

PC02 Sanctions for Violations of Procurement Card Policies

Effective March 15, 2002

Last Revised August 6, 2003

Who Should Read This Policy

Unit Administrators responsible for department issued UO procurement cards.
All Custodians and authorized Card Users of UO procurement cards.

Background & Purpose

OUS has established a credit card purchasing program. The program provides for the rapid acquisition of primarily low dollar value items with significant savings in paperwork. The program is contracted by OUS and implemented at the institution level.

A violation is any action that is not in accordance with one or more of the following: OUS and UO procurement card policies, state law, Oregon Administrative Rules, and/or reasonable business expenditures. Violations can differ in nature and degree of risk and seriousness. Violations will be evaluated on a case by case basis. This document will serve as a guideline.

Sanctions are actions that may be taken in response to violations of policy and procedures. Sanctions provide program managers an approved framework to address program violations. Sanctions also clarify for program participants what actions they may be subject to if they violate program policy and procedure. Overall sanctions provide clarification encouraging appropriate program use and accountable program management.

The purpose of this policy is to establish authority to impose sanctions in response to violations of the procurement card policy and procedure. Further, the intent of this policy is to define specific actions that may constitute sanctions, as described in the related procedure section of this policy.

Policy

The UO Procurement Card Administrator shall have the authority to evaluate violations and impose sanctions related to the use of departmental procurement cards.

Authority

The UO Procurement Card Program Administrator has the authority and responsibility for administering this policy.

References

OAR 571-040-0200 through 0390

http://arcweb.sos.state.or.us/rules/OARS_500/OAR_571/571_040.html

OUS FASOM 13.11 Purchasing – Procurement Card
<http://www.ous.edu/cont-div/fasom/sec13/sec1311.php>

OUS FASOM 13.01 OUS Purchasing on Account Payable
<http://www.ous.edu/cont-div/fasom/sec13/sec1301.php>

UO Procurement Card Policy
<http://baowww.uoregon.edu/Policy/pc01.pdf>

OUS Financial Irregularities Policy <http://www.ous.edu/dept/intaudit/irreg.php>

UO Financial Irregularities Policy
<http://policies.uoregon.edu/Financial%20Irregularity.htm>

Summary of Tax Reportable Tax Codes
http://www1.ous.edu/owfp/plsql/fpm.result_list?p_val_defn=Tax+Reportable

Training Materials
<http://baowww.uoregon.edu/ProcurementContracting/procurementcardprogram.htm>

Related Procedures

1. Procurement Card Program Administrator follows-up with department Custodian on questioned transactions or procedures.

What was the nature of the questioned use?

Is questioned use in violation of procurement card policies?

- If no, Procurement Card Program Administrator documents results of follow-up, process complete.
- If yes, Procurement Card Program Administrator documents results of follow-up and goes to step 2.

2. Program Administrator determines appropriate course of action.

A. In determining the appropriate course of action, the Program Administrator may consider, but is not limited to, the following types questions:

- Is Custodian aware of the transaction?
- Is Custodian aware the transaction is in violation of procurement card policies?
- What actions has the custodian taken regarding the violation?
- Would the item be an allowable purchase if not purchased on the procurement card?
- Does the business purpose seem reasonable?
- Does the purchase appear to be personal in nature?
- Have there been previous violations of a similar nature related to this card?
- Have there been previous violations of a different nature related to this card?

- Has Custodian provided Card User required training?

B. Potential courses of action taken by the Program Administrator may include, but are not limited to, the following:

- E-mail or written notification to the Custodian identifying the violation and providing an explanation or clarification of the policy. If the Program Administrator has knowledge that violations have occurred in the past, the e-mail should reflect that information.
- A copy of the email to the Custodian's Unit Administrator.
- A copy of the email to the authorized Card User or purchaser.
- Invitation to attend a new training session (optional).
- Requirement to attend a new training session.
- Removal as Custodian
- Remove or restricting authorized Card Users.
- Revoking or suspending the departmental procurement card.
- Require reimbursement to UO, for unallowable expenses.
- Notification to appropriate University authorities regarding violations relating to OAR 571-040-0240 which may result in disciplinary action.

3. Procurement Card Custodian is responsible for communicating violations and requirements to authorized Card Users.

Q&A

Question: What should a Custodian do if they note a purchase they can't identify?
Answer: Custodian should immediately contact US Bank Customer Service and Purchasing and Contracting Services to assess the appropriate action regarding an unauthorized purchase.

US Bank Customer Service 1-800-344-5696

Question: Who should the Custodian contact if they disagree with the Procurement Card Program Administrator?
Answer: The Custodian should contact the Purchasing and Contracting Services Manager.

Compliance/ Violation Examples:

These examples are intended to address potential procurement card policy violations and related sanctions. These examples are not intended to address other University of Oregon policies.

Scenario 1

Purchase of Food

During the monthly post transaction review of procurement card transactions, the Procurement Card Program Administrator notes a purchase from a restaurant for food.

This purchase is a violation of procurement card policy, but is otherwise an allowable purchase. In previous months the Procurement Card Program Administrator had noted other food purchases by the same Card User. The following courses of action may apply to this scenario:

- **First purchase violation noted:** email notification to the Custodian identifying the violation and providing an explanation or clarification of the policy.
- **Second purchase violation noted:** email notification to the Custodian and Unit Administrator identifying the violation. The email will also include a **suggestion** for the Card User to attend a Custodian provided training session.
- **Third purchase violation noted:** email notification to the Custodian and Unit Administrator identifying the violation and **requiring** the Card User to attend Custodian provided training. If the Card User does not attend training, the Card User's authorization will be removed.

Scenario 2

Lack of Required Review and Approvals of Monthly Transaction Statements

The Unit Administrator or designee is not reviewing and approving (via signature) the Custodian's charges on a department's procurement card monthly statement. This is a violation of procurement card policy. The following courses of action may apply to this scenario:

- **First violation noted:** email notification to Custodian and Unit Administrator requesting that the appropriate review procedure is implemented immediately.
- **Second violation noted:** email notification to the Unit Administrator indicating that the Custodian must be removed as a Card User.
- **Third violation noted- the Custodian has not been removed as a Card User, is making charges and the required review and approval is still not occurring:** email notification to Unit Administrator stating that procurement card is revoked due to repeated non-compliance with required procurement card policy and procedures.

Scenario 3

Purchase of Alcohol

During the monthly post transaction review of procurement card transactions, the Procurement Card Program Administrator notes a purchase from a grocery store for alcohol. This purchase is a violation of procurement card policy and is further determined as not meeting the requirements under FASOM for alcohol purchases. The following courses of action may apply to this scenario:

- **First purchase violation noted:** email notification to Unit Administrator and Custodian identifying the violation and providing clarification of the policy. Custodian provided retraining will be required for the Card User. The email will also include a warning that a second violation may result in the removal of a Card User or the departmental procurement card may be revoked.
- **Second purchase violation noted:** email notification to the Unit Administrator and the Custodian requiring the removal of a Card User or revoking the departmental procurement card.

Scenario 4

Personal Purchases Charged to a Department's Procurement Card

During the monthly post transaction review of procurement card transactions, the Procurement Card Program Administrator notes the Card User has purchased a CD for personal use, along with other appropriate department supplies. This purchase is a violation of procurement card policy and, in addition, is not an allowable purchase under FASOM. Depending upon circumstances, the UO Financial Irregularities Policy may apply. The following courses of action may apply to this scenario:

- **First purchase violation noted:** email notification to Unit Administrator and Custodian identifying the violation and providing clarification of the policy. Custodian provided retraining will also be required for the Card User. Remind department that a statement of clear business purpose must be maintained in purchase documentation. The email will also include a warning that a second violation may result in the removal of a Card User or the departmental procurement card may be revoked.
- **Second purchase violation noted:** email notification to the Unit Administrator and the Custodian requiring the removal of a Card User or revoking the departmental procurement card.

Scenario 5

Purchase of Tax Reportable Services

During the monthly post transaction review of procurement card transactions the Procurement Card Program Administrator notes a purchase from a Kinko's for copy services. As a tax reportable service, this purchase is a violation of procurement card policy. In addition, this purchase is determined as a violation of the UO Policy on printing services. The following courses of action may apply to this scenario:

- **First purchase violation noted:** email notification to the Custodian identifying the violation and providing an explanation or clarification of the policy. The email may also include a **suggestion** for the Card User to attend a Custodian provided training session.
- **Second purchase violation noted:** email notification to the Custodian and Unit Administrator identifying the violation and requiring the Card User to attend a Custodian provided training session. If the Card User does not attend training, the Card User's authorization would be removed.

- **Third purchase violation noted:** email notification to the Unit Administrator and the Custodian requiring the removal of a Card User or revoking the departmental procurement card.

Scenario 6

Multiple Purchases to a Single Vendor Exceeding \$5000

During the monthly post transaction review of procurement card transactions, the Procurement Card Program Administrator notes multiple transactions to a single computer equipment vendor. Together the transactions exceed the \$5000 single transaction limit. Upon investigation it is determined the purchases were split to avoid the single transaction limitation of \$5000. These purchases are in violation of procurement card policy and OAR 571-040-0260. The following courses of action may apply to this scenario:

- **First purchase violation noted:** email notification to the Custodian and the Unit Administrator identifying the violation and providing an explanation or clarification of the policy. Email will include a suggestion that the Custodian retrain the Card User.
- **Second purchase violation noted:** email notification to the Custodian and Unit Administrator identifying the violation and **requiring** the Card User to attend Custodian provided training. If the Card User does not attend training, the Card User's authorization will be removed.
- **Third purchase violation noted:** email notification to the Unit Administrator and the Custodian requiring the removal of a Card User or revoking the departmental procurement card.

Scenario 7

Purchase of Flowers

During the monthly post transaction review of procurement card transactions, the Procurement Card Program Administrator notes a purchase of flowers from a local florist shop. Upon further investigation it is determined that the flowers were for an employee in the hospital for the birth of a baby. This purchase is in violation of procurement card policy and is not an allowable purchase under FASOM. The following courses of action would apply to this scenario:

- **First purchase violation noted:** email notification to the Custodian and the Unit Administrator identifying the violation and providing an explanation or clarification of the policy. Email will include a suggestion that the Custodian retrain the Card User.
- **Second purchase violation noted:** email notification to the Custodian and Unit Administrator identifying the violation and **requiring** the Card User to attend Custodian provided training. If the Card User does not attend training, the Card User's authorization will be removed.

- **Third purchase violation noted:** email notification to the Unit Administrator and the Custodian requiring the removal of a Card User or revoking the departmental procurement card.

Contacts:

Procurement Card Program Administrator.
(541) 346-3156

Definitions:

Violation: A violation is any action that is not in accordance with one or more of the following: OUS and UO procurement card policies, state law, Oregon Administrative Rules, and/or reasonable business expenditures.

Card User: Personnel who are authorized to make procurement card purchases.

Specific Procurement Card Program responsibilities:

- Checks procurement card in and out via written documentation. (Not required for procurement cards with a single authorized Card User.)
- Secures the procurement card and account number when in Card User's possession.
- Makes procurement card purchases in compliance with UO Procurement Card Policy and Procedures.
- Collects and submits to Custodian appropriate purchase documentation for each procurement card transaction.
- Informs Custodian of transaction disputes and procurement card administrative changes (i.e. when they will no longer act as an authorized Card User for the department).
- Informs Custodian, Procurement Card Program Administrator and US Bank immediately (within 24 hours) regarding lost/stolen procurement cards.
- Resolves purchase returns and problem purchases.

Unit Administrator:

Unit administrators are appointed by the president or designee. They include: Vice Presidents; Provost; Vice Provosts; Deans; Directors; Division and Department heads; as well as other managers authorized to determine and assign duties to University employees. Authority and responsibility for management of financial matters is vested in Unit Administrators.

Unit Administrators are accountable for the following:

- Making sound business and program decisions based on financial resources allocated to the unit.

- Ensuring that financial matters are conducted in accordance with sound business practice, generally accepted accounting principles, and in compliance with applicable laws, regulations and procedures.
- Maintaining and reviewing adequate records that document decision-making, in accordance with published requirements and good judgment.
- Ensuring that any redelegation of authority are judiciously made, formally documented and communicated to the appropriate offices at the UO.

Specific Procurement Card Program responsibilities:

- Authorizes by signature, initial procurement card application.
- Identifies Custodian and Card Users.
- Reviews Custodian procurement card transactions (unless delegated).
- Ensures overall program compliance with UO Procurement Card Policy and Procedures.

Procurement Card Program Administrator:

The person, in the Business Affairs Office, responsible for implementing the UO Procurement Card Program campus wide. Administers the UO Procurement Card Policy and Procedures. Manages all campus UO Procurement Card Program details, including all Card User and Custodian inquiries. Delegates Procurement Card Program duties as necessary.

Specific Procurement Card Program responsibilities:

- Approves initial application.
- Requests procurement cards from US Bank via US Bank application.
- Maintains records of:
 - ◆ Procurement Card requests
 - ◆ Credit Limits
 - ◆ Signature Authorizations/Agreements
 - ◆ Procurement Card Training
 - ◆ Custodian and Card User changes/additions/deletions
 - ◆ Lost/Stolen/Destroyed procurement cards
 - ◆ Monthly Post Audits
 - ◆ Purchase violations and follow-up
- Trains and re-trains procurement card Custodians.
- Processes Lost/Stolen procurement cards and updates.
- Disseminates procurement cards to Custodians.
- Performs monthly Post Audits and follow-up

- Alerts Custodians of inappropriate charges (as identified on post audit) or potential vendor problems.
- Acts as primary liaison with US Bank and UO Administration.
- Revokes, suspends or cancels of procurement cards.

Card Custodian

The individual responsible for the procurement card security and control, training all authorized Card Users and monthly statement reconciliation of procurement card charges.

Specific Procurement Card Program responsibilities:

- Manages physical custody and security of the procurement card and account number, unless delegated.
- Ensures cards with multiple Card Users are checked in and out via written documentation.
- Reconciles monthly statement of procurement card transactions.
- Provides signature on statement indicating final approval of monthly reconciliation.
- Trains all authorized Card Users.
- Notifies Program Administrator of any changes to UO Procurement Card Signature Authorization/Agreement.
- Resolves problem purchases/disputes.
- Maintains complete transaction records.
- Communicates all necessary information with Card Users including violations.
- Ensures compliance with UO Procurement Card Policy and Procedures.

Statement of Account:

This is the monthly listing of all account transactions, issued by the bank directly to the procurement card Custodian.

Single Purchase Limit:

A dollar limitation for an individual purchasing transaction.

Credit Limit: A dollar limit on credit card charges per billing cycle established for each procurement card. This dollar limit may vary from card to card.