is on each p-card. A violation for allowing sales tax to be charged to purchases is only for repeated, monthly offenders. Cardholders who promptly request the refund of the sales tax or attach a receipt or deposit for the amount of tax charged to their p-card log will not be considered in violation.

Any misuse of the p-card or other failure to comply with the applicable policies and procedures will result in one or more of the following:

- Appropriate disciplinary actions, including termination;
- Repayment of transactions resulting from personal use of the p-card. The card will be suspended until payment is received. Repayment will include any applicable taxes;
- Revocation of the p-card; and
- Possible criminal charges.

In addition, a cardholder found to have fraudulently used a p-card is personally liable for all fraudulent charges and shall be required to reimburse the NDUS for such charges within seven days of the request for repayment.

9. Violations on a p-card result in:
 - a. Written or emailed warning to cardholder for a first offense;
 - b. Written or emailed warning to cardholder and supervisor for a second offense;
 - c. Thirty-day suspension of card for a third offense. Cardholder must contact p-card administrator to reactivate p-card within thirty days after the suspension has ended; and
 - d. P-card is canceled and cardholder's privileges are permanently revoked after a fourth offense. The cardholder must return the p-card to the p-card administrator.

These offenses will be tracked per employee in a twelve-month period beginning with the first offense.

Some violations may result in immediate cancellation of the cardholder's p-card.

The p-card administrator reserves the right to suspend or terminate a p-card at any time if the administrator finds that the violation was intentional or that the employee is not cooperative.

10. The p-card appeal and reinstatement process is as follows:
 - a. Any former cardholder who has lost the privilege of the use of a p-card, may request to be issued a new p-card after one hundred twenty days of having their card canceled. No cardholder will be considered for reinstatement until any personal charges unauthorized on the previous p-card are paid back in full; and
 - b. The cardholder and their direct supervisor must go through an appeals process that is a review of the cardholder's violation history and the justification for a new p-card. The appeals process will determine if a p-card will be reissued. If reissued, the cardholder must fill out a new p-card application and retake training.

The p-card appeals review committee shall be made up, at the discretion of each institution, of at least two employees from the following: p-card administrator, controller, vice president, dean, designated financial director or manager, director of purchasing, or the executive in charge of the department that includes the p-card holder. Employees selected cannot be the p-card holder's direct supervisor.

The process for evaluating a cardholder's appeal is as follows:

- The p-card appeals review committee will evaluate the initial appeal request and determine if a meeting with the p-card holder and supervisor is needed;
- If the committee determines that a meeting is not needed, the committee will document the justification in the comments section of the appeals review form;
- If the committee determines that a meeting is needed, the committee will document the date of the meeting, attendees and meeting notes;
- The committee will approve or deny the appeals request and document the justification for their decision;
- Reinstated cardholders will be subject to a six-month probation period during which:

- The cardholder is required to complete online p-card training and in-person training that is specific to the cardholder’s previous violations;
- The p-card will be canceled if a violation is incurred during the probationary period; and
- After successfully completing the probationary period, the cardholder will start with zero offenses and are subject to the same disciplinary action as other cardholders.

11. Cardholders will complete the NDUS p-card training prior to issuance of a p-card and complete refresher training every year.

NDUS p-card training for cardholders will be offered through a training platform that is approved by the NDUS office. The NDUS compliance office will administer the training and track completions. Training notifications will be sent each January with a completion due date of March thirty-first. If training is not completed by the March thirty-first deadline, the cardholder's p-card will be suspended until training is complete.

Institutions, at their discretion, may offer this training to a p-card approver.

12. The p-card administrator will receive an automated email alert when a cardholder is terminated or transferred to another department in the peoplesoft system. The p-card administrator is responsible for cancelling the p-card in the event of a termination. In the event a cardholder transfers to another department, the p-card administrator is responsible for determining what actions need to be taken regarding the p-card.
13. Each institution will establish a process to monitor, on an on-going basis, purchases that could have been made using the p-card and provide timely communication to purchasers and their designated approvers encouraging the use of the p-card whenever possible.
14. Institutions will run the lodging, food, airline monthly report from JP Morgan at least monthly and review against employee travel and expense reports to monitor for duplicate travel related expenses. Institutions may establish additional procedures that best fit the institution’s purchasing needs to monitor for duplicate travel related expenses.
15. When setting up a vendor in peoplesoft, the checkbox “accepts procurement card as payment method” in the supplier record should be checked if the vendor accepts p-cards.
16. Institutions will establish procedures to monitor p-card activities, utilizing JP Morgan payment net reports to monitor:
- a. Cardholders who have not activated cards after issuance;
 - b. Declined transactions;
 - c. Unusual vendor or MCC activity; and;
 - d. Terminated employees with active cards.

Institutions may establish additional procedures that best fit the institution’s purchasing needs to monitor p-card activities.

REFERENCE: SBHE Policy 803.4

HISTORY: New Procedure, Chancellor's Cabinet Minutes, March 14, 2018.