

GOVERNMENT PURCHASE CARD PROCEDURES

- 1. REASON FOR ISSUE:** This handbook prescribes procedures for use of the government purchase card for official purchases.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES:** The government purchase card shall be used by VA administrations and staff offices in accordance with procedures in this handbook. VA administrations and staff offices are authorized to develop operational procedures to supplement this handbook.
- 3. RESPONSIBLE OFFICE:** Cash and Debt Management Division (047GC1), Office of the Deputy Assistant Secretary for Finance.
- 4. RELATED DIRECTIVE:** VA Directive 4080, Government Purchase Card Policy.
- 5. RESCISSIONS:** OF Bulletin 03GC1.04 dated July 21, 2003, OF Bulletin 04GC1.03 dated May 25, 2004, and OF Bulletin 04GC1.04 dated July 19, 2004.

CERTIFIED BY:

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GOVERNMENT PURCHASE CARD PROCEDURES

1. PURPOSE. This handbook prescribes procedures for the use of the government purchase card within VA, in accordance with the policy published in VA Directive 4080.

2. PROCEDURES

a. Scope.

(1) In the event a vendor will not accept the government purchase card, other disbursement methods, such as Automated Clearing House transfers, may be used to process the transaction. (For details, see VA Handbook 4070.2, Disbursement Mechanisms.)

(2) Other small purchase methods, such as convenience checks and Treasury checks that are non-electronic funds transfers (EFT), may only be used if waiver criteria of the Debt Collection Improvement Act (DCIA) (Public Law No. 104-134) are satisfied. Management of Federal Agency Disbursements: Final Rule (EFT rule), 31 Code of Federal Regulations, part 208 establishes the circumstances under which waivers to the DCIA are available. The Treasury Financial Manual, volume 1, part 4, chapter 4500, section 4515 – Policy and Use, states that other small purchase methods may only be used in lieu of the government purchase card when it is more cost-effective, practicable, or required by existing statutes.

b. Prompt Payment Compliance. Timely payments are essential to avoid the imposition of an interest penalty on VA and to limit the financial burden borne by the purchase card contractor. In accordance with the Prompt Payment Regulation, 5 Code of Federal Regulations, part 1315, section 1315.8, VA shall determine the government purchase card payment dates based on an analysis of the total costs and total benefits to the Federal Government as a whole, unless specified in a contract. When calculating costs and benefits, the agency is expected to include the cost to the government of paying early. Payment due dates may be calculated using the rebate formula provided in the regulation, unless the payment due date has been determined in the contract.

c. Requirement for Timely and Accurate Reconciliation.

(1) Cardholders shall reconcile the transactions by verifying the accuracy of payment amounts and vendor names with their records of orders and received items. Any improper, incorrect, or fraudulent charges or duplicate payments must be reported to their approving official (AO), and shall be handled promptly to ensure proper recovery from the vendor. If the vendor is unresponsive, the payment shall be disputed promptly with the card contractor. The cardholder is

ultimately responsible for ensuring that all purchase card payment transactions are proper and for taking immediate action. The AO is responsible for reviewing and certifying that all of the cardholder's purchases are legitimate expenditures.

(2) Unless otherwise specified by Administration guidance, cardholders must complete the verification process no later than 10 working days from receipt of the monthly statement for subsequent AO review. Also, improper billing must be disputed no later than within 30 working days of receipt of the monthly statement. The AO will forward all certified statements to the billing officer no later than within 14 working days of receipt. The Administrations may define the timeliness requirements based upon their internal processes, but the contractual time limits of the card contractor for payment protest and recovery must always be met.

d. **Standards of Conduct.** The government purchase card shall only be used to purchase supplies and services within the guidelines of the government purchase card program. Under no circumstances is the card to be used for personal purchases. Government employees hold a public trust, and their conduct must meet the highest ethical standards. An employee has a duty to protect and conserve government property and shall not use a government purchase card, or allow its use, for other than purposes authorized under this directive and handbook. (See Office of Government Ethics, Standards of Conduct for Executive Branch Employees, Use of Government Property, 5 C.F.R. section 2635.704.) The Standards of Conduct, which apply to government purchase card holders, further state that employees may not solicit or accept any gratuity, gift, favor, entertainment, loan or anything of monetary value from any party doing business with or seeking to obtain business with VA (5 C.F.R. section 2635.202). There are several exceptions to the general gift prohibition; however, an employee should seek ethics advice prior to accepting a gift given because of his or her position or from any party doing business with or seeking to obtain business with VA. Employees may seek ethics advice from their regional counsel or an ethics official at the Office of General Counsel (023).

e. **Unauthorized Use/Penalties.**

(1) When using the government purchase card, a cardholder must comply with VA's policies and procedures. Any violations of VA's approval requirements, spending limitations, internal controls, or prohibitions are considered misuse of the purchase card. Intentional use of the purchase card by a cardholder for other than official government business will result in immediate cancellation of the employee's purchase card by the program coordinator. Use of the purchase card by a cardholder for other than official government business may be considered an attempt to commit fraud against the U.S. Government. The employee will be personally liable to the government for the amount of any unauthorized transaction, and may be subject to criminal prosecution. Also, misuse of the purchase card may result in disciplinary action against the employee under

applicable current VA and governmentwide administrative procedures, up to and including removal. (See VA Handbook 5021, Employee/Management Relations.)

(2) The Debt Collection Improvement Act of 1996 allows VA to recover from the employee the full cost of unauthorized purchases plus interest and administrative debt collection fees. VA will take all actions necessary to collect the debt, including salary offset, if necessary, in accordance with applicable current VA and governmentwide administrative procedures.

f. **Training/Delegation of Authority.** Prior to obtaining government purchase cards with micro-purchase authority, cardholders and AOs must attend training courses on the use of the purchase card as well as ethics and standards of conduct. The head of the contracting activity (HCA) will delegate micro-purchase authority to cardholders in accordance with the Department of Veterans Affairs Acquisition Regulation (VAAR), part 801, and VA Directive and Handbook 7401.6, "Limited Authority to Pay by Purchase Card," which establish policies and procedures for the assignment of "payment only" authority to individuals who are not warranted contracting officers to use purchase cards to pay for task or delivery orders above \$2,500, issued under locally or regionally awarded contracts. No other official is authorized to delegate micro-purchase authority, although the HCA may delegate this authority to another government official. AOs and cardholders must certify that they have received the training, understand the policies and procedures, and know the consequences of inappropriate actions, by signing the Governmentwide Purchase Card Certification Form, VA Form 0242. This form is available on the following Web site: <http://www.va.gov/ofinop/valociti/documents/VAF0242b.exe>. All cardholders and AOs must attend refresher training at least once every 2 years. Copies of the certification form and training certification should be kept on file at the cardholder's and AO's office.

g. **Performance Standards.** Agency personnel responsible for critical duties such as reconciliation and certification of government purchase card charges will have applicable performance standards included in their official performance appraisal.

h. **Exit Procedures for a Cardholder.** As part of the exit clearance process, the government purchase card shall be surrendered to the program coordinator, cancelled and destroyed. The AO must certify that the cardholder has completed all order and payment reconciliations, or has provided sufficient documentation so that a replacement cardholder can complete the reconciliations.

i. **Internal Controls.**

(1) VA's Administration CFOs or staff office equivalents shall establish procedures to implement management controls for card use. Management controls include conducting periodic reviews of the government purchase card

program to ensure all participants follow VA policies and procedures. Results of internal reviews shall be documented, and corrective actions shall be monitored to ensure that they are effectively implemented. VA's Financial Services Center (FSC) will systematically select sample purchases for auditing by facility/field stations on a monthly basis. At a minimum, the facility/field station must ensure that the audit is performed in accordance with the audit guide (see appendix A).

(2) VA's Administration CFOs or staff office equivalents shall ensure that adequate internal controls are established and followed. Such internal controls shall include at least the following:

(a) Proposed cardholders must be full or part-time VA employees and must meet locally established criteria to be eligible to obtain the purchase card;

(b) Established procedures are in place to limit each approving official's responsibility to no more than 10 cardholders to ensure that they can adequately monitor every cardholder's purchases, at a minimum, monthly. The cardholders-to-approving-officials ratio may be adjusted upon written approval of the facility director/regional office director on a case-by-case basis. However, this ratio should never exceed 20 cardholders to 1 approving official. The justification for exceeding the 10-to-1 ratio must be fully documented;

(c) There must be a clear separation of duties to minimize the risk of fraud and/or loss of property. Assignment of duties such as authorizing, approving and recording transactions; receiving assets; approving cardholder statements; making payments; certification of funding; and reviewing or auditing should be assigned to separate individuals to the greatest extent possible. For clarification, one person cannot be the cardholder and approving official for the same transaction;

(d) Government purchase cards are secured, and card numbers are not available to anyone but the authorized cardholders;

(e) Billing statement reconciliations and certifications are performed within timeframes specified in policy;

(f) Supporting documentation is maintained, such as documents supporting a valid government need for the purchase and describing exactly what was purchased;

(g) Items purchased have been verified as received;

(h) Procedures are in place to ensure that purchases are periodically reconciled with property records to guard against theft or improper use of government property;

(i) Charges are verified as for official purposes;

(j) Purchases are fairly priced; and

(k) An agency/organization program coordinator cannot be a cardholder or approving official.

3. RESPONSIBILITIES

a. **Approving Official (AO).** In most cases, the AO should not be a cardholder. However, where staffing levels necessitate, the AO may be a cardholder but cannot be the AO for his/her own card. No individual may be the AO for his/her supervisor. The AO is responsible for:

(1) recommending individuals as cardholders and recommending single purchase and monthly purchase limits in conjunction with the program coordinator, the billing officer and the head of the contracting activity;

(2) monitoring use of the government purchase card by the cardholder to ensure purchases are within guidelines;

(3) certifying all transactions made by cardholders and ensuring applicable documentation is maintained;

(4) ensuring federal, VA, and local acquisition regulations are followed;

(5) certifying all procurements are legal and proper, and ensuring all items are received;

(6) certifying reconciled payment charges within timeframes specified by policy;

(7) certifying completion of cardholder exit procedures; and

(8) providing guidance to cardholders in response to issues raised by the cardholder related to use of the purchase card.

b. **Billing Officer.** In most cases, the billing officer is normally part of finance/fiscal service. A billing officer cannot be a cardholder or an AO. The billing officer is responsible for:

(1) ensuring that single purchase and monthly purchase limits are within fund control limits;

(2) establishing default code string and merchant codes for all government purchase cards and submitting them to the program coordinator;

(3) ensuring rebates are credited to the correct appropriation;

(4) having final certifying authority on the legitimacy of any procured item;

(5) collecting amounts from the cardholder for inappropriate procurements (if the goods cannot be returned for full credit) by using all applicable collection procedures, including salary offset; and

(6) ensuring that purchase card transactions are charged to the appropriate fund, cost center, and budget object code based on applicable items purchased.

c. **Cardholder.** The cardholder is responsible for:

(1) obtaining training on proper use of the purchase card;

(2) being knowledgeable of limitations on spending;

(3) complying with all acquisition regulations including:

(a) considering a purchase from mandatory government supply sources to see if they meet organizational needs and best pricing prior to using open market sources. For example, the priorities for purchasing supplies are: agency organization inventory, excess inventory from other agencies/organization, Federal Prison Industries, Committee for People Who are Blind or Severely Disabled, wholesale sources-GSA Advantage, Federal Supply Schedules, and lastly, open market. The priorities for ordering services are: Committee for People Who are Blind or Severely Disabled, Federal Supply Schedules, Federal Prison Industries, and lastly, open market (see FAR part 8);

(b) using the mandatory Javits-Wagner-O'Day Act (JWOD) and contract sources where required (see FAR part 8);

(c) alternating among small business vendors with the same products to allow equal participation;

(d) requiring vendors to include a Materiel Safety Data Sheet if any hazardous materials are ordered (see FAR subpart 23.3);

(e) using vendors in the required socioeconomic groups for purchases over \$2,500 (e.g., women-owned, veteran-owned, service-disabled veteran-owned, small disadvantaged businesses, HUBZone small businesses, or small businesses) (see FAR part 19);

(f) purchasing Environmental Protection Agency-designated products containing recovered materials (see FAR subpart 23.4, www.epa.gov/cpg and www.ofee.gov); and

(g) making micro-purchases for electronic and information technology products in accordance with the Rehabilitation Act of 1973, section 508 (see 29 U.S.C. 794d, and VA Directive 6221, Accessible Electronic and Information Technology).

(4) verifying funds availability prior to making purchases;

(5) complying with single purchase and cycle card limits;

(6) reconciling payment charges within timeframes specified in policy;

(7) ensuring receipt of goods ordered;

(8) advising vendors to submit sales drafts only after an order is shipped;

(9) providing applicable receipts to the AO to enable certification of payment;

(10) safeguarding government purchase cards;

(11) resolving disputes with vendors; if not resolved, filing an official dispute with the purchase card contractor;

(12) addressing questions or issues concerning use of the purchase card to the approving official;

(13) retaining purchase documentation as stated in MP-4, part X, 5-1c;

(14) inquiring about prompt payment discounts at time of purchase. Vendors often offer discounts for payment prior to their stated payment terms, for example, 2% discount if invoice is paid within 15 days/full amount due in 30 days; and

(15) obtaining any merchant-offered rebate/coupon/or additional items offered as a result of purchase, such as a free printer with purchase of a computer, and returning it to VA. The cardholder should supply VA's address when needed to obtain these offers. These coupons/rebates should be returned to the agent cashier or appropriate VA representative.

d. **Dispute Officer.** A dispute officer can also serve as a program coordinator, but cannot be a cardholder or an AO. The dispute officer is responsible for:

(1) coordinating and monitoring disputed procurements, credits, and billing errors which cannot be resolved within 30 working days of receipt of the statement; and

(2) assisting or interceding when a dispute cannot be handled in the normal method using the government cardholder dispute form.

e. **Finance/Fiscal Officer.** The finance/fiscal officer is responsible for:

(1) ensuring the FSC's random monthly quality reviews are completed by the responsible designee (program coordinator), verifying the reviews are accurate, ensuring cardholders do not complete the reviews, and ensuring a remediation plan is in effect to correct any discrepancies as a result of the monthly reviews;

(2) ensuring that rebates are credited to the correct appropriation;

(3) providing training to cardholders on correct costing procedures, reconciliation procedures, and receipt records maintenance;

(4) being the final certifying authority on the legitimacy of any item procured;

(5) reporting noncompliance to the appropriate management level for review and corrective action; and

(6) performing the joint review of cardholders and AOs to ensure compliance with applicable policy and procedures, in conjunction with the program coordinator and head of the contracting activity (see appendix A).

f. **Head of the Contracting Activity (HCA).** The HCA is responsible for:

(1) auditing cardholders and AOs for compliance with applicable policy and procedures, in conjunction with the program coordinator and finance/fiscal officer, in order to ensure procurement integrity (see appendix A);

(2) appointing contracting officers and cardholders; and

(3) delegating micro-purchase authority to cardholders (see Governmentwide Purchase Card Certification Form, VA Form 0242).

g. **Program Coordinator** (Also known as agency/organization program coordinator). The program coordinator can also serve as a Dispute Officer, but cannot be a cardholder or an AO. The program coordinator is responsible for:

(1) implementing the program to include contract compliance with the purchase card contractor's rules and regulations, and disseminating appropriate sections of the coordinator's guide to the billing and dispute officials;

(2) ensuring appropriate training has been provided—with mandatory certification as outlined in the government purchase card guide—to cardholders, AOs, alternate AOs, and designated surrogates prior to issuance of purchase cards, and refresher training at least once every 2 years. The program coordinator is also responsible for ensuring that a cardholder's certification record is maintained and updated to reflect the completion of initial and refresher trainings;

(3) retrieving and canceling all cards of any employee who either terminates employment or violates government purchase card procedures;

(4) being the designated point of contact for agency receipt of all purchase cards after initial setup, and following up on non-receipt of cards after 5 working days;

(5) performing the joint review of cardholders and AOs to ensure compliance with applicable policy and procedures, in conjunction with the finance/fiscal officer and head of the contracting activity (see appendix A);

(6) distributing cards to cardholders with activation instructions as provided with the card;

(7) performing daily maintenance on-line to include setting up cardholder and AO accounts in the purchase card contractor proprietary system;

(8) retrieving and canceling all cards of any employee who transfers to a position where they do not have purchasing responsibilities or their duties have changed in their current position and they no longer have purchasing responsibilities; and

(9) ensuring proper receipt retention as stated in MP-4, part X, 5-1c, for current and reassigned, transferred and separated cardholders.

h. **Purchase Card Contractor.** The purchase card contractor is responsible for issuing government purchase cards, processing purchase transactions, providing the FSC with daily electronic invoices for all posted transactions, and providing timely reports.

4. REFERENCES

a. Department of Veterans Affairs Training Guide – Government Purchase Card, dated April 1999, prepared by the Office of Financial Operations, program services staff (047F).

- b. International Merchants Purchase and Authorization Cards (IMPAC) Purchase Card Procedures Guide, dated February 1996, prepared by the Office of Financial Operations, program services staff (047F).
- c. Office of Finance Bulletin 00GC1.02, Cash Management and Disbursement Requirements, dated January 7, 2000.
http://www.va.gov/publ/direc/finance/00gc1_02bul.htm
- d. VA Handbook 4070.2, Disbursement Mechanisms, dated April 21, 1997.
<http://www.va.gov/publ/direc/finance/v4070d00.htm>
- e. 5 Code of Federal Regulations, part 1315, Prompt Payment, effective date October 29, 1999. <http://www.access.gpo.gov/nara/cfr/cfr-table-search.html#page1>
- f. 5 Code of Federal Regulations, part 2635, Office of Government Ethics, Standards of Conduct for Executive Branch Employees.
<http://www.access.gpo.gov/nara/cfr/cfr-table-search.html#page1>
- g. VA Acquisition Regulation, Title 48 – Federal Acquisition Regulation System, chapter 8, Department of Veterans Affairs Acquisition Regulation.
<http://vaww1.va.gov/oamm/vaar/>
- h. 48 Code of Federal Regulations, Federal Acquisition Regulation (FAR).
<http://www.arnet.gov/far>
- i. VA Directive 6221, Accessible Electronic and Information Technology, dated February 6, 2003.
- j. 36 Code of Federal Regulations, part 1194, Architectural and Transportation Barriers Compliance Board (Access Board) Standards.
- k. Federal Acquisition Regulation – Circular 97-27, FAR Case 1999-607.
- l. Public Law 105-220 and 105-246; amendments to section 508 of the Rehabilitation Act (29 U.S.C. 794d).

AUDIT GUIDE

1. SAMPLING

a. On a monthly basis, the Financial Services Center's (FSC) Operational Oversight Division/Quality Review Section (104/00D) will systematically sample purchases from the FSC's credit card system (CCS). The sample size of purchases will provide sampling attributes of a 95 percent confidence level at a +/-2 percent reliability. The universe of transactions has been stratified into three groups. The first group is composed of transaction dollar amounts of \$1 to \$499; the second group consists of transaction amounts of \$500 to \$749; and the third group consists of dollar amounts of \$750 and above. The sampling procedures are to be implemented after the end-of-month CCS processing cycle closes, and will contain the following detailed credit card information: (1) Doc. ID #, (2) Card #, (3) Fund, (4) Satellite, (5) Purchase Date, (6) Vendor Name, (7) Amount, and (8) Results.

b. The FSC will provide the sample information to the respective finance/fiscal office facility/field station.

2. FACILITY/FIELD STATION PROCEDURES

a. Upon receipt of the sample information from the FSC, the finance/fiscal officer will confirm:

(1) Proper Costing.

(a) the purchases were charged to the proper control point;

(b) expenditure transfers are being done when appropriate;

(c) the fund control point, cost center and budget object code are applicable to the item purchased; and

(d) necessary changes in Master Accounting Code are coordinated with program coordinator.

(2) Proper Oversight.

(a) the purchases were appropriate and were used for VA business purposes only;

(b) the purchases were fairly priced;

(c) there is appropriate follow-up on disputes, overcharges, and credits;

(d) there is no pattern of disputes with a vendor; and

(e) cardholders inquire about vendor discounts for prompt payment at time of purchase.

(3) Timeliness Standards.

(a) reconciliation (matching) by cardholder was done timely according to the Administration guidelines, or no later than within 10 working days of receipt of the monthly statement;

(b) certification by the approving official was done timely according to the Administration guidelines, or no later than within 14 working days of receipt of the statement; and

(c) improper billing was disputed no later than within 30 working days of receipt of the statement.

(4) Documentation.

(a) adequate supporting documentation is maintained for each sampled purchase (packing slip receipt, cash register slip, etc.) in accordance with MP-4, part X, 5-1c;

(b) there is documentation supporting valid government need for the purchase; and

(c) there is evidence that the purchase has been received.

(5) Adherence to Dollar Limitations.

(a) the sampled purchase is within cardholder dollar limits;

(b) the purchase does not appear to have been fragmented; and

(c) credit limits, both monthly and single purchases, are representative of actual spend.

(6) Safeguarding Government Purchase Card.

(a) the card should be kept in a locked cabinet at the workplace when not in use;

(b) only the cardholder has possession of the card;

(c) only the cardholder has access to the card;

(d) cards are canceled for former employees (terminated, separated, or retired), and for those who violate government purchase card procedures; and

(e) cards are canceled for current employees who no longer have purchasing responsibilities.

b. The program coordinator and the head of the contracting activity will determine if the cardholder is:

(1) considering a purchase from mandatory government supply sources prior to using open market sources;

(2) using the mandatory Javits-Wagner-O'Day Act and contract sources where required;

(3) alternating among small business vendors with the same products to allow equal participation;

(4) requiring vendors to include a Materiel Safety Data Sheet if any hazardous materials were ordered;

(5) using vendors in the required socioeconomic groups for purchases over \$2,500 (e.g., women-owned, veteran-owned, service-disabled veteran-owned, small disadvantaged businesses, HUBZone small businesses, or small businesses);

(6) purchasing Environmental Protection Agency-designated products containing recovered materials; and

(7) making more purchases for electronic and information technology products in accordance with the Rehabilitation Act of 1973, section 508.

3. ERRORS

The finance/fiscal officer or designee is responsible for (a) ensuring that any purchasing or payment errors are corrected and (b) faxing the sampling results to the FSC's Operational Oversight Division/Quality Review Section at fax number (512) 460-5088. A site review file consisting of the monthly sample listing, along with any pertinent comments made during the review process, will be maintained by finance/fiscal service personnel. The Management Quality Assurance Service (043A) will conduct periodic reviews of the facility/field station credit card files.