

LOCAL GOVERNMENT PURCHASING CARD POLICIES AND PROCEDURES

SEPTEMBER 2020

INSERT NAME OF ENTITY HERE

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Section 1.0: Introduction

The Purchasing Card (P-Card) is the preferred method of payment providing an efficient and effective process for the payment of expenditures incurred by Local Government Entities. The P-Card effectively decreases program costs and offers increased control and monitoring of payments. An effective P-Card Program will also reduce the paperwork and time associated with the payment processing function.

1.1 Overview

The Local Government P-Card Program was created and implemented in 2008 by West Virginia Code, §6-9-2a, and is governed by Legislative Rule, 155 CSR 6. The State Auditor's Office Local Government P-Card Division serves as the Program Administrator for the Local Government P-Card Program. Local Government entities subject to the auspices of the State Auditor's Chief Inspector are eligible to participate in the program.

The governing body of the **Local Governmental Entity** is responsible for managing the program and each administrative organizational unit is responsible for managing its **Cardholder's** accounts.

1.2 Policy Adoption

Officials of each **Local Governmental Entity** are responsible for establishing, maintaining and enforcing Local P-Card Policies and Procedures. This Manual establishes minimum standards for the use of the State of West Virginia Local Government P-Card and may serve as a framework for local officials to fulfill that responsibility. Individual transaction limits and credit limits shall be determined by each Entity **P-Card Coordinator** upon approval by the State **Auditor's Office** Local Government P-Card Division.

It is the Entity's coordinators and cardholders responsibility to be knowledgeable of and to follow all P-Card policies and procedures, as well as all applicable purchasing laws and guidelines. Other members of Entity staff with reviewing and approving responsibilities (entity officials, chief financial officers, department heads, directors, managers, supervisors, etc.) should also be knowledgeable of program requirements.

The P-Card is a method of payment and should not be considered a substitute for proper procurement procedures. Each Entity should develop and document appropriate internal control procedures to ensure proper oversight and that P-Card usage is consistent with this manual, and to develop guidelines for distribution to cardholders. In those cases where it has been determined that Entity controls are not adequate, the **Auditor's Office** Local Government P-Card Division has the authority to request procedural improvements and/or place the card restrictions on the Entity until such controls are established, documented and implemented.

Participation in the P-Card Program may be revoked if an entity fails to institute and enforce policies and procedures related to the program.

1.3 Definitions

Auditor's Office - West Virginia State Auditor's Office.

Cardholder - Employee (or non-employee) whose name appears on the Purchasing Card and is accountable for all charges made with that card.

Cardholder Account Number - The individual account number assigned to each Entity payment account.

Cardholder Agreement Form - A form signed by the cardholder that acknowledges that the cardholder has had adequate training, understands the *P-Card Policies and Procedures*, and accepts responsibility for compliance with all policies and procedures.

Card Verifier – Employee(s) within the organization responsible for verifying that all charges against the Cardholder's account are backed up by supporting documentation and appropriate for the operations of the Entity. Frequently they will document this review and approval by signing the weekly or monthly log sheet of the employee.

Chief Financial Officer – The individual responsible for oversight of the financial activity within a spending unit.

Disputed Item - Any transaction that was not authorized by the individual cardholder.

Entity Officials - The elected body or appointed governing board of an Entity.

Electronic Signature – An electronic sound, symbol or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record. (See West Virginia Code §39A-1-2(8)).

Financial Institution – The organization that has contracted with the Auditor's Office to administer certain aspects of the Local P-Card Program.

Fraud – is a deception deliberately practiced in order to secure unfair or unlawful gain.

Goods - Materials, supplies, commodities, equipment, and any other articles or items used by or furnished to an Entity.

Hospitality – Food, nonalcoholic beverages, and related expenses for the reception of guests by an Entity for a specific event or function relating to conducting Entity business.

Individual Statement - A listing of transactions available monthly to the cardholder indicating all activity on an individual P-Card.

LG P-Card Account Administration Worksheet - A file that initiates the P-Card issuance process, account maintenance, new billing accounts and coordinator changes.

Local Governmental Entity - means any unit of local government within the State subject to the auspices of the Chief Inspector, including a county, county board of education, municipality, and any other authority, board,

commission, district, office, public authority, public corporation, or other instrumentality of a county, county board of education, or municipality or any combination of two or more local governments.

Master Billing Account Number - The master account number assigned to each Entity for billing purposes.

Master Statement - A list of transactions available monthly to the Entity P-Card Coordinator indicating all activity on each individual P-Card that rolls up to that Entity's master account number.

Non-Employee – an individual who is not employed with the entity but performs functions for the local government for which they are issued a P-Card.

Official Use - Payments made by a cardholder on behalf of the Entity as permitted by law and P-Card Policies and Procedures.

P-Card Coordinator - The Chief Financial Officer or individual designated by each Entity to administer the P-Card Program within the Entity or an account of the Entity.

P-Card Delegation - The practice of allowing an individual other than the cardholder whose name appears on the front of the P-Card to have access to the P-Card or P-Card number to initiate or complete a transaction.

Program Administrator – The Director of the Local Government P-Card Program in the State Auditor's Office Local Government P-Card Division.

Purchasing Card (P-Card) - A payment account issued in the name of an individual employee of the Local Government Entity or non-employee for official use.

Receipt - An itemized document indicating the vendor, the price per item, and the total amount charged in a transaction.

Spending Unit – All local governments within the state, including a county, county board of education, municipality, and any other authority, board, commission, district, office, public authority, public corporation, or other instrumentality of a county, county board of education, or municipality or any combination of two or more local governments except those statutorily exempted.

Transaction –The payment for goods and services and other items.

Transaction Limit - The maximum dollar amount permitted in any single transaction.

Vendor - The supplier of goods or services to a Local Government Entity.

1.4 Training

The State Auditor's Office Local Government P-Card Division shall provide training to all cardholders and program coordinators. Training may be in person, or in a format approved by the State Auditor's Office Local Government P-Card Division.

All Entity Program Coordinators shall receive training/education designed and approved by the State Auditor's Office Local Government P-Card Division within thirty (30) days of assuming the duties of the position. Designated training/education may be required annually. P-Card Program Coordinators who successfully complete all applicable designated Coordinator training are not required to undergo any required Cardholder training.

Effective July 1, 2019, Entity employees who will be issued and/or use a P-Card must have successfully completed a training session specifically designed for new cardholders. All current cardholders should complete refresher training before their P-Card is reissued. Training on specific Entity purchasing policies and guidelines will be provided by the Entity.

Section 2.0: P-Card Issuance and Maintenance Procedures

2.1 Designation of a P-Card Coordinator

Each spending unit's Chief Financial Officer or his or her designee shall serve as the spending unit P-Card Coordinator. P-Card Coordinator(s) are specified by a representative of the **Entity Officials through the preparation of the LG P-Card Account Administration Worksheet** which must be submitted to the **State Auditor's Office**. Additionally, **Entity Officials** (or a representative) should designate an individual to act as a backup **P-Card Coordinator** in the event the primary Coordinator is unavailable to perform his or her duties. An Entity may have multiple **P-Card Coordinators** or P-Card sub-Coordinators who may be delegated some or all of the coordinator's responsibilities. Sub-Coordinators may be appointed by the Entity Officials (or a representative) or the **P-Card Coordinator**. **P-Card Coordinators** and sub-coordinators must complete State Auditor's Office training within 30 days of assuming responsibilities.

The designated individual(s) shall be responsible for the administration and oversight of the Entity's P-Card internal control system, which includes the appropriate accounting of transactions and ensuring P-Card use is for valid government purposes.

2.2 Obtaining a P-Card

P-Cards are issued at the request of the Entity **P-Card Coordinator**. **Cardholders** should be full-time employees of the Entity. Cardholders must sign a *Cardholder Agreement* (Exhibit A). If an individual is a **Non-Employee** of the Entity they must still sign a *Cardholder Agreement*. P-Cards will not be issued by the **State Auditor's Office** without a signed *Cardholder Agreement*. The Entity **P-Card Coordinator** is required to maintain a copy of the *Cardholder Agreement* Form.

The **P-Card Coordinator** is responsible for assigning the credit and transaction limits as well as any other applicable restrictions for use of the P-Card. The coordinator can assign this through the financial institution's electronic platform or by emailing the appropriate section of the **LG P-Card Administration Worksheet** to our global email address (wvlgPcard.gov).

All new applicants are required to complete **State Auditor's Office** training before P-Cards will be issued.

2.3 P-Card Activation

P-Cards are generally mailed to the P-Card Coordinator. Upon receipt, the coordinator should provide it to the cardholder. **Cardholders** are responsible for activating their own cards upon receipt and assigning a personal identification number (PIN) to their card.

2.4 P-Card Account Maintenance

P-Card Coordinators are responsible for performing card maintenance via the applicable provider platform. The **State Auditor's Office** is required to electronically approve certain account maintenance changes. Alternatively, **P-Card Coordinators** may utilize the **LG P-Card Administration Worksheet** or email our office for maintenance items.

2.5 Card Security

It is the **Cardholder's** responsibility to safeguard the P-Card and P-Card account number at all times. P-Cards must be kept in a secure location and should only be used to process transactions by the respective **Cardholder**. In order to prevent exposure to fraud, the full P-Card account number should not be recorded electronically or on paper. All cardholders are required to sign the back of their P-Card upon receipt.

P-Card delegation is prohibited. P-Card delegation is the practice of allowing an individual, other than the cardholder whose name appears on the front of the P-Card, to have access to the P-Card or P-Card number to initiate or complete a transaction. P-Card delegation increases the risk of fraud and cardholder liability.

If a Cardholder becomes aware of a charge to their P-Card that is potentially fraudulent in nature they must notify their **Card Verifier** and the **P-Card Coordinator** **immediately**. Representatives of the Entity shall report all aforementioned instances to the **State Auditor's Office** Local Government P-Card Division **immediately**.

With the exception of ghost accounts, fleet cards, and certain other accounts, P-Cards are issued in an individual's name. Only the individual named on the P-Card is authorized to use it. P-Cards can be issued in the name of the Entity upon approval by the **State Auditor's Office** Local Government P-Card Division. These department cards shall have proper controls in place as to access and use and should be limited to specific users designated by department heads. All users of a department card are still required to sign a *Cardholder Agreement* Form. All *Cardholder Agreement* Forms for department cards must be submitted to the **State Auditor's Office** Local Government P-Card Division to be kept on file. Documentation should clearly establish the individual responsible for the purchase. A *Shared Purchasing Card Log Sheet* (Exhibit B) must be kept to properly document who had access to the card, the date and vendor of every purchase the employee/non-employee made, as well as when the card was returned.

Immediately report lost or stolen P-Cards to the **Financial Institution** and the **Entity P-Card Coordinator** within 24 hours to limit cardholder liability.

P-Cards must be cancelled **immediately** upon termination of or separation from employment. The **P-Card Coordinator** is responsible for ensuring that the P-Card is destroyed and that a *Local Government Card Maintenance Form (electronic form at State Auditors Website)* is completed and submitted to the **State Auditor's Office** Local Government P-Card Division or that the account is terminated by the coordinator via the processing bank's electronic portal.

Section 3.0: Using the P-Card

3.1 General Instructions

The P-Card is a preferred method of payment for certain designated transactions or dollar amounts. All applicable laws, rules and regulations, P-Card Policies and Procedures, and other governing instruments must be followed, regardless of the method of payment.

The P-Card may be used to make payments for goods, services, and travel that are not prohibited by P-Card Policies and Procedures, travel policies, or applicable laws, rules or regulations. Personal charges are prohibited.

3.2 Transaction Limit

Individual transaction limits and credit limits are determined by each Entity **P-Card Coordinator** upon approval by the **State Auditor's Office** Local Government P-Card Division. It is a violation of policy to manipulate the ordering, billing, or payment process in order to circumvent established cardholder limits.

3.3 Ordering

Payments may be made with the P-Card by phone, fax, mail, secured internet site, or in person. When paying by telephone, fax, mail, or internet, the vendor should be provided with a complete shipping address.

Shipping and handling charges must be included in the stated price and the total charge may not exceed the cardholder's assigned transaction limit.

When placing the order, the vendor should be instructed to provide an itemized invoice or receipt. The vendor may not charge the account until the merchandise has been shipped.

3.4 Tax Exempt Status and Disputed Charges

Local Government Entities are tax exempt for sales tax and hotel/motel tax and should not pay tax to in-state vendors. Cardholders should remind vendors that the Entity is tax exempt before initiating a transaction.

The words "Tax Exempt" and the Entity's tax identification number are printed on the P-Card.

The cardholder may be required to provide the vendor with a copy of the Entity's tax-exempt certificate.

It is the cardholder's responsibility to ensure charge accuracy. Sales tax, incorrect shipping charges or other invalid charges to the card should be addressed immediately with the vendor by the cardholder. If the situation is not adequately addressed by the vendor, the cardholder should initiate a dispute by calling our office and following instructions.

3.5 Convenience Fees and Surcharges/Checkout Fees

Instructions for Policy

*[Convenience fees and Surcharges or Checkout Fees may be paid by the P-Card at the discretion of the Entity. It is the responsibility of the cardholder and **P-Card Coordinator** to determine if these charges are acceptable to the Entity and in compliance with the card brand's regulations. Any questions or suspected misapplication of these fees by a vendor should be reported to the **State Auditor's Office Local Government P-Card Division** for further investigation.]*

Entity should insert the policy here

3.6 Travel

The Entity needs to issue a separate policy related to business related travel for employees. In order for the payment or reimbursement of travel related expenses to be considered nontaxable, the Entity must maintain an accountable plan in accordance with IRS rules and regulations. The following types of travel expenses are eligible to be paid with a P-Card.

Entity should insert the types of eligible expenses here; The Auditor's Office recommends that meals and gasoline related to employee travel NOT be purchased with the P-Card but rather reimbursed at established per diem rates outlined in the travel policy). Gasoline purchased for Government vehicles should utilize fleet cards for fuel tax reclamation services.

1. Conference Registration Fees
2. Lodging Fees
3. Taxi or other Transportations Fees (i.e. Uber; Bus; Subway)
4. Parking
5. Airline Tickets
6. Rental Cars

3.7 Hospitality

Hospitality expenses are the provision of food, beverages, activities, or events for the purpose of promoting the local government. Specific documentation requirements exist for hospitality expenditures and that documentation must remain consistent regardless of the method of payment. In addition to other documentation requirements, each hospitality event/function must be supported by an itemized receipt/invoice and a sign-in sheet (by first and last name) of function attendees. Hospitality documentation should be retained for inspection.

[Entities should consider utilizing Exhibit D – Request for Hospitality Service to meet documentation requirements]

3.8 Usage Restrictions

The P-Card can only be utilized for government related purposes. West Virginia Code §11-8-26 states in part that "a local fiscal body shall not expend money or incur obligations for an unauthorized purpose". Furthermore, WV Code §6-9-2(c) stipulates that it is unlawful for any person to use a local purchasing card in any manner

which is contrary to the types of payments authorized by the Auditor and governing policies and procedures. The following types of purchases are not authorized:

[#1 through #7 are minimum State Auditor's Office Rules]

1. Cash Advances (unless approved by the State Auditor)
2. Gift Cards or any kind of gift certificate unless pre-approved by the **State Auditor's Office Local Government P-Card Division**. Entities must complete and submit *Authorization for Purchases of Gift Card/ Certificates* (Exhibit E) **PRIOR** to purchase.
3. Purchases that are non-public in nature that would otherwise be considered an unauthorized expenditure (including personal purchases).
4. Personal purchases which are then reimbursed to the Entity.
5. Meals that are not employee overnight travel or meals specifically excluded from taxability under IRS rules and regulations (See IRS Publication 5137 Fringe Benefit Guide) related and/or related to hospitality (as defined in Section 3.7).
6. Returned goods should be credited to the P-Card. Debit cards, gift cards, store credit, or cash are not an acceptable method of receiving funds for returned goods.
7. Any purchase that violates the provisions of The Ethics Act (WV Code §6B-1)
8. Alcoholic Beverages other than for resale

[Local Governments should enter any additional restrictions here]

Section 4.0: Transaction Documentation, Reconciliation and Review

Cardholders are responsible for the review, acknowledgement or dispute of all transactions that appear on their P-Card statement. Proper documentation (defined in Section 4.1) must be obtained and maintained for each transaction placed on the P-Card and must be maintained for inspection in accordance with record retention guidelines.

4.1 Documentation Requirements

All receipts for P-Card purchases must be detailed and itemized and be present for all charges on the Cardholder's statement. Receipts should show all items purchased, not just a total amount. The same would apply for restaurant receipts. Payment-alone signature receipts will not be considered by the Auditor as proof of the purchase if it is not accompanied by the vendor's itemized receipt.

To document online purchases, the Cardholder should make a copy of the screen that indicates the purchase was paid with a credit card. The screen print should also show the date of the transaction, items purchased, and the total dollar amount. Just like other purchases, on-line purchases must be documented with detailed/itemized receipts.

[Strongly suggested but not mandatory procedure]

Each Cardholder must prepare an *Individual Purchasing Card Log Sheet* (Exhibit C) on a **[weekly/monthly]** basis. Each charge must be listed with all the pertinent information. The Cardholder must enter R- reconciled; D-disputed; C- carryover (charge not yet showing on statement). Detailed, itemized receipts must be attached to the **[weekly/monthly]** *Individual Purchasing Card Log Sheet* and then submitted to the card verifier/supervisor

for approval.

NOTE: If the entity does this monthly, they should add the following language

The Cardholder should also attach their monthly billing statement to the *Individual Purchasing Card Log Sheet* and itemized receipts.

4.2 Review of Transactions

Each Cardholder is assigned a **Card Verifier** which is an employee(s) within the organization responsible for verifying that all charges against the Cardholder's account are backed up by proper supporting documentation and appropriate for the operations of the Entity.

Practical Note: In smaller organizations this person may also be the **P-Card Coordinator**. In larger organizations it may be a department head or a sub-P-Card Coordinator of a specific unit (i.e. Sheriff's Office).

The **Card Verifier** must document approval through a signature on the Cardholder's [monthly statement/ *Local Government Purchasing Log Sheet*].

Any suspicious transactions should immediately be brought to the attention of the **P-Card Coordinator** and/or the appropriate management level of the Entity. Any discrepancies must be investigated and resolved. The disposition of each discrepancy must be documented and retained with the supporting documentation and/or statement of account. Cardholders are accountable for all discrepancies.

After all transactions have been reviewed and verified, the **Card Verifier** must forward the supporting documentation and individual account statements to the primary **P-Card Coordinator** who receives the master billing statement.

4.3 Account Coding

The [P-Card Coordinator/Card Verifier] is responsible for assuring all expenditures are assigned to their appropriate line item in the Entities general ledger on a [specify period: daily, weekly, monthly] basis. Account coding is periodically reviewed by [assign someone independent of the purchasing card cycle].

Technology is provided for importing of p-card data and default account coding for Cardholder's transactions. Cardholders may have default coding in which purchases are assigned automatically to a specific account. The [P-Card Coordinator/Card Verifier] is responsible for periodically reviewing this coding and related charges to ensure the coding is proper.

4.4 Payment Process

Entity Officials are responsible for ensuring that the master billing account is paid in full every month.

The Entity shall remit all P-Card payments directly to the financial institution. The financial institution should receive payments within twenty-five (25) successive, calendar days after the billing cutoff on a standard monthly payment cycle.

The Entity is required to pay the balance due regardless of pending credits or disputed transactions. Resolved disputes and credits will be applied to subsequent bank statements or checks will be issued by the financial institution directly to the Entity. If an Entity fails to make required payments in a timely manner, the **State Auditor** may prohibit further participation in the program.

Section 5.0: Fraud, Misuse and Abuse

5.1 Fraud

Fraud is a deception deliberately practiced in order to secure unfair or unlawful gain. For example, fraud occurs when the cardholder's account information has been intentionally utilized for personal gain. Intentional use of the P-Card to make purchases for personal use or non-state business is fraudulent and is prohibited.

If a Cardholder fraudulently uses their P-Card, the following actions could potentially take place:

Local Governments should insert remedial actions here some examples include: card privileges revoked; termination of employment; notification of potential criminal violation to appropriate authorities.

Instances of unlawful use, possible fraud, misappropriation, or mismanagement with the P-Card shall be reported immediately to the Entity **P-Card Coordinator**. The **P-Card Coordinator** shall report all aforementioned instances to the **State Auditor's Office** Local Government P-Card Division within 24 hours of his or her discovery. Notification of card misuse to the **State Auditor's Office** Local Government P-Card Division is **REQUIRED**, even if the instance was handled internally by Entity Officials.

The potential penalties for the unlawful use of a local purchasing card are outlined in West Virginia Code §6-9-2c, a through d which states the following:

“(a) It is unlawful for any person to use a local government purchasing card, issued in accordance with the provisions of section two-a of this article, to make any purchase of goods or services in a manner which is contrary to the provisions of section two-a of this article or the rules promulgated pursuant to that section.

(b) It is unlawful for any person to knowingly or intentionally possess with the intent to use a purchasing card without authorization pursuant to section two-a of this article or the rules promulgated pursuant to that section.

(c) Any person who violates the provisions of this section is guilty of a **felony** and, upon conviction thereof, shall be confined in a state correctional facility not less than one year nor more than five years, or fined no more than \$5,000, or both fined and imprisoned.

(d) A violation of this section may be prosecuted in the county in which the card was issued, unlawfully obtained, fraudulently used, used without authorization, or where any substantial or material element of the offense occurred.”

Failure to comply with P-Card Policies and Procedures, rules, and law associated with the Local Government P-Card Program may result in revocation or limitation of P-Card privileges, a period of probation, or mandatory P-Card training in addition to any other discipline deemed necessary or appropriate by the Entity.

5.2 Misuse and Abuse

Misuse/Abuse is the improper, unlawful or incorrect use, compromise or misapplication of the P-Card. Examples include:

- Failure to maintain security protecting your P-Card.
- Paying for items in which the P-Card is not authorized for payment.
- Purchase of authorized goods or services, at terms (e.g. price, quantity) that are excessive.

Local Governments should insert remedial actions here some examples include: card privileges revoked; termination of employment; notification of potential criminal violation to appropriate authorities.

Section 6.0: Program Monitoring

6.1 Entity Review

Entity Officials are encouraged to conduct random reviews of transactions within their program. Various reports are available through the financial institution’s online management website or through the Local Government P-Card Division. Coordinators should be knowledgeable of the types of transactions appropriate for cardholders within their area of responsibility and review, and have the authority to request documentation for any transaction appearing on a cardholder’s account.

Local Governments should insert the policy related to P-Card Monitoring Here.

6.2 State Auditor’s Office Review

The State Auditor’s Office may perform a review or examination of the Entity’s P-Card Program at any time and issue a report that contains suggestions for improvements to the program. This evaluation may be conducted by the Local Government P-Card Division or the Chief Inspector Division to determine compliance with Local Government P-Card Policies and Procedures. Relevant documentation related to the administration of the Local P-Card Program should be provided upon request.

6.3 Failure to Follow P-Card Policies and Procedures

The **State Auditor's Office** may limit or revoke P-Card privileges, institute a period of probation or require mandated training for any Entity, if that Entity is found to have violated P-Card policies and procedures and failed to take corrective action.

Section 7.0: Miscellaneous

7.1 Record Retention

The Entity shall maintain all documentation relating to the P-Card Program (cardholder applications, agreements, maintenance forms, training certificates, and transaction support documentation) until a post-audit review has been completed by either the State Auditor's Office Chief Inspector Division or a firm approved by the Chief Inspector. Furthermore, the Entity shall maintain these records for the minimum time period designated with governing laws and local rules and regulations.

The **Local Government** may designate the specific time frame for documents related to the P-Card here or make reference to a local or state records retention manual if adopted.