

## Rules and Restrictions

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### General Guidelines for P-Card Use

- The objective of the County's Procurement Card (P-Card) program is to streamline small dollar purchases, reducing overhead costs and time delays while ensuring compliance with all applicable laws and regulations.
- All Purchase(s) must be an appropriate use of public funds and have a valid authority.
- Cardholders must not allow their P-Card to be used by anyone except the Cardholder.
- Changes to a Cardholder's account must be authorized and submitted to DPC by a Department Coordinator.
- Cardholders are required to obtain at least two competitive quotes for purchases over \$1,000, and at least three quotes for purchases over \$2,500.
- Blanket Purchase Agreement vendors must be used when available and prudent.
- Cardholders are not allowed to split a large transaction into smaller transactions in order to circumvent their Single Transaction Limit.
- Departments are required to reconcile P-Card transactions in a timely manner using the Oracle system.
- Generally allowed items:
  - Goods and services furthering County operations, including:
    - Event registration (conferences, seminars, fairs, training, etc.)
    - Furniture (with DPC approval only)
    - IT-related goods and services (requires Group IT Manager (GITM) & CTO approval)
    - Meeting/Conference rooms (with A&C-AP and DPC approval)
    - Subscriptions
- Generally prohibited items:
  - Federal stimulus funded-projects
  - Capital asset purchases (items that cost \$5,000 or more)
  - Donations and gifts
  - Food (including restaurants and grocery stores)
  - Gift cards and gift certificates
  - Personal purchases
  - Professional Licenses
  - Safety Shoes
  - Travel (including air travel, car rental, lodging)

## Merchant Category Code Restrictions

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The following types of businesses are restricted by default on all County P-Cards. This restriction is put in place through the US Bank computer system. Attempts to purchase from businesses that identify themselves to the bank system as one of the types shown below will be declined by the bank. Limited exceptions may be granted with sufficient justification.

County of San Diego  
Department of Purchasing and Contracting (DPC)  
Procurement Card (P-Card) Program Overview

- Antique Shops
- Art Dealers
- Auto Associations
- Bail and Bond Payments
- Bars, Taverns, Lounges, Discos
- Betting, Track, Casino, Lotto, Other Gambling
- Boat Rentals and Leases
- Dating and Escort Services
- Direct Market Insurance
- Direct Sell/Door-to-Door
- Duty-Free
- Financial Institutions
- Fines
- Fur Shops
- Health and Beauty Spas
- Insurance Providers
- Jewelry Stores
- Liquor/Beer/Wine Stores
- Massage Parlors
- Pawn Shops
- Political Organizations
- Religious Goods Stores
- Security Brokers/Dealers
- Stamp and Coin Stores
- Tax Payments or Preparation
- Telemarketing
- Timeshares
- Travel (including air, cruise ship, lodging, vehicle rental, and travel agencies; but excluding bus, taxi, local train/trolley/light rail)
- Wire Transfers and Money Orders

## Internal Controls

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### Account Management

- Single Transaction Limits greater than \$2,500 require justification from the requesting department and approval by DPC
- Monthly Transaction Limits greater than \$25,000 require justification from the requesting department and approval by DPC
- Public Works/Facilities Maintenance purchases can only be made by a Cardholder authorized by their department, and approved and trained by DPC
- Cardholders are required to attend an initial training session or sessions. Refresher training is also required every two years (or every year, for Public Works/Facilities Maintenance training). Failure to adhere to training requirements may result in suspension from the P-Card program.

### Quote Requirement

- In support of ensuring Board Policy A-87 and competitive procurement, Cardholders are required to obtain at least two quotes for purchases over \$1,000, and at least three quotes for purchases over \$2,500.
- No additional quotes are required if purchasing from a Blanket Purchase Agreement vendor.
- If the nature of the purchase is such that additional quotes cannot be obtained, approval from DPC must be obtained to make the purchase. Approval can be requested via e-mail.

- If a purchase is deemed to be inappropriate due to the competitive procurement requirement, the Cardholder will be instructed to have the purchase request submitted via requisition.

### **Exception Request**

- Requests for an exception to any policy or guideline must be approved by the department's finance director and then submitted to DPC with written justification (via e-mail)

### **Fraud**

- Cardholders are encouraged to review their accounts at least weekly. P-Card activity can be monitored through the use of US Bank's online system. All Cardholders, Approving Officials, and Department Coordinators have access to this system.
- Segregation of Duties – P-Cardholder(s) cannot be an P-Card Approving Official(s) or P-Card Coordinator(s)

## **Audit and Review Requirements**

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### **Pre-Approval for All Purchases (including Pre-Approval Letter)**

Approving Officials must explicitly pre-approve all purchases made by their Cardholders in writing (e-mail is acceptable). The main purpose of this requirement is to reduce the risk of erroneous, inappropriate, or fraudulent purchases. Pre-approvals may be done on a case-by-case basis before each purchase, or through the use of a Pre-Approval Letter.

A Pre-Approval Letter can be used to address reoccurring P-Card purchases. The Letter must be reviewed every year or when a new Approving Official is assigned. It must also be approved by the DPC before being used for pre-approval purposes. The letter must contain a list of specific categories of items authorized without additional approval, specific suppliers that are authorized to be used for each category, and a dollar limit for each transaction that is authorized.

### **Quote Requirements for Competitive Procurement**

Cardholders must obtain and document at least two quotes for all purchases over \$1,000 and three quotes for purchases over \$2,500. An exception to the quote requirement is made when purchasing against a Blanket Purchase Agreement. If the nature of the purchase is such that additional quotes cannot be obtained, the Cardholder must submit written justification for the purchase to the DPC for review. If it is determined that the justification is acceptable, the Cardholder will be provided with approval in writing. This approval must be printed and kept with the purchase paperwork.

### **Splits**

Purchases that valued at over \$2,500 are generally handled via requisition and Purchase Order. Conducting a P-Card purchase over \$2,500 by splitting it into two or more transactions to circumvent this requirement is strictly forbidden, as it ultimately violates Board Policy A-87

regarding competitive procurement. One exception to this rule is when purchasing from a Blanket Purchase Agreement vendor.

### **Use of Blanket Purchase Agreement Vendors**

In support of Board Policy A-87, DPC has formed relationships with vendors through the creation of Blanket Purchase Agreements (BPA) with these vendors. The competitive procurement process is conducted by DPC, and an agreement is set up with the vendor that offers the best overall value to the County. Because of that, when purchasing from one of these BPA vendors, the quote requirement does not apply.

If there is an existing Blanket Purchase Agreement, the BPA vendor should be used in preference to all other vendors. There are limited exceptions. If the required product/service can be obtained from an alternate source at a cost at least 20% less than the BPA vendor, then the P-Card may be used to purchase from the alternate source. In these cases, the Cardholder's P-Card documents must contain the date, time, contact, and information obtained to justify the non-BPA vendor purchase. The justification must also show that the price comparison is based on an "apples to apples" comparison of identical products/services.

### **Use Tax for Out-of-State Vendors**

Sales Tax is what the State of California collects from residents of California, and Use Tax is what the State collects from non-residents. Cardholders can only purchase taxable goods from a vendor who possesses a valid California Seller's Permit. Possession of a valid permit indicates that the vendor is properly registered with the State of California and is obligated to pay Sales or Use Tax to the State. If a vendor does not have a Seller's Permit, then a P-Card cannot be used to purchase from that vendor; however, the purchase may be done via a requisition. The County is responsible and liable to pay Use Tax and cannot systematically accrue the tax if the goods are paid through a P-Card.

### **Withholding Exemption Verification for Services**

Withholding on source income is a separate issue from Sales Tax, and verifying a company's withholding status is accomplished through the California Franchise Tax Board's 587 or 590 forms (not the Seller's Permit). In general, companies that do business in California are subject to a 7% withholding on income – income, in this case, is the payments that the County makes to a vendor for their services. The 590 form is for resident and non-resident vendors that are exempt from this withholding, including but not limited to: California-based organizations, entities that provide goods only, and companies who provide services outside of California (usually for the County this would be a training seminar that an employee travels out of the state to attend, or a company that does repair work at their own facility that's out-of-state). The 587 form is for vendors may be subject to this withholding; that is, non-residents of California providing services in California. If the vendor is subject to withholding, then a P-Card cannot be used. The County is required to withhold 7% on any payments for services, and the County cannot fulfill this requirement if the suppliers are paid through a P-Card.

## **Release of Liability/Form for Minor Labor Involving Contract**

When purchasing services, the Minor Labor Involving Contract forms formally record information about the vendor's business, Workers' Compensation insurance, Contractor's License, subcontractors, and information about the County employee requesting services. Completion of this paperwork provides the County with some degree of protection from liability issues, and failure to obtain it exposes the County to legal and financial risk.

## **Public Works/Facilities Maintenance**

Public Works/Facilities Maintenance purchases that cost \$500 or more require specific documentation:

- Form for Minor Labor Involving Contract
- Contractor's License verification
- Certificate of Insurance
- Statement of Work
- Building Maintenance Supervisor approval
- DVBE Certification (if applicable)

Additionally, the Cardholder must have completed DPC training for Public Works/Facilities Maintenance purchasing. The intent of these requirements is to ensure that the County only uses contractors that can demonstrate compliance with California Codes regarding licensing, Workers' Compensation, and Prevailing Wage requirements. Additionally, users must ensure that facilities changes are approved by the Department of General Services so that only appropriate services are performed and that the County's facilities records are kept up-to-date.

# **Program Participants**

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## **Department Coordinators**

Department Coordinators are responsible for monitoring and reviewing P-Card use

## **Approving Officials**

Approving Officials are responsible for pre-approving and authorizing P-Card transactions

## **Cardholders (Non-Emergency P-Cards)**

Cardholders are authorized to make P-Card transactions, only when pre-approved by their Approving Official

## **Emergency P-Card Cardholders**

Authorized to make P-Card transactions during Board of Supervisors-declared emergencies only