

Changes to Purchasing Card Program on the Horizon

You may recall the audit report issued in 2007 by the Georgia Department of Audits and Accounts on its review of the statewide purchasing card program. The report resulted from collaboration with the Department of Administrative Services, whose State Purchasing Division (SPD) is responsible for the statewide management of the card program, and all of the agencies, colleges, universities, and technical schools who use the program. As a result of that audit, much needed attention has been brought to bear on the purchasing card program.

This is not to say that some organizations were not managing the program effectively. Many organizations were monitoring their programs to ensure compliance with procurement laws, State and internal policies, and industry "best practices". However, other organizations had become complacent and were not monitoring and auditing the program the way it should have been. This is changing very quickly.

Even before the report became public in October 2007, SPD had taken steps to begin a complete overhaul of the program. A State Purchasing Card Program manager began work in May 2007 to bring policies and procedures up to date and to promote responsible use of the purchasing card as an effective method of payment. A full-time auditor began work in August 2007 to develop a statewide audit program. Both positions began developing training classes to roll out to card program administrators and cardholders on a statewide basis. And, when the audit report finally became public, SPD was ready with a new, comprehensive policy that addressed all of the issues raised in the report. The new State Purchasing Card Policy, issued in November 2007 and effective January 16, 2008, replaced the old "Contract Guide" in place since July 2005.

During the most recent session, the Legislature took up the question of how to address abuses of the purchasing card that were identified in the audit report. The result was House Bill (HB) 1113, passed by both the House and the Senate on April 4, 2008, and signed into law by Governor Sonny Perdue on May 14, 2008. This bill, which becomes effective July 1, 2008, revised Section 50-5-80 of the Official Code of Georgia, Annotated (O.C.G.A.) and created Section 50-5-83. Section 50-5-80 now imposes strict penalties on any cardholder and his/her supervisor for intentional misuse or fraudulent use of the purchasing card, or any other purchasing method used to commit fraud against the state, including purchase orders, cash advances, expense reports, fuel cards, etc. Section 50-5-83 codifies many of the tighter restrictions State Purchasing Division had already put into the State Purchasing Card Policy in January 2008.

Stricter Penalties for Abuse of the Card

Under the new legislation, any cardholder who uses the card for personal gain with an aggregate value of \$500 or more is guilty of a felony, punishable by one to 20 years in prison. The cardholder is also subject to a minimum fine of \$50,000. Personal use of the card with an aggregate value of less than \$500 remains a misdemeanor, punishable by up to 12 months in prison and a fine of not more than \$5,000. In addition, the law imposes the same penalties on any supervisor who knowingly approves fraudulent transactions for payment.

Changes to the State Purchasing Card Policy

Even before the new legislation was officially passed, State Purchasing Division began revising the State Purchasing Card Policy to incorporate the provisions of the law. In addition to the new requirements as a result of HB 1113, the revised policy will clarify and expand the requirements of the previous policy. The new policy is scheduled to be

released no later than July 1, 2008. All State employees, especially those involved with the purchasing card program, should obtain a copy of the policy as soon as the official announcement of its publication is sent out since many sections have been enhanced. Highlights of the new policy are:

- The “Local Program Roles and Responsibilities” section clarifies responsibilities for Card Program Administrators, Cardholders, and Supervisors/Approving Officials.
- The “Use of the Card” section:
 - Revises the list of Allowable Purchases to address requirements for purchases over \$5,000.
 - Addresses the unique needs of colleges, universities, and technical schools for the purchase of otherwise prohibited items when these items are essential to the mission of the school.
 - Provides guidance on use of the card in declared emergencies or natural disasters and use of the card for Sole Source or Sole Brand purchases. Documentation must meet the requirements contained in the Georgia Procurement Manual for these types of purchases.
- The “Program Compliance” section:
 - Clarifies cardholder spending limits and the circumstances under which waivers can be granted.
 - Provides that cards can only be issued to full-time State employees and not to departments/work units, temporary employees, or employees of foundations associated with an agency, college, university, or technical school.
- The “Legal Issues” section:
 - Addresses cardholder background checks as required by HB 1113. Any employee with a history of misdemeanors or felonies related to financial wrongdoing is not eligible for a purchasing card. The policy provides guidance on how this is to be done for current cardholders.
 - Specifies the conditions under which purchases of \$5,000 or more can be made with the card. Purchases of \$5,000 or more must follow all procurement guidelines contained in the Georgia Procurement Manual.

State of Georgia Travel Card Program

HB 1113 also affected the State Travel Card program. The law now imposes the same penalties for misuse of travel advances or submission of fraudulent requests for reimbursement of travel expenses as with the purchasing card.

The changes resulted in a re-launch of the program effective June 1, 2008. Employees holding American Express travel cards issued under the program were required to obtain updated supervisory approval to have the card. Cardholders were also required to sign a new cardholder agreement indicating their understanding of appropriate use of the card, noting in particular, that personal purchases with the travel card are strictly prohibited. All unnecessary travel cards were terminated. The new State Travel Card Policy is available on the State Purchasing Division web site at statepurchasing.doas.ga.gov.