GUIDELINES FOR PURCHASING CARDS
USED BY LEA EMPLOYEES

Each local board of education (LEA) that elects to participate in a purchasing card program will sign an agreement with a financial institution to administer the purchasing card. The LEA is responsible for making monthly payments, settling disputed charges, handling billing errors, and following other requirements included in the agreement. Each participating LEA will be required to make payment in full by the payment due date.

[Purchasing cards used by teachers, exclusively for expending classroom instructional support funds in accordance with Ala. Code § 16-1-8.1 (as amended by Act No. 2005-198), should continue to follow the guidelines issued for the Purchasing Card Program for Alabama Teachers.]

Purchasing cards cannot be used to circumvent the advance travel expense provisions of Ala. Code § 16-13-14 or the applicable provisions of the Alabama Competitive Bid Law. The guidelines contained in this document are based on the guidelines for the teacher purchasing which were developed with assistance of the Examiners of Public Accounts and LEA personnel.

**General Guidelines:**

1. Anyone using the purchasing card to obtain items for personal use is subject to criminal prosecution.
2. Items purchased with the purchasing card are exempt from Alabama sales tax if the purchase would be tax exempt by use of a purchase order.
3. Items purchased with the purchasing card must be received before payment is made.
4. Items purchased with the purchasing card must be supported by itemized receipts or supporting documentation.
5. A LEA may use the purchasing card program for selected departments (i.e. Maintenance Department, Bus Shop, Central Office, etc).
6. A LEA will limit the use of purchasing cards to purchases by departments that provide internal controls to assure proper use of the purchasing cards.
7. A LEA may issue bid specifications that require the successful bidder to accept the purchasing card as payment for bid items.
8. A LEA will block the use of the purchasing card for unallowable expenditures to the extent feasible.
9. A LEA will determine the purchase limits for each purchasing card.
10. A LEA will require each cardholder to sign a purchasing card agreement.
11. A LEA cannot withhold payroll amounts from cardholders for unallowable charges, sales taxes, exceeding the card limit, or failure to turn in card receipts.
Implementing the Purchasing Card Program:

The local board of education (LEA) must decide if a purchasing card program will benefit the LEA. The implementation of a purchasing card program may require amendments to the local board policies and procedures. The LEA should adopt policies and procedures for a purchasing card program that establish internal accounting controls designed to assure proper use of purchasing cards.

The financial institution issuing the purchasing card will prepare the purchasing card agreement with certain features customized for each LEA. One of these customized features is merchant code restrictions. The merchant code restrictions should block the use of the purchasing card for unallowable expenditures to the extent feasible. These restrictions could be beneficial if unauthorized users attempt to use the purchasing card or card number. The following categories will be blocked from purchase card use where possible:

1. Cash advances.
2. Long distance telephone calls.
3. Airlines. *
4. Motels. *
5. Restaurants. *
6. Convenience stores. *
7. Gasoline stations. *
8. Beverage stores.
10. Adult stores.
11. Clothing stores.

*Unless specifically approved in the individual cardholder’s purchasing card agreement.

The SDE also recommends that the LEA exercise caution in the use of the purchasing cards for Internet orders, telephone orders, mail-in orders, lay-aways, confirmations, guarantees, and other charges made to the purchasing card prior to receipt of the materials, supplies, equipment or other items purchased. Legal opinions have stated that school boards cannot pay for items that have not been received. [However, the merchant’s agreement with the financial institution may prohibit the merchant from billing prior to the shipping date.]
Issuing the Purchasing Cards:

The local board of education must require individual cardholders to sign an agreement for the use of the purchasing card. The purchasing card agreement should provide the cardholder with an understanding of the cardholder's responsibilities for the use of the purchasing card. Agreements should include the following provisions:

1. The cardholder agrees to use the card exclusively for the purchases specified in the agreement.
2. The cardholder agrees to reimburse the LEA for purchases that are determined to be unallowable expenditures.
3. The cardholder agrees to obtain a legible receipt with an itemized listing for each purchase made with the card.
4. The cardholder agrees to reimburse the LEA for purchases not supported by a receipt with an itemized listing.
5. The cardholder agrees to inform merchants that purchases with the card are exempt from Alabama sales tax.
6. The cardholder agrees to reimburse the LEA for Alabama sales tax charged to the card. *(This item may require modification for travel expenses.)*
7. The cardholder agrees to reimburse the LEA for purchases made in excess of the individual purchase limit.
8. The cardholder agrees to adhere to the LEA guidelines for purchasing cards.
9. The cardholder understands that purchasing card privileges may be suspended upon failure of the cardholder to follow the terms of this agreement.
10. **The cardholder understands that the use of the purchasing card for anyone's personal use is subject to criminal prosecution.**

The LEA guidelines for the purchasing card program should include information that would be helpful to those using purchasing cards. Helpful information would include:

1. The procedure for verifying purchasing card balances.
2. Procedures for lost or stolen cards.
3. The name and telephone number of the LEA contact person for questions about allowable purchases.
4. Procedures for contacting law enforcement authorities about illegal card use.
5. Number of each instance that will cause cancellation of purchasing card privileges.
7. Procedures for using purchase orders instead of the purchasing card.
8. Items that must be purchased from specific merchants. *(EXAMPLE: copier paper bid)*
9. Deadlines for obtaining copies of missing receipts.
10. Guidelines for turning in cards. *(A sign in/out list should be used.)*
11. Policies and procedures for Internet orders, call-in orders, and mail-in orders, if permitted.
12. Individuals designated to receive card receipts, maintain receipt log/receiving report, reconcile statements, etc.
13. Individuals responsible for monitoring card usage, the monitoring schedule, and internal control oversight.
14. Procedure for reporting the misuse of a purchasing card.
Operating the Purchasing Card Program:

The procedures discussed below are intended as general procedures for operating the purchasing card program. The operating procedures in some LEA's may require some modifications to these general procedures. LEA's may implement additional internal control procedures if necessary.

1. Determine the individual designated to receive a purchasing card.
2. Determine the budgetary expenditure account limitations for purchases by the cardholder.
3. Determine the specific limitations on the purchasing card for each cardholder:
   a) Merchant categories blocked.
   b) Allowable purchases for this cardholder.
   c) Total amount of purchases allowed with the card.
   d) Monthly limit for this cardholder.
   e) Per transaction limit for this cardholder.
4. Obtain a signed agreement with the cardholder.
5. Issue a purchase order for the total of the purchasing card limits of the cardholders at the beginning of the purchasing period.
6. Create a Receipt Log (that also serves as a Receiving Report) for each responsibility unit. A format is available for downloading from the SDE web site.
7. Create an account code breakdown form for each responsibility unit. A format is available for downloading from the SDE web site.
8. Monitor the use of each cardholder according to the monitoring schedule.

The cardholder should sign the Receipt Log when the cardholder brings the purchase receipt to the responsibility unit office. The receipts and the Receipt Log should be maintained with the same security protection as cash receipts. The Receipt Log serves as documentation that items have been received and as an audit trail for receipts. Receipts (and any supporting documentation) should be turned in daily. Supporting documentation can include itemization of purchases (if not detailed on the receipt) and explanations justifying purchases that could appear questionable. To help reconcile the monthly statement, the reference number from the Receipt Log may be written on the receipt before placing the receipt in a folder. A credit memo or credit receipt should also be entered on the Receipt Log.

The LEA will receive a monthly statement for purchasing cards detailed by responsibility unit. The LEA should send a copy of the monthly statement to each responsibility unit along with an account code breakdown form. The responsibility unit must reconcile the monthly statement to the Receipt Log and the receipts. A copy should be made of each page of the Receipt Log used in that month’s reconciliation, signed, and dated by the responsible official. (The Receipt Log can be kept in a binder and delivered to the LEA when the last reconciliation for the fiscal year is completed.) The account code breakdown should be completed, signed, and dated by the responsible official. A signed copy of the account code breakdown, Receipt Log, monthly statement, and the receipts and other documents should be submitted to the LEA to process for payment to the card center.

A copy of the page(s) of the monthly statement detailing the cardholder’s purchasing card activity may be given to each cardholder.