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## **INTERNAL POLICY MEMORANDUM**

DATE: November 16, 2016

TO: All A&F Agency Heads and Chief Financial Officers

FROM: Kristen Lepore, Secretary

SUBJECT: A&F Credit Card ("P-Card") Use Policy and Procedures

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### **Purpose and Scope**

The purpose of this memorandum on A&F Credit Card ("P-Card") Use Policy and Procedures is to establish controls and administrative procedures for the use of state issued P-Cards by employees of the Executive Office for Administration and Finance (A&F) and its constituent agencies. A&F's policy is to significantly restrict the number of state-owned credit cards issued by each of its agencies, except in extraordinary circumstances. A&F agencies should also authorize the use of state-issued P-Cards only where it is necessary as a "payment of last resort," namely, (i) where the good or service being purchased is not susceptible of being procured in the ordinary course under the Commonwealth's laws governing procurement; (ii) where the selected vendor will not invoice or bill the Commonwealth for the purchased goods or services; or (iii) where requiring the employee to seek reimbursement for the purchase would cause substantial hardship to the employee or the agency as determined by each agency's Chief Financial Officer (CFO). The use of a P-Card should supplement, not replace, other payment methods if they are otherwise available.

The use restrictions and administrative procedures set forth herein are in addition to the Commonwealth's Procurement Card Program Policy and Procedures outlined by the Office of the State Comptroller (the "Commonwealth P-Card Policy"). Unless exceeded by this memorandum, the minimum standards set forth in the Commonwealth P-Card Policy are incorporated herein.

### **Authorization to Use State-Issued P-Cards**

Except in extraordinary circumstances, each A&F agency should significantly restrict the number of state-owned credit cards issued by the agency. If it is determined that a state-issued credit card is necessary, the permitted users of the credit card should generally be restricted to the agency CFO. The agency may authorize additional employees to receive a P-Card if it is necessary to cover frequently incurred and extraordinary travel costs to conduct agency business, or if the employee's official duties require the use of a P-Card to make emergency purchases; in either case, a P-Card will not be issued if the purchases may be made in advance by the agency CFO. These exceptions should be strictly enforced, and granted only in extraordinary circumstances where the unavailability of a P-Card will result in substantial inefficiencies in making travel-related or emergency purchases.

The issuance of a P-Card to anyone (including the agency CFO) must be approved in writing by the head of the agency. If the head of the agency believes that anyone other than the CFO should be authorized to have a P-Card, the agency head should set forth in the written approval the extraordinary circumstances described above, which warrant authorizing a credit card to that employee.

A&F will not grant any request by the head of any agency within A&F to have a credit card issued to him or herself.

The use of a state-issued P-Card is a privilege that may be revoked if there is any instance of abuse on the part of Cardholders. Each Cardholder must acknowledge that failure to follow these policies and procedures may result in revocation of P-Card use privileges and may result in other disciplinary actions authorized for employee misconduct in accordance with each agency's Employee Handbook, any applicable Codes of Conduct, State Ethics Commission rules, collective bargaining agreements or other relevant policies. Receipt of a P-Card is voluntary. Employees may refuse to accept issuance of a P-Card. Acceptance of a P-Card may not be made a mandatory condition of employment and an employee may not be disciplined in any manner for refusing to accept a P-Card.

### **P-Card Use Restrictions**

The approval letter authorizing the issuance of a P-Card should establish a limit on any single transaction, and the applicable monthly credit limit. The per-transaction limit should not exceed \$1,000. The monthly credit limit should not exceed \$5,000. For either of these limits, if special circumstances warrant a higher limit, the head of the agency may identify those circumstances in writing in the approval letter or may authorize exceptions on a transaction-by-transaction basis with approval by the agency CFO.

Each purchase must serve a legitimate public purpose, and not be intended to confer a personal benefit or a benefit to another individual or entity.

Allowable expenses for P-Card use include the following, in cases where direct billing is not available or where the good or service being purchased is not susceptible of being procured in the ordinary course under the Commonwealth's laws governing procurement:

1. Conference registrations
2. Conference expenses for trade shows (e.g., electric, carpet)
3. Airline ticket purchases
4. Emergency office supplies
5. Vehicle rental payments
6. Gasoline for rental vehicles
7. Other transportation ticket payments
8. Hotel payments for overnight accommodations. Please make sure that the hotel bill does not include the cost of meals during approved overnight travel; the bill may include business related phone charges and internet access charges.

CFO approval must be required for the expenses above, in accordance with agency needs and internal procedures. Travel Authorization Form (TAF) approval under A&F Bulletin #8 may also be required for certain expenses.

State issued P-Cards SHALL NOT BE USED for the following:

1. Cost of meals, snacks, or coffee (whether during travel or otherwise)\*
2. Cash Advances (ATMs)
3. Gift Cards
4. Legal services
5. Medical services
6. Alcohol purchases
7. A single purchase that exceeds the card limit or the single purchase limit determined by the agency CFO (usually \$1,000)
8. Personal expenses of the Cardholder
9. Gasoline for personal vehicle
10. Books, magazines, and other entertainment items while employee is travelling
11. Gifts for colleagues
12. Galas or other after-hours events

\*The Cardholder may seek reimbursement for the cost of meals up to the allowed amount in the Red Book, in accordance with the agency's internal procedures.

Cardholders must adhere to all restrictions on P-Card usage, even if the Cardholder plans to reimburse or arrange for reimbursement of the agency for impermissible expenditures.

Except where otherwise exempted by statute or rule, an itemized receipt must be obtained for each transaction placed on a state issued P-Card. The receipt must be legible, itemized (reflecting the good or services purchased), and contain the vendor name, date of purchase and price of items. Employees must confer with the agency CFO before completing any required forms for a P-Card purchase of any goods or services.

### **Making P-Card Purchases**

The Cardholder will have his or her name embossed on the card. No person, other than the approved Cardholder, is authorized to use that P-Card. No employee, other than the agency CFO, may make expenditures on behalf of others. The Cardholder may not give or allow any other person to use the P-Card for any reason.

The Cardholder must consider the following factors about a potential Vendor when evaluating the P-Card use:

1. For purchases requiring tax reporting such as services, **VERIFY** that the selected Vendor is **INCORPORATED** (which means that no reporting will be required and that Vendor can be used).
  - a. A Cardholder may not use the Commonwealth P-Card for services with any non-incorporated business entities.
  - b. See Expenditure Classification Handbook to determine if an anticipated purchase requires tax reporting
  - c. To avoid the need for tax reporting, Vendors must be incorporated, irrespective of whether they accept the card.
  - d. The Cardholder must inform all Massachusetts vendors that the Commonwealth is a Tax Exempt entity and that items purchased are **NOT** to be taxed. Cardholder should not accept bill payments which include Massachusetts sales tax. If tax is included, the Cardholder is responsible for the tax portion.
  - e. On the Hologram side of the P-card, the words “MA TAX EXMPT ID 046002284” are embossed.
2. The Cardholder must verify that the selected Vendor accepts P-Cards.
3. Vendor Refund Policy must include credit to the P-Card, **NOT** store credit or cash refund.
4. P-Card invoices, packing slips or other confirmation of P-Card purchases should include:
  - a. The date of the P-Card transaction;
  - b. The Vendor Name (and address; if available);
  - c. The Vendor order number or other identification number for the transaction;
  - d. Department name (delivery address; if shipped);
  - e. Cardholder's name;
  - f. Indicate purchase is a P-Card Purchase;
  - g. Identify items purchased, prices and other charges;
  - h. ETA – expected delivery date which must be within the payment account’s fiscal year.
5. Prior to signing any P-Card slip, or confirming a telephone charge, the Cardholder is responsible for verifying the accuracy of this information on the P-Card slip or telephone charge.
6. All P-Card purchase items or services must be received or performed prior to the end of that monthly billing cycle for the P-Card purchase, provided, however, that

the items must be delivered no later than June 30th of any fiscal year for payments to be made for that fiscal year.

7. The P-Card Contractor is not responsible for a vendor's refusal to accept the state issued P-Cards.

### **Mandatory Cardholder Responsibilities**

Each Cardholder must abide by the following requirements:

1. Each Cardholder (state employee) identified for P-Card use must have a MMARS Security profile as a Department Head Authorized Signatory for Procurement or P-Cards. See Security Request Form at: <http://www.mass.gov/osc/docs/forms/security/mmars-document-id-and-signoff-form.doc>.
2. The Cardholder must receive mandatory training from the agency CFO upon issuance of the P-Card and periodically thereafter on this memorandum and the Commonwealth P-Card Policy, including any updates to such procedures. Cardholders will also be trained on the viewing and confirmation of the Cardholders' billing statements provided by the P-Card Contractor's web product.
3. The Cardholder must sign a Cardholder Agreement Form (attached as Appendix A hereto) before the issuance of the P-Card, certifying that he or she has been trained on and will comply with this memorandum and the Commonwealth's P-Card Policy, as well as all other applicable purchasing laws and guidelines. The Cardholder Agreement Form must be signed by the Cardholder and Cardholder's supervisor, and then counter-signed by the agency CFO to certify that the Cardholder has been trained and agrees to comply with all applicable policies and procedures.
4. Whenever a P-Card purchase is made, either over the counter, by telephone or Internet, the Cardholder is required to retain or maintain documentation as proof of the purchase. This documentation should include at a minimum, the information that a Cardholder is required to verify before signing a P-Card slip or confirming a charge, as outlined in the previous section above.
5. Cardholders must document P-Card transactions on an Expenditure Log in the format prescribed by the CFO. If a Cardholder is not the CFO, he or she must certify as part of this documentation that each entry in the Expenditure Log constitutes an extraordinary travel cost needed to conduct agency business or an emergency purchase, either of which cannot be procured in advance by the CFO. All Cardholders, including the CFO, must also certify that other payment methods, such as seeking reimbursement for advance purchases, were unavailable or would cause substantial hardship to the Cardholder or the agency as determined by the agency CFO. It is the Cardholder's responsibility to obtain the CFO's determination of substantial hardship before incurring charges. Cardholders must certify that the items purchased by P-Card have been received and the date of receipt, unless the item was returned as stated below.

6. At the end of each monthly billing cycle, the Cardholder shall review the monthly statement on the P-Card Contractor's web product to ensure the accuracy of statement (including verifying that the Commonwealth was not charged sales tax), and must validate in writing that the charges incurred are for approved agency business only. The Cardholder shall check each transaction listed against his or her P-Card receipts, the Expenditure Log, and any shipping documents to verify the accuracy of the monthly statement.
7. Cardholders are responsible for timely submitting receipts, monthly Cardholder statements of account and Expenditure Logs together with the written validation described in paragraph 6, above, to the agency CFO by no later than five (5) business days after the end of the monthly billing cycle, so as to permit timely P-Card monthly payments. To the extent any discrepancies are found, Cardholders must identify those discrepancies when submitting this documentation. Cardholders shall be liable for any payments mistakenly made as a result of failing to submit the documentation set forth in this paragraph.
8. If an item has been returned and a credit received, the Cardholder shall verify that this credit is reflected on the monthly statement of account. If purchased items or credits are not listed on the monthly statement of account, the Cardholder shall inform the agency CFO as part of the documentation submitted under the section above, and the appropriate expenditure documentation shall be retained by the Cardholder until the next monthly statement. If the purchase or credit does not appear on the statement within 60 days after the date of purchase, the Cardholder shall notify the CFO and the Vendor, in writing, and submit the expenditure documentation for correction.
9. It is the Cardholder's responsibility to safeguard the P-Card and account number to the same degree that a Cardholder safeguards his or her personal credit information. The Cardholder shall keep the P-Card in a secure place in his or her usual workplace, unless it is being used in connection with travel expenditures. The Cardholder shall not routinely keep the P-Card in the Cardholder's wallet, purse or other personal carrying accessory.
10. The Cardholder will be liable for any unauthorized use by anyone whether due to the loss, theft or other misuse of a state issued P-Card. If the Cardholder learns of or becomes aware of any unauthorized use by anyone whether due to the loss, theft or other misuse of a state issued P-Card, the Cardholder must notify the agency CFO immediately.
11. It is the Cardholder's responsibility to be knowledgeable of and strictly follow all of the payment and documentation procedures described above, as well as all other applicable purchasing laws and guidelines. These procedures will be strictly enforced. Failure of a Cardholder to timely submit invoices, or any other failure to adhere to the Commonwealth P-Card Policy or the policies and procedures

described herein shall be grounds for cancellation of Cardholder P-Card privileges.

**Mandatory CFO Responsibilities**

The agency CFO must abide by the following requirements:

1. The CFO must attend the Comptroller's training on the use of P-Cards before undertaking responsibilities under the Commonwealth P-Card Policy and this memorandum.
2. The CFO must ensure that each Cardholder receives mandatory training upon issuance of the P-Card and periodically thereafter on this memorandum and the Commonwealth P-Card Policy, either by presenting directly on these topics or by making available an online training. The CFO must also ensure that Cardholders are trained on the viewing and confirmation of the Cardholders' billing statements provided by the P-Card Contractor's web product.
3. The CFO must ensure that each Cardholder and his or her supervisor sign a Cardholder Agreement Form before the issuance of the P-Card. The Cardholder Agreement Form must be counter-signed by the CFO to certify that the Cardholder has been trained and agrees to comply with all applicable policies and procedures.
4. The CFO must ensure that sufficient funds are encumbered to cover the charges made under all cards issued to Cardholders. The CFO will communicate with Cardholders regularly to ensure that charges are not incurred (with special attention to the end of the fiscal year) that will exceed encumbered or available appropriations or other available funds for payment (or result in goods being received after the close of the fiscal year). Except in extraordinary circumstances, the CFO will not authorize expenditures made on or after June 15 of each fiscal year.
5. Each month, the CFO will be responsible for reconciling the receipts and Expenditure Log submitted by the Cardholder with the Cardholder's monthly statements, and for reviewing all transactions to ensure that they are legitimate, for official State business, and permitted by the Commonwealth P-Card Policy, A&F Bulletin #22 and this memorandum, and that all required documentation is included. The CFO is also responsible for making timely payments to the P-Card Contractor on all P-Card purchases made by the Cardholders during a monthly billing cycle. Any discrepancies identified by the CFO or Cardholder must be resolved prior to payment, including payment of any state taxes charged to the Commonwealth which shall be the responsibility of the Cardholder.
6. At least annually, the CFO shall conduct a review of all P-Card purchase activity within the preceding 12 months to ensure compliance with this memorandum, the Commonwealth P-Card Policy, and A&F Bulletin #22.

7. At least annually, the CFO shall review this memorandum to assess whether any updates or modifications are necessary, and shall ensure that all Cardholders are trained on any such updates or modifications.
8. If the CFO learns of or becomes aware of any unauthorized use by anyone whether due to the loss, theft or other misuse of a state issued P-Card, the CFO must notify the Comptroller and the Contractor immediately so that no charges are incurred.

### **P-Card Returns or Disputes**

1. If an item is not satisfactory, received incorrectly, damaged and/or defective, duplicate order, etc., the Cardholder should make contact with the Vendor to explain the problem and arrange for return or correction.
2. A Cardholder must not accept cash or a store credit refund for a purchase made with a Commonwealth P-Card but must obtain a credit to the P-card account or a replacement product.
3. If items purchased by the use of the P-Card are found to be unacceptable, the Cardholder is responsible for obtaining replacement or correction of the item as soon as possible. If the Vendor has not replaced or corrected the item by the date the Cardholder receives his or her monthly statement, then, upon written notification to the Contractor, the purchase of that item will be considered in dispute. (see Dispute Procedure at the end of this section)
4. If the Cardholder is disputing a charge, he/she shall complete a Dispute Form and include it with the monthly documentation package to the CFO. (see Dispute Procedure at the end of this section)
5. If an item has been returned and a credit received, the Cardholder shall verify that this credit is reflected on the monthly statement and follow up with the CFO until matter resolved.

### **Dispute procedure**

After attempting to resolve a problem with the Vendor the Cardholder should attempt to resolve the problem by contacting the Contractor's Customer Service Desk, they may be able to assist you in resolving the problem but cannot open a dispute over telephone. If necessary, complete a COMMERCIAL CARD CLAIMS STATEMENT OF DISPUTED ITEM which includes:

- Vendor Name and address
- Item Reference number from the Statement
- Nature of the dispute
- Who was contacted (individual name) at the Vendor in an attempt to resolve it
- Vendor's response to contact

### **Lost or Stolen P-Cards**

If a Commonwealth P-Card is lost or stolen, the Cardholder SHALL IMMEDIATELY NOTIFY the Contractor. **The Helpline is available 24 hours a day 1-800-822-5985.**



Cardholder must advise the representative that the call is regarding a lost or stolen card. The Approving Supervisor and CFO must also be notified immediately by the Cardholder. The CFO must notify the Comptroller's Office. A P-Card that is subsequently found by the Cardholder after being reported lost or stolen must be destroyed.

### **Cardholder Termination or Separation from Employment**

Prior to termination or separation from employment, the Cardholder shall surrender the P-Card, P-Card receipts, monthly statements of accounts and current expenditure log (if used) to the CFO. Upon their receipt, the CFO will review and reconcile the month end P-Card statement and destroy the card. The CFO is responsible for obtaining control of all credit cards PRIOR to termination from employment. If this is not possible, then the CFO is responsible for immediately terminating access to the credit card. The CFO is responsible for canceling all accounts associated with terminated cards by contacting the Office of the State Comptroller.

### **Information Sources**

Related Procedure –

- Related Comptroller Policies:
  - Commonwealth Procurement Card Program Policy and Procedure
  - [Key State Finance Law Compliance Appointments and Responsibilities](#)
  - [Contract Policies](#)
  - [Contracts - State Finance Law and General Requirements](#)
  - [Contracts – Goods and Services](#)
  - [Accounts Payable \(Payments\) Policies](#)
- Legal Authority –
  - [Expenditure Classification Handbook](#);
  - [M.G.L. c. 7A](#) (Office of the Comptroller); [M.G.L. c. 29](#) (State Finance Law);
  - [M.G.L. c. 133](#) (Uniform Electronic Transactions Act);
  - [M.G.L. c. 7, § 22](#) (OSD – Goods and Services); [M.G.L. c. 30, §. 51](#); (OSD – Goods and Services) [M.G.L. c. 30, §. 52](#); (OSD – Goods and Services)
  - [M.G.L. c. 29, §. 29A](#) (Consultants) (Level III – Executive only);
  - [M.G.L. c. 29, §. 29B](#) (Human/Social Services) (Level III - Executive only)
  - [M.G.L. c. 29, § 27B](#) (IT equipment)
  - [M.G.L. c. 15A and M.G.L. c. 73](#) (state and community colleges);
  - [M.G.L. c. 75](#) (UMASS); General or special laws governing expenditures;
  - [Massachusetts Executive Orders](#) (Level III – Executive Only);
  - [Administrative Bulletins](#)(Level III – Executive Only);
  - [Comptroller regulations](#) (815 CMR 2.00 - 10.00);
  - [M.G.L. c.29, § 66](#) (State Finance Law Violations)

**APPENDIX A**  
**Cardholder Agreement Form**

I, \_\_\_\_\_, have read and understand A&F's Credit Card ("P-Card") Use Policy and Procedures, the Commonwealth's Procurement Card Program Policies and Procedures, and A&F Bulletin #22. I agree to strictly abide by the provisions of these policy documents, as well as all other applicable purchasing laws and guidelines.

I agree that any abuse of the P-Card or unauthorized use of the P-Card will result in the loss of the P-Card privilege, and that I will be liable for any unauthorized charges. I agree to reimburse the agency for any state taxes charged to the Commonwealth in connection with my P-Card expenditures.

I understand and agree that failure to follow these policies and procedures may result in revocation of my P-Card use privileges and may result in other disciplinary actions authorized for employee misconduct in accordance with the Department's Employee Handbook, any applicable Codes of Conduct, State Ethics Commission rules, collective bargaining agreements or other relevant policies.

Cardholder's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Supervisor's Signature: \_\_\_\_\_

Printed Name & Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Counter-signature:**

I hereby certify that the above Cardholder has received training on A&F's P-Card Use Policy and Procedures, the Commonwealth's Procurement Card Program Policies and Procedures, and A&F Bulletin #22, and has agreed to comply with the provisions of these policy documents and all other applicable purchasing laws and guidelines.

CFO Signature: \_\_\_\_\_

Date: \_\_\_\_\_