



## **FREQUENTLY ASKED QUESTIONS**

### **PURCHASING CARDS**

#### **What are purchasing cards?**

Purchasing cards (also known as purchase cards, procurement cards, or P-Cards) are specialized credit cards that are issued to purchasing staff for the purchase of materials and services. Use of the purchasing card allows staff who need goods or services to buy them directly, bypassing the typical requisition, purchasing, receiving and accounts payable processes, and the various time-consuming steps (and related costs) entailed therein.

The purchasing card allows for significant control and authorization of spending. Each card issued can be assigned mandated restrictions, such as a maximum dollar limit per transaction, day or month, a restricted number of daily and monthly transactions, and restriction and or approval of specific vendors. These controls are enforced at the point-of-sale when the cardholder makes a purchase. Most purchasing card providers allow for controls to be established at a Local Government or School Entity level and or personalized at an individual cardholder level. Controls can only be established or revised by an authorized person at the Local Government or School Entity, typically a purchasing card manager or administrator.

The card purchases can be charged to the Local Government or School Entity's accounting system electronically, using card transaction files provided by the institution. Local Government or School Entities also receive comprehensive reports of cardholder spending and supplier activity.

#### **Who is expected to write the purpose and description of purchase?**

The cardholder is to provide this information on the report for the supervisor to review and approve and also follow up with a receipt of the purchase.

#### **What are some way's the school Local Government or School Entities can use the P-Card?**

Local Government or School Entity's can use the P-Card for community education, food services and supplies, leases, travel and expenses, fleet usage, telephone usage, grants and utilities. Local Government or School Entities can offer payroll cards to seasonal, part-time and unbanked

employees. The P-Card can be used for most items if not all items the Local Government or School Entities have to pay whether on a daily, monthly or yearly basis.

**Would Local Government or School Entities lose control over expenses with a card program?**

No. Local Government or School Entities with successful purchasing card programs find they have more control with a card program than with the traditional procurement process.

**What are the spending controls?**

The primary spending controls are limits on the amount of each individual purchase and on total dollars purchased during any 27-day billing cycle. By Blocking certain merchant classification categories, Local Government or School Entities may also restrict the type of supplier from whom cardholders make purchases. Access to cash machines is easily blocked as well.

Other controls may include, but not be limited to, limits on the number of purchases made per day and per billing cycle, a spending maximum per group of cardholders, and blocks on specific suppliers.

**What are some benefits of the P-Card?**

Reduction in paperwork, requisitions, payment requests and petty cash is not needed when you use your purchasing card. This card allows employees to deal directly with suppliers. Personal funds are no longer needed for purchases. The p-card consolidates your monthly payments and saves time, stationery, checks, postage and filing. Another important advantage of working with our P-Card program is that we offer rebate incentives that are received by check, once a year, directly from the bank.

**Do Local Government or School Entity's pay sales tax when using the P-Card?**

If the Local Government or School Entity has opted to put their sales tax exempt number on the card the answer is no. An individual P-Card holder can also have with him or her at the time of purchase, a letter from the Local Government or School Entity stating that the goods he or she is purchasing are for the benefit of the school Local Government or School Entity.

**How long is the billing cycle and when is payment due?**

The billing cycle is the 27th day of the month and payment is due 7 days thereafter.

## **How to distinguish between fraud and misuse?**

The terms “fraud” and “misuse” are often used interchangeably in describing unauthorized credit card activity. These terms actually are more limited, and a distinction should be made between them.

Fraud involves unauthorized use of the card by someone other than the individual to whom it was issued. This may include stolen cards, counterfeit cards, or identity theft. Credit card fraud could be committed either by individuals outside the organization or by your own employees. It may also involve non-employees working in collusion with those on the inside of the organization.

Merchant fraud is another example of unauthorized activity and involves charges for goods or services not provided charged by a merchant to a credit card.

Misuse of the P-Card would be an employee who purchases items that are **not** for the benefit of the Local Government or School Entity or municipality.

Harris Bank offers the MasterCard Corporate Liability Waiver Program (Master Coverage International) that provides coverage in the event of card misuse by employees. Under the program, your organization is covered for any “**waivable charges**” up to **\$100,000** per card. **There is no fee for this coverage.** Waivable charges include all transactions charged to the purchasing card that did not benefit your organization.

## **What can be done to reduce exposure to loss from fraud or misuse?**

Several features can be included in a P-Card program to reduce exposure to loss from fraud or misuse. Controls limiting the incorrect use of the P-Cards are a key feature of the program. These controls consist of any of the following:

- Single transaction limits
- Monthly or cycle spending limits
- Merchant category blocks
- Velocity controls (limits the number of times a card can be used within a specified period of time)
- Multi-tiered restrictions (higher spending limits may be established for preferred suppliers, with lower limits for non-preferred suppliers)
- Store- front merchant blocking (limits a particular merchant site that can be used.

Purchasing card program administrators typically employ one or more of these controls to limit the Local Government or School Entities exposure to misuse or loss from fraud. Excessive restrictions, however, may result in maximum benefits from the card not being realized. For example, very restrictive merchant category code blocks may result in transactions being declined for legitimate business purchases. Frequent declined transactions for legitimate business

purchases will involve extra time for the employee to ultimately make the purchase, and will impact the acquisition cost to some extent.

### **Who is BMO Financial Group?**

BMO Financial Group is one of the largest and most financially stable institutions in North America, and Canada's first bank. Their principal operating entities are Bank of Montreal and Harris Bank and Trust, which is headquartered in Chicago, IL. BMO was founded in 1817 and that same year opened an office in New York City. BMO is cross-listed on the New York and Toronto Stock Exchanges under the "BMO" ticker symbol and maintain operations throughout North America with offices in Chicago, New York, Houston, San Francisco, Toronto and Mexico. Overseas branches are located in London and China. Since its founding, BMO Financial Group has grown to over US \$150 billion in assets, employing over 33,000 people.

### **Who is Harris Bank and Trust?**

Harris Bank and Trust is wholly owned by BMO Financial Group. Harris Bank is the fourth largest bank in the Chicago area, employing over 6,000 people, with assets of over US\$30 billion.

### **What are the roles and responsibilities for each individual involved in the P-Card program?**

The program administrator plays a key role and is the Local Government or School Entity's primary liaison with the card issuer. The P-Card administrator's responsibilities include managing card issuance and maintaining related credit limitations. In addition, the administrator is authorized to cancel cards, suspend accounts, and report suspected employee misuse of the card.

Managers, supervisors and approvers are responsible for oversight and monitoring of cardholders' compliance with Local Government or School Entity policy and procedures.

All approvers should be required to complete the purchasing card training. While each Local Government or School Entity may define the roles for managers, supervisors and approvers differently, responsibilities may include:

- Review billing statements and supporting documentation on at least a monthly basis.
- Sign each employee's monthly statement as indication review and approval of all transactions have been completed.
- Investigate and report instances of apparent misuse to the appropriate manager.
- Make sure employees are trained in the proper use of the card.
- Monitor spending patterns and vendor sources (a sudden unexplained increase in purchases or questionable vendor sources may indicate a problem).

Employees are responsible for the security of their P-Card, using the card only for official authorized purposes, reviewing their monthly statement each month, and verifying purchases. Errors and discrepancies must be promptly identified and disputed. Employees must also maintain accurate and complete records supporting their P-Card transactions, including original receipts

and any required approval. Cardholders are the key control to protect the Local Government or School Entity against outside fraud.

Our bank provider, Harris Bank, has a premier web-based integrated procurement information management solution combining reconciliation, approval and information management.

Features of their *detailsOnline* system are:

- Multi-level access: corporate administrators (admin rights, audit rights), managers, auditors and account holders.
- Corporation managed access: corporate administrators can set up access levels for each user, change passwords or delete users.

Transactions:

- View/modify transactions

Report:

- Run/view 29 standard reports and available custom reports and export report data.

Administration:

- Add/delete *detailsOnline* users, change password.
- Ability to download to accounting software of preference.

Merchant:

- Search/view merchant list and edit merchant details.