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State of Louisiana
Division of Administration
Office of State Purchasing

TO: Department Secretaries and
LaCarte Purchasing Card Program Administrators

FROM: Denise Lea
Director of State Purchasing and Travel

DATE: October 28, 2010

RE: Updated LaCarte Purchasing Card Policy

As a result of changes to Small Purchase Executive Order No. BJ 2010-16, the Office of State Purchasing and Travel has revised the LaCarte Purchasing Card Policy. The changes simply reflect the areas where the Executive Order limits were referenced.

Along with the Executive Order changes, this office has also incorporated the allowance for Enterprise rental vehicles as allowed with the adoption of the State Motor Pool Rental Contract.

For your convenience we have included a copy of the new policy which highlights the areas added or where language has changed. In addition we have included a regular printed copy.

If this requires changes to your agency's policy, it must be sent to this office for review as we keep the agency's current policy on file at all times. If you have any questions, you may contact Barbara Rhodes at 225-342-8039 or email barbara.rhodes@la.gov .

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**STATE OF LOUISIANA
DIVISION OF ADMINISTRATION
LOUISIANA “LACARTE” PURCHASING CARD POLICY**

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State of Louisiana

“LaCarte”

Purchasing Card Policy

I. “LaCarte” Purchasing Card Program

A. Policy Statement

This policy covers “LaCarte,” the Purchasing Card Program and establishes minimum standards for possession and use. LaCarte is a tool used to assist in the management of purchasing, payment, and accounting. LaCarte is a Visa card issued by Bank of America for the State of Louisiana. This card will enable employees to purchase items with the convenience of a credit card, while providing management with a means of maintaining control over those purchases. The use of this card will improve efficiency and effectiveness by reducing costs associated with processing purchases and payments and will allow for the receipt of goods on a timely basis.

An agency may allow a SPL, agencywide or on an individual card basis, up to \$5,000 without prior approval from the Office of State Purchasing. Using the p-card for purchases of supplies, equipment, operating services and/or major repairs must comply with proper purchasing procedures.

It will be the responsibility of the agencies to set individual cardholder’s single purchase limits. The Office of State Purchasing must approve in writing any authority for a SPL or one time override to be above \$5,000. These request could be for transactions such as purchasing contract items, authorized dealer repairs and/or purchases handled in accordance with the Small Purchases Executive Order No. BJ 2010-16. Requests will be considered if the agency program is in compliance with the state guidelines, adequate staff experience and training are demonstrated with factors that promote the overall use of the program and if the approval by State Purchasing is determined to be in the best interest of the state.

Multiple purchases may be made with the LaCarte purchasing card for contract purchases, each day, up to but not exceeding \$5,000. Agency must have an internal policy to ensure that purchases from contract vendors are for those items approved for their contract.

Small Purchase Executive Order, Section 6, reads “In the absence of a good faith business basis, no purchase or procurement shall be artificially divided within a cost center or its equivalent, to avoid the competitive process or the solicitation of competitive sealed bids.”

Also, purchases should never be artificially divided to avoid the LaCarte policy limits.

Current Purchasing Policies, Rules and Regulations, Louisiana Statutes, and/or Executive Orders must always be followed during the use of the LaCarte Purchasing Card and this policy.

II. Purchasing Card Administration

A. Office of State Purchasing Responsibilities

The State of Louisiana, Office of State Purchasing is responsible for the statewide contract administration of the Purchasing Card Program. The State Purchasing Card Administrator will serve as a central point of contact to address all issues and changes necessary to the overall program, and to coordinate such changes with the contractor, Bank of America.

The Office of State Purchasing will issue and maintain the State “LaCarte” Purchasing Card Policy as contained herein. If state policy or the program limit is changed statewide, a revised Purchasing Card Policy will be issued by the Office of State Purchasing. Agency exceptions granted on a case-by-case basis must be in writing and a copy of the approval kept in the agency’s records.

The Office of State Purchasing will approve agency participation in the program and recommend allowable Merchant Category Codes (MCC). Cash will be blocked from use in this program. Travel merchants are blocked unless a request is made by an agency to support use of travel merchants along with strict guidelines outlined in the agency policy and written approval has been given by the Office of State Purchasing. However, cardholders are allowed to use their LaCarte card at Enterprise Rent a Car when utilizing the state motor pool contract. The allowable MCC Code is 3405.

B. Agency Responsibilities

Agency responsibilities include administration of their purchasing card program, and compliance with state guidelines identified here and in the State Accounting and Purchasing Card Manual.

The Department Head will be responsible for designating the Agency Purchasing Card Program Administrator and for notifying the State Program Administrator at the Office of State Purchasing of any changes in the Department Head or Program Administrator.

The Agency Program Administrator will be responsible for keeping abreast of program updates, as sent by email or as they are posted on the Office of State Purchasing “La Carte” Procurement Card Program Website, (www.doa.louisiana.gov/osp/travel/traveloffice.htm) and for dissemination of this information to the Department Head, Cardholders, and any other agency personnel as deemed appropriate.

Agencies are responsible for performing post audits of cardholder transactions to monitor the number and amount of purchases made and ensure purchases are made in accordance with all purchasing rules and regulations. The bank will provide reporting capabilities at no cost to each agency.

Agencies are responsible for keeping agency's policy updated with changes/additions which occur to the State of Louisiana LaCarte Purchasing Card Policy along with updating of MCC Codes, as necessary, when provided by the Office of State Purchasing from Bank of America.

Agencies are also responsible for establishing proper controls and developing internal policies and procedures, as well as:

- 1) Developing agency specific policy in accordance with the guidelines of the State LaCarte Purchasing Card Policy, including the definition of split purchasing along with a statement that a single purchase shall not be artificially divided to avoid the SPL or procurement procedures.
- 2) Determining cardholders and setting individual cardholder limits for single transactions, daily and/or cycle transaction limits. We recognize certain business transactions require higher limits and approval can be granted. However, when requesting approval for a higher SPL be aware that it is best practice to limit the SPL to the lowest necessary SPL that is needed for the duties of that individual. It is also best practice to issue only one card per cardholder.
- 3) Educating cardholders on the use of the card, sales tax issues, and 1099 reportable vendors.
- 4) Ensuring that all cards lost or stolen are reported timely to the Bank.
- 5) Determining allowable merchant category codes for Agency based on agency needs and the State's allowances.
- 6) Requesting cards, maintenance of card accounts, monitoring the issuance of cards, ensuring prompt reconciliation of periodic statements, and preparing statistics and reports to document the results of the Program.
- 7) Monitoring for inactive cardholder accounts and adjusting SPL's accordingly based on possible change in needs.
- 8) Maintaining budgetary controls.
- 9) Performing routine post audits to determine that purchases under this program meet State Purchasing Card Program policies and procedures.
- 10) Establishing and enforcing personnel policies to discipline employees in the event of abuse or failure to comply with established guidelines.
- 11) Establishing procedures to cancel and collect cards when it is determined they are no longer needed or upon termination of the employee.
- 12) ISIS Accounting Interface Agencies:

Establish and assign default accounting codes for cardholders. There will be a default accounting code for each appropriated program that will consist of the fund/agency/organization/object combination. The fund/agency will be the ISIS Agency number, the organization code will be the clearing organization number established by OSRAP (P plus the appropriation number) and the clearing object will be 3185. The clearing organizations will be set up by OSRAP at the time of enrollment in the program.

The Agency will be responsible for notifying OSRAP of all instances that will require a change in the agency's structure.

A clearing organization code (PPPP) will also be set up for each corporate account (ISIS Agency) for miscellaneous charges and for cardholder transactions that have an incorrect default code.

Reconciling cardholder statement to electronic payment (P3 P-Card Vendor Payment Voucher Input Form) and distributing costs from the default accounting codes to the proper accounting codes. ISIS Agencies must notify OSRAP immediately of any discrepancies.

13) NON-ISIS Accounting Interface:

Agencies will assign codes specific to their accounting system. These assigned account numbers will track purchases as deemed necessary.

14) Non-Interface Agencies:

For any agency not receiving an interface into their accounting system, it will be the agency's responsibility to ensure that reconciliation is completed and payments are made timely.

III. Agency Policy Requirements – (Agency’s policy should cover the following issues)

A. Card Issuance

1. Cards are to be issued in the name of State of Louisiana employees only.
2. Cardholders must be approved by appropriate agency authority.
3. Cardholder must secure and control card at all times.
4. Cardholders must sign a Cardholder Agreement form and complete training prior to a card being issued.
5. Cardholder shall be given a copy of the State and agency policies and procedures for the LaCarte Program.
6. Cardholder shall notify the agency’s program administrator if fraudulent charges are noticed, as the card may need to be cancelled and another card issued.
7. Cardholder shall notify program administrator if use of a card has changed and lower or higher limits are necessary.
8. Cardholder shall never accept cash in lieu of a credit to the purchasing card account.
9. Cards will be embossed with State of Louisiana, Department Name, Employee Name, Employee account number and State tax-exempt number.
10. Default accounting codes must be assigned if your agency has created an interface with your accounting system.

B. Card Use

1. LaCarte is limited to use:
 - a) By individual state employees authorized by the Agency Head.
 - b) By cardholder only.
 - c) For official state use only.
 - d) For individual SPL purchases up to \$5,000, depending on agency’s determination, or a higher limit with State Purchasing approval. (See 1. A., Policy Statement)
 - e) On State/agency approved Merchant Category Codes.
2. LaCarte shall not be used (regardless of dollar amount):
 - a) For personal use.
 - b) For Gift Cards and/or Gift Certificates, as they are considered cash and taxable, without prior approval by the Office of State Purchasing.
 - c) To avoid appropriate procurement or payment procedures.
 - d) To access cash.
 - e) For travel or entertainment services unless written permission has been granted by the Office of State Purchasing
 - f) For alcohol.
 - g) For fuel and maintenance if agency is part of the Fuel Card & Maintenance Program. However, in the event that the program is not covered in a certain area then the purchasing card may be used and files must be completely documented.

C. Card Misuse

Fraud Purchase – any use of the procurement card which is determined to be an intentional attempt to defraud the state for personal gain or for the personal gain of others.

An employee suspected of having misused the procurement card with the intent to defraud the state will be subjected to an investigation. Should the investigation result in findings which show that the actions of the employee have caused an impairment to the state service, and should those findings be sufficient to support such action, the employee will be subject to disciplinary action. The nature of the disciplinary action will be the prerogative of the appointing authority and will be based on the investigation findings and the record of the employee. Any such investigation and ensuing action shall be reported to the Legislative Auditor and the Director of the Office of State Purchasing.

Non-Approved Purchase – a purchase made by a State cardholder for which payment by the state is unapproved. A non-approved purchase differs from a fraud purchase in that it is a non-intentional misuse of the procurement card with no intent to deceive that agency for personal gain or for the personal gain of others.

A non-approved purchase is generally the result of a miscommunication between a supervisor and the cardholder. A non-approved purchase could occur when the cardholder mistakenly uses the procurement card rather than a personal card.

When a non-approved purchase occurs, the cardholder should be counseled to use more care in handling of the procurement card. The counseling should be in writing and maintained in the employee's file for no longer than one year unless another incident occurs. The employee should be made to pay for the item purchased inappropriately. Should another incident of a non-approved purchase occur within a 12 month period, the appointing authority should consider revocation of the procurement card.

D. 1099 Reportable Vendors

1. Purchases from 1099 reportable vendors are not recommended at this time due to system tracking limitations. If an agency chooses to make 1099 reportable vendor purchases utilizing the purchasing card, the agency is responsible for manually tracking these types of payments and for the appropriate processing of form 1099. Penalties of up to \$250,000 can be assessed by the IRS for not properly reporting.

All 1099 reporting must be in accordance with OSRAP's Control Agencies Policies and Procedures Manual 1099 Reporting, Chapter 15 and IRS requirements outlined in the IRS publication, Instructions for Forms 1099, 1098, 5498 and W2G and the Internal Revenue Code.

In order for a vendor to be considered 1099 reportable both the vendor and the type of payment being made to the vendor must be 1099 reportable.

2. Generally 1099 reportable vendors are:
 - a) sole proprietorships, individuals or a group of individuals, partnerships, trusts, or independent contractors that receive payments for rents, prizes and awards, health care, non-employees compensation, medical, legal and other services. This includes supplies if the supply is incidental to the service;
 - b) corporations that provide medical, health care or legal services;
 - c) any vendor subject to backup withholding tax.
3. More information can be found on 1099 reportable vendors in the IRS 1099 Instruction Booklet or by calling the OSRAP Help Desk.

E. Sales Tax

1. State sales tax should not be charged on card purchases.
2. Cardholders should make every effort at the time of purchase to avoid being charged state sales tax.
3. In the event state sales tax is charged and a credit is warranted, it will be the cardholder's responsibility to have the vendor-merchant (not Bank of America) issue a credit to the cardholder's account.
4. It is State Policy not to pay sales tax; however, the Agencies may exempt cardholders from obtaining a credit from the vendor-merchant for state sales tax charges of \$25 or less. If a cardholder continually allows taxes of \$25 or less to be charged to the card, corrective measures must be taken. It is the Agency's responsibility to monitor these sales tax transactions to ensure corrective action is taken against repeat offenders.

F. Documentation

1. Ensure that documentation is adequate and sufficient to adhere to State Purchasing guidelines and Accounting guidelines for recording of expenditures. Agency should ensure that immediate supervisors or designated reviewers are verifying and signing receipts and/or purchase logs certifying that the documentation is acceptable for each transaction, that it was for official state business, that it is in compliance with appropriate rules and regulations and that it has been reviewed and is approved.
2. Documentation is required for all purchases and credits. For items purchased over the counter, the cardholder should obtain the customer copy of the receipt. When ordering by telephone, fax, or computer, the cardholder must obtain a packing list or similar document. For items such as subscriptions and registrations, where the vendor does not normally generate a receipt or packing slip, a copy of the ordering document may be used. Acceptable documentation must include a line description and line item pricing for the purchase.
3. The Agency will maintain a permanent file of all supporting documentation

in accordance with record retention laws. This file will be subject to periodic review by the Office of the Legislative Auditors and any other duly authorized auditor.

IV. Payment, Reconciliation and Documentation

A. Payment Procedures

- 1. The Agency will ensure that necessary procedures and controls are in place for prompt payment, reconciliation and cost distribution of charges and credits. Agency specific policies and procedures must be developed. These policies should address required approvals and authorizing procedures. Copies of this policy must be made available to all cardholders and other personnel responsible for LaCarte.**
2. Bank of America will send paper statements and/or an electronic file containing all cardholder transactions. These files may be used for reporting and reconciliation.
3. The paper statements and the electronic Statement Billing File, if applicable, will be sent after the close of the billing cycle chosen by the Agency. Payment must be made electronically to Bank of America within 25 days of statement billing date.
4. ISIS Interface Agency:
The billing cycle for all ISIS Agencies will be the 5th of each month. The Statement Billing File will be used for ISIS Agencies to create a P3 (P-Card Vendor Payment Voucher Form) and interface to AFS. This document will use the default accounting codes assigned to the cardholder at the time of issuance and a default accounting code assigned to the corporate account for miscellaneous charges. The interface will automatically create the P3 document each month. No action is required by ISIS Agencies for payment.

The P3 document will override budget checks and cash checks in AFS to produce an electronic funds transfer (EFT) to be sent to Bank of America. The EFT request will be processed on the 25th of each month to allow for timely payments throughout the year.
5. Non-ISIS Interface Agency:
Agencies can use the Statement Billing File to interface to their accounting system or use paper statements to produce an electronic funds transfer (EFT) to Bank of America.

B. Reconciliation and Cost Distribution

1. Documentation must be obtained indicating the date of purchase, the vendor name, description of the item (subclass), amount, receipt date and accounting distribution information such as organization number, object, reporting category, location, etc. This may be accomplished by maintaining a "Purchasing Log" or recording information directly on the receipt from the vendor for each purchase and/or credit made with LaCarte. Agency policy will determine who provides this information and how it is transmitted to the accounting department.

2. Cardholders will receive paper memo statements monthly from Bank of America within approximately 5 business days of the close of the billing cycle. If the cardholder statement is not received timely, the cardholder must notify his program administrator immediately so that a statement can be obtained for reconciliation purposes.
3. The cardholder must reconcile purchases made during the billing cycle by matching the bank memo statement to his purchasing log/record and the documentation obtained from the vendors on purchases. The documentation will be reviewed and certified by the cardholder as received or reported as a disputed item. The cardholder will then forward this to his/her immediate supervisor or designated reviewer.
4. The immediate supervisor or designated reviewer must review the information and documentation submitted by the cardholder. The reviewer must verify that acceptable documentation exists to support each purchase and/or credit, verify that purchases are for official state business, and that purchases comply with appropriate rules and regulations. The immediate supervisor or designated reviewer must sign the purchasing log or memo statement certifying his review and approval. **Cardholder shall not approve his own monthly purchasing log.** Agency policy will then determine what information is to be forwarded to the agency's accounting department.
5. If it is determined that personal or other unauthorized charges are occurring on the card, appropriate steps, up to and including dismissal, shall be taken to resolve the misuse/abuse of the card. (See Section III. C.; Card Misuse)
6. Upon notification by the immediate supervisor or designated reviewer that the cardholder reconciliation has been approved, the accounting section will ensure that the charges are distributed to the appropriate accounting codes. The agency p-card policy will outline what documentation is to be submitted to the accounting department.
7. ISIS Interface Agency: ISIS Accounting sections must review the P3's immediately upon their posting and determine if any discrepancies exist between paper statement and the P3's. If a discrepancy does exist, you should contact our Bank of America Account Specialist as listed on the "LaCarte" Website (www.doa.louisiana.gov/osp/travel/lacartepcard/updatesprogadminr.pdf) to determine how the discrepancy will be corrected. Once this information is received, Accounting must contact OSRAP and fax a copy of the billing statement to OSRAP (225) 342-1053. OSRAP will then determine if manual P3's have to be built. This must take place prior to the 25th of each month.

Miscellaneous charges made to the corporate account must be reviewed, approved and reconciled. Miscellaneous charges will default to PPPP instead of an appropriated ORGN for ISIS agencies. Agency accounting departments must move these charges to the proper ORGN.

If a cardholder's spending defaults to PPPP rather than their correct ORGN an error has occurred. The 5G56 report of purchasing card exceptions and the 1G08 report of detailed transactions can be used to determine the reason for a cardholder's spending defaulting to PPPP. The agency program administrator / accounting department must take steps to resolve the items on the report by contacting the bank and OSRAP if necessary to correct the routing error. This should be done prior to receiving the next month's statement to prevent errors reoccurring.

ISIS Agencies will prepare a journal voucher document (J6 or J2 or create a REJ6 record to automatically generate the J6 each month) to credit the default accounting codes (purchasing card clearing organization and object) and debit the appropriate organization, object, reporting category, etc. Note: Payment for all ISIS Agencies will be made automatically on the 25th of each month regardless of the status of the reconciliation process.

ISIS Agencies must reconcile the paper statement at the corporate account level to the electronic payment made to Bank of America. All charges and/or credits should be cleared from the purchasing card clearing organizations each month for ISIS Agencies.

8. Non-ISIS Agencies:
Miscellaneous charges made to the corporate account must be reviewed, approved and reconciled. Agency will reconcile and distribute costs to their accounting system in a timely manner and according to agency policy and procedure. Note: reconciliation may take place before or after payment for Non-ISIS Agencies but payment shall be made to Bank of America within 25 days of the statement date.
9. It is the responsibility of each agency to contact the Bank if your paper statement is not received timely. Agencies should complete the reconciliation and distribution processes each month and prior to receiving the next billing cycle.

C. Documentation

1. The Agency will ensure that documentation is adequate and sufficient to allow for the proper recording of expenditures in the ISIS/Advantage Financial System (AFS) or Agency accounting system if Non-ISIS.

V. Waivers

A. Exceptions

1. The Director of State Purchasing may waive in writing any provisions of these regulations when the best interest of the State will be served.

The Department Head and Agency Program Administrator, by signing this Policy, acknowledges and accepts his/her responsibilities in the administration of this program as outlined herein.

Department Head

Agency Program Administrator

Agency

Date