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## USE OF CREDIT CARDS TO MAKE PURCHASES OF GOODS AND SERVICES

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**Applies to:** State agencies and institutions of higher education.

**Authorizing sources/statewide requirements:**

- Revised Code of Washington (RCW) [39.26.090\(2\)](#);
- State Administrative and Accounting [Manual \(SAAM\) Chapter 20](#) Internal Control;
- State Administrative and Accounting [Manual \(SAAM\) Chapter 40.30](#) Disbursement of Electronic Funds/Benefits by State Agencies;
- Ethics in public service – RCW 42.52;
- Use of state resources – [WAC 292-100-010](#);
- [State master credit card contract](#).

**Information contact:** DES Finance Division

**Effective date:** May 1, 2018

**Last update:** Not applicable

**Sunset review date:** April 30, 2020

**Approved by:** \_\_\_\_\_ /s/ \_\_\_\_\_, Chris Liu, DES Director

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### Purpose

This policy applies whenever state issued credit cards or similar methods are used to make purchases. State issued [credit cards](#), used by [agencies](#) to pay for goods and services, improve efficiency, flexibility, and convenience related to purchasing goods and services.

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### Definitions

**Agency** includes every state agency, office, board, commission, department, state institution, or state institution of higher education, which includes all state universities, regional universities, the Evergreen State College, and community and technical colleges.

**Agency program administrator** is an individual, designated by the agency, responsible for the management and oversight of the card program within an agency. Responsibilities include, but are not limited to: the issuance and cancellation of [credit cards](#); the monitoring of approving officials, cardholders, card custodians, and designated card users; the development and enforcement of [agency](#) policy, procedures and training.

**Approving official** is an individual, designated by the agency and the [agency program administrator](#) to monitor, review and approve the card purchases of assigned [cardholders](#) or designated card users.

**Cardholder** is an individual, designated by the agency program administrator and [approving official](#) to make purchases using an individually assigned card.

**Card custodian** is an individual, designated by the agency program administrator, to administer and control the use of [department cards](#) by authorized card users within the card custodian's workgroup. Card custodians do not administer and control [individually assigned](#) cards.

**Card statement** is the detailed itemized monthly statement of card charges provided by the [issuing bank](#) to the agency.

**Card user** is a user of a state assigned card. Although the card is not assigned to an individual, it is available for agency staff to use for agency business.

**Card user agreement form** states that the [card user](#) has read and understands the policies and procedures of the State and his/her agency relative to card use and agrees to comply with this policy. This form must be signed by the card user prior to issuance and use of the card.

**Central Travel Account (CTA)** is a central billing account used to pay for travel expenses. No physical card is issued. The CTA is a [corporate liability](#).

**Corporate liability** is when agency is solely liable to the issuing bank for all billed transactions.

**Corporate travel card** is a card issued to travelers whose work requires them to travel on official state business. Each agency head or authorized designee may authorize the use of or approve the issuance of the corporate travel card. When a state employee uses the corporate travel card they are billed directly, are responsible to pay all charges, and must apply for travel reimbursement through their agency. The corporate travel card may be either [corporate liability](#) or [individual liability](#).

**Credit card** is a card entitling the holder to buy services or goods on credit. Agencies must pay the entire balance in full each month. Purchase cards, One Cards, fleet cards, travel cards, emergency cards, ghost cards/accounts are types of credit cards. Similar methods to make purchases on behalf of the state would also be considered as credit cards. The term charge card is used interchangeably with the term credit card. See [SAAM 40.30.40](#), [85.36.20](#), and [10.10.45](#) for additional information.

**Declining balance card** is a card product with an established limit that reduces as transactions occur. The declining balance card is not prepaid, but paid after the transactions are incurred, similar to a credit card. This type of card can be used to consolidate multiple vendor invoices into a single monthly invoice, reduce the number of encumbrances, and decrease excessive use of vouchers and payments submitted for payment. For example, a declining balance card could be established for a specific project, to control the total project amount. This card is a corporate liability.

**Department card** is a card issued in the name of the agency/department/division, rather than a specific employee. Department cards may be used by multiple purchasers/travelers, and also may be a physical card, or a central billing account. This card is a corporate liability.

**Fleet card** is a card product and services for purchasing fuel, maintenance, and roadside assistance. Fuel purchases may include gasoline, diesel, biodiesel, marine, aviation, and propane. The fleet card may also be used for vehicle charging stations. The fleet card is a corporate liability.

**Ghost card/account** is a central billing account where no physical card is issued, but an account is available to use.

**Individually assigned card** is a physical card issued to an employee to make authorized purchases for official state business related expenses. The issuing bank sets the credit limits based on the employee's personal credit. When a state employee uses this card, they are billed directly, are responsible to pay all charges,

and must apply for reimbursement through their agency. An individually assigned card is an individual liability.

**Individual liability** is when the cardholder is solely liable to the issuing bank for all billed transactions.

**Issuing bank** is an individual, company, firm, or combination which the state of Washington contracts with for card services.

**One Card** is either a physical card or central billing account intended as a method of payment for any allowable expense as determined by the [agency](#). This card may be used to make travel arrangements or to purchase goods and services. The One Card is a [corporate liability](#).

**Purchase card** is a physical or central billing account entitling the holder to buy goods or services on credit. The purchase card is also known as a p-card or a procurement card. This includes but is not limited to agency travel accounts, emergency cards, or similar methods to make purchases on behalf of the state. **The purchase card is a [corporate liability](#).**

**Statewide program administrator** is the Department of Enterprise Services (DES) who acts as the statewide card administrator for agencies participating in the state card program.

**Travel card** is a card limited to travel expenses. Travel cards are either a [corporate travel card](#) or a [central travel account \(CTA\)](#). See definitions below and in [SAAM 10.10.45.a](#).

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## Policy statement

This policy applies whenever state issued credit cards or similar methods are used to make purchases. With proper controls, the state encourages the use of [credit cards](#) by [agencies](#) to pay for goods and services.

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## Policy

1. **Use of credit cards for payment do not change the procurement requirements.** Every purchase must be made according to the correct procurement process before payment is made by any method.
2. **Acceptable uses of credit cards include:**
  - a. Payment for goods and services for official state business.
  - b. Purchases complying with all applicable state statutes, rules, policies, and procedures.
  - c. Purchases within spending and other limits established on the card, as established by each agency within the pre-determined agency aggregate limit.
3. **Unacceptable uses of credit cards include:**
  - a. Cash advances.
  - b. Purchases in excess of the limits authorized for the card.
  - c. Splitting purchases to circumvent the daily or monthly purchase limits on a card or to avoid competition bidding limits or purchase authority
4. **[Purchase card](#), [travel card](#), and [fleet card](#) uses, requirements, restrictions, and rebates/incentives guidelines are located at [SAAM 40.30](#).**
5. **The Department of Enterprise Services is responsible to:**
  - a. Negotiate the state credit card contract.
  - b. Notify program administrators with program updates and/or contract changes.

- c. Establish overall state policies regarding the procurement of goods and services by all state agencies.
- d. Provide support to agencies on the state credit card contract.

## 6. Agency responsibilities

Credit cards are to be used within the same statutes, rules, policies, and procedures as purchases by any other means of payment.

Agency responsibilities include:

- a. Administration of their agency's credit card program.
- b. Determining whether the agency will assign individual cards or department cards. If an agency determines to use department cards, a credit card log must be used for tracking the chain of custody of department cards.
- c. Determining card limits for applicable cards, including determining and managing the agency aggregate limit.
- d. Developing agency specific policies and procedures in accordance with state policies:
  - i. [State Ethics laws](#) should be considered when developing agency policies.
  - ii. Proper internal controls and oversight should be in line with [SAAM Chapter 20](#).
  - iii. Establishing a card program for responsibility, control, segregation of duties, and distribution of purchase cards within the agency.
- e. Designating an agency program administrator who shall manage the program within the agency. Agencies using the contract administered by the Department of Enterprise Services (DES) must notify DES of any change in the administrator.
- f. Designating an approving official(s) who is responsible for monitoring, reviewing and approving the purchases and taking appropriate disciplinary actions, consistent with applicable agency policies, for misuse of the credit card.
- g. Educate cardholders, card custodians, and card users on policies and proper use of the card.
- h. Ensure that a [Card User Agreement form](#) has been established for the agency, and is signed by both the card user and the appropriate approving official before issuing the card, and maintain copies of the signed agreements in the agency's files. Card User Agreements should be reviewed at least every three years, and updated for any changes to the card user or approving official.
- i. Report lost or stolen cards immediately after the loss is discovered by calling the issuing bank's customer service center.
- j. Report fraudulent activity immediately for unrecognized charges to your agency program administrator or approving official, and the issuing bank.
- k. Report and handle disputes with the issuing bank within sixty (60) calendar days for applicable transactions such as duplicate charges, refund not issued for damaged merchandise, shipment did not arrive, etc.
- l. Perform routine reconciliation of card transactions, through applicable supporting documentation, to the issuing bank's transaction data to monitor purchases made for proper use of the card.

- m. Keep current on card program updates from DES.
- n. Designate appropriate records to be maintained. Such records shall be available for review by DES. The following information should be maintained at a minimum:
  - The number of cards used.
  - The type of cards used.
  - The current cardholders, card custodians, and designated card users in the management, security, and use of the card.

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## History

### Amended

Amendment date – Not applicable

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