



GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<i>Statewide Purchasing Card (P-Card) Policies and Procedures</i>	Issued:	02/22/08
Manual Section(s):	N/A	Effective:	02/22/08
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TO:	Technical Bulletin Administrators Procurement Personnel Purchasing Personnel Accounts Payable Personnel All Agencies	FROM:	D. Clark Partridge State Comptroller
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AUTHORITY

ARS § 35-131	Accounting system; reports; notice of deficiency; forms
ARS § 35-154	Unauthorized obligations; effect; liability
ARS § 41-703	Duties of director
ARS § 41-722	Powers and duties relating to finance
ARS § 41-2501 et seq.	Arizona Procurement Code
AAC R2-7-101 et seq.	Department of Administration, Finance Division, Purchasing Office

DEFINITIONS

AFIS: The Arizona Financial Information System.

Agency head: The chief executive officer of any agency.

Agency P-Card Administrator: The employee designated to coordinate all P-Card activity at the Agency level.

Cardholder: A State employee who has been issued a P-Card upon approval of his or her agency and signing the Form GAO-PC-101.

COBJ: Comptroller object.

Corporate Travel Card: The State contracted employee liability credit card provided to State employees that may be used to purchase airfare (if permitted by internal agency policies), lodging, car rental, other transportation charges, other miscellaneous travel charges, meals and incidental expenses in connection with travel on official State business.

CTA: Central Travel Account. A State liability travel account number (not a physical card), provided through State contract to State agencies which may be used to purchase airfare, hotel lodging (room rate, taxes and surcharges only), car rental, and conference and training

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registration fees for travel on official State business. The CTA may also be referred to as the “ghost card.”

Director: The Director of the Arizona Department of Administration and/or the Director’s designee with respect to applicable functions.

Encumber: To reserve funds in anticipation of their expenditure.

Form 1099: A form used by a payer to report to the Federal Government the payment of certain types of income.

Form GAO-PC-101: State of Arizona P-Card Cardholder Agreement; a form that must be signed by every cardholder or P-Card custodian.

GAO: The Arizona Department of Administration, General Accounting Office.

Issuing Agency: An Agency that issues a P-Card to an employee, organization, or department.

Monthly spending limit: The maximum dollar amount a cardholder is authorized to expend over a period of thirty (30) days.

Non-state item: Any item, acquired with the P-Card, that does not fulfill a valid public purpose.

P-Card: A card provided through State contract to State employees, State organizations, or State departments for the purpose of conducting purchase or payment activities for a valid public purpose.

Payment transaction: An action using the P-Card that discharges an obligation previously incurred by an Agency; a remittance, paying one or more invoices.

Purchasing Card: A card used to conduct purchase or payment activities.

P-Card custodian: An employee into whose safekeeping an Agency’s organizational or departmental P-Card is issued.

P-Card limit: The total amount of credit for a given P-Card made available by the State P-Card Contractor under the terms and conditions of the State P-Card contract.

Purchase transaction: An action using the P-Card to acquire goods for the State; an order resulting in the acquisition of one or more items, usually reflected on a single invoice or receipt, placed as part of a distinct occurrence.

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Reconciliation: The process of matching purchase receipts to the statement of activity to verify all account activity is in accordance with the program guidelines and restrictions.

Single purchase limit: The spending limit imposed on a cardholder for an individual purchase transaction. This limit is set by the Agency up to a maximum of five thousand dollars (\$5,000.00), including tax and transportation costs.

SPO: The Arizona Department of Administration, State Procurement Office.

State employee: Any full or part time individual being paid under the authority of any payroll system of the Government of the State of Arizona.

State P-Card Contractor: The contractor with which the State has contracted to provide P-Card services.

Statement of Activity: A statement of account, in any medium, furnished by the State P-Card Contractor that issued the P-Card.

Transaction: A distinct business event that results in a change to an organization's financial position or the financial results of its operations.

PRELIMINARY NOTES

This technical bulletin supersedes Technical Bulletin 05-5 and Technical Bulletin 06-3. **All State agencies are required to replace all P-Cards that are currently being used for State travel purposes with either the CTA, the Corporate Travel Card or a combination of both accounts.** Agencies should begin implementing this change immediately, but the transition should be complete for all travel beginning on or after June 1, 2008. This will allow up to three months to help facilitate the transition. Travel expenses must be shifted to the new Corporate Travel Card, agency Central Travel Account (CTA) or a combination of both accounts (see Technical Bulletin 08-2).

INTRODUCTION

To facilitate the purchase of goods and certain services, and to provide an efficient method of paying for these goods and services, the SPO makes a purchasing card, known as the P-Card, available to agencies. There are two distinct forms of activity for which the P-Card may be employed: purchase activities and payment activities.

A **purchase transaction** involves the acquisition of goods and, as part of the purchase transaction, also incurs an obligation. A purchase transaction is similar to an individual's using a

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credit card to acquire merchandise in a store. It is envisioned that many, if not most, of the State employees to whom a P-Card is issued will be authorized to use it in this way. Suitable candidates to receive the P-Card to conduct purchase transactions would be employees who spend a good deal of time out of the office and may be required to make purchases in the field. Relatively low spending limits are appropriate for these types of transactions.

A **payment transaction** involves payment for previously acquired goods or services. A payment transaction discharges an obligation to the seller of the underlying goods or services and incurs a corresponding obligation to the financial institution issuing the card. Those who receive the P-Card to conduct payment transactions are likely to be those processing an Agency's accounts payable transactions. Relatively high spending limits are suitable for these types of transactions. Allowing the use of the P-Card for both purchase and payment activities encourages its use, which, in turn, increases efficiencies and reduces overall costs to the State.

POLICIES

I. General Policies

A. State agencies are authorized to use the P-Card to conduct purchase transactions or payment transactions.

B. No card except the P-Card issued by the State P-Card Contractor shall be used for the purposes described in this technical bulletin.

C. The spending limit for any **purchase transaction** is set by the participating Agency, but under no circumstances shall exceed five thousand dollars (\$5,000.00).

1. An Agency wishing to increase the P-Card spending limit for purchase transactions should direct a letter of request to the State Comptroller. This letter should contain a justification for the request, the purpose for which the card will be used, the spending limit requested, a description of the internal controls in effect to prevent misuse, and any other restrictions, such as the restriction of the P-Card's use to certain preferred vendors or for certain comptroller objects, which will be imposed.

2. The GAO may require an examination of an Agency's internal controls over P-Card usage before rendering a decision with respect to any request to increase the spending limit for purchase transactions.

3. In accordance with A.R.S. § 35-151, a single purchase transaction that will be expended out of an appropriated fund that is equal to or exceeds one thousand dollars (\$1,000.00) must be encumbered prior to the purchase. If the funds are not encumbered prior to the purchase, the amount of the transaction must be less than one thousand

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dollars (\$1,000.00). Adequate appropriation and allotment balances must exist for all purchase transactions that are expended out of appropriated funds.

4. A single purchase transaction that will be expended out of a non-appropriated fund, regardless of amount, is not required to be encumbered, but is not to exceed five thousand dollars (\$5,000.00) unless an exception is granted in advance by the GAO. It should be noted that although these transactions are not required to be encumbered, they must be strictly managed by the agency—that is to say, sufficient cash to liquidate the liability created by the purchase must exist.

D. The spending limit for any **payment transaction** is set by the participating Agency. Absent specific, written authority granted by the State Comptroller, the spending limit for a payment transaction shall not exceed ten thousand dollars (\$10,000.00).

1. An Agency wishing to increase the P-Card spending limit for payment transactions should direct a letter of request to the State Comptroller. This letter should contain a justification for the request, the purpose for which the card will be used, the spending limit requested, a description of the internal controls in effect to prevent misuse, and any other restrictions, such as the restriction of the P-Card’s use to certain preferred vendors or for certain comptroller objects, which will be imposed.

2. The GAO may require an examination of an Agency’s internal controls over P-Card usage before rendering a decision with respect to any request to increase the spending limit for payment transactions.

E. P-Card spending limits apply to the total transaction, including taxes, delivery and installation.

F. All P-Card transactions shall be in accordance with this technical bulletin, the approved State contracts for commodities, Agency policies and procedures that are consistent with this technical bulletin, and other laws, rules, policies and procedures dealing with procurement, budgeting or accounting that may apply.

G. The use of a P-Card by anyone other than the authorized cardholder is prohibited.

H. P-Card procurements are subject to the standard of “fair and reasonable pricing.”

I. P-Card transactions are subject to the terms, conditions and limitations set forth below:

1. Using the P-Card to withdraw cash from ATMs or other sources is prohibited. The purchase of traveler’s checks or any other negotiable instrument is prohibited.

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2. Whenever practicable, cardholders shall purchase from State-contracted vendors. Irrespective of whether a purchase is made from a State-contracted vendor or a non-State-Contracted vendor, the P-Card purchasing limit is five thousand dollars (\$5,000.00).

3. Items not on State contract shall be purchased using such competition as is practicable under the circumstances.

4. Dividing purchase transactions to circumvent aggregate purchase limits, single purchase limits, daily limits or monthly limits is prohibited.

5. The purchase of alcoholic beverages or any illegal substance is prohibited.

6. The P-Card may not be used to purchase professional services of the type that require a Form 1099 to be issued.

a) In general, the types of services that require the issuance of a Form 1099 include payments of rents, miscellaneous income to independent contractors, medical and health care payments, or fees paid to accountants, attorneys, programmers, temporary help, etc.

b) Expenditures reported using COBJs in the 6200s, 6800s, 7100s, 7200s, 7400s and 7500s are often of the type requiring the issuance of a Form 1099.

c) Vendors with a code other than an "N" in the 1099 Indicator Field of AFIS Screen 34 may receive Forms 1099.

d) COBJs with a code other than an "N" in the 1099 Indicator Field of AFIS Screen D10 may receive Forms 1099.

e) For additional guidance with respect to Form 1099 requirements and reporting, you may call your GAO Liaison or direct an email to vendors@azdoa.gov.

7. Once the transition to the new Travel Card Program is complete, and except as otherwise herein provided, the P-Card may not be used to purchase gasoline, airfare, train fare, hotel lodging, car rental, meals, incidentals or other expenses related to travel.

a) The P-Card may be used to book and pay for hotel rooms to be used for meetings, conferences or other authorized events.

b) The P-Card may be used to purchase and pay for conference and training registration fees.

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9. The P-Card may not be used for purchases or payments exceeding the applicable spending limits except as granted by the Director.

10. Use of the P-Card by a cardholder after transferring from the Issuing Agency or cost center or after resignation, retirement or termination from State service is prohibited.

11. Sufficient spending authority—that is to say, sufficient cash to liquidate the liability engendered by the purchase or payment as well as, if subject to appropriation, adequate appropriation and allotment balances—must exist for any purchase or payment.

12. The P-Card may only be employed to acquire or pay for goods and services to be used for a valid public purpose. The P-Card is to be used solely for authorized State expenditures incurred while conducting State business during authorized duty hours.

13. When applicable, State contracts shall be used, subject to the provisions of the Arizona State Procurement Code.

14. The P-Card may be used for either State contract or non-State contract purchases or payments, as long as the supplier accepts the P-Card. Suppliers whose contracts with the State do not explicitly require acceptance of the card may elect not to accept the card for purchases of or payment for State contract items.

15. Unless otherwise prohibited, the P-Card may be used to conduct procurements by way of telephone or the Internet.

16. P-Card purchases are not exempt from sales tax.

J. In the event of an emergency, the Director or his or her designee may authorize prudent and reasonable exceptions.

1. A request for an exception must, when possible, be made in advance of the purchase and should be submitted in writing to the State Procurement Administrator or State Comptroller from the Agency head.

2. A request must include the cardholder's name, a description of the circumstances requiring an exception, and a justification for the emergency procurement in the manner prescribed for emergencies in AAC R2-7-E302.

3. Emergency requests involving accounting issues may be sent directly to the State Comptroller for resolution in accordance with applicable statutes, policies and procedures.

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- K. All payments for charges on P-Cards are the responsibility of the Issuing Agency.
- L. Late fees, delinquency charges and interest accrued are the responsibility of the Issuing Agency.
- M. To avoid delinquencies or to otherwise act in the best interest of the State, the GAO reserves the right to pay the State P-Card Contractor for charges incurred by the Issuing Agency and to recover such payments from the Issuing Agency's cash balance.
- N. The cardholder may be personally liable for P-Card charges and may be required to reimburse the State of Arizona for P-Card transactions that are contrary to any applicable laws, rules, policies or procedures.
- O. Unless exceptions are approved in advance by the GAO, the P-Card shall be available only to eligible State employees and no organizational or departmental cards shall be issued. Each Agency determines employee eligibility.
1. An Agency wishing to issue a P-Card to an organization, division, program or department for purchases or payments should direct a letter of request to the State Comptroller. This letter should contain a justification for the request, the purpose for which the card will be used, the spending limit requested, a listing of the proposed P-Card custodians and their titles, a description of the internal controls in effect to prevent misuse, and any other restrictions, such as the restriction of the P-Card's use to certain preferred vendors or for certain comptroller objects, which will be imposed.
 2. The GAO may require an examination of an Agency's internal controls over P-Card usage before rendering a decision with respect to any request involving the issuance of an organizational or departmental P-Card.
 3. Organizational or departmental P-Cards are to be delivered into the custody of an Agency P-Card custodian. The P-Card custodian must sign a GAO-PC-101 and is responsible for maintaining stewardship over the P-Cards in his or her charge.
- P. P-Card privileges are a management prerogative that may be canceled, restricted or revoked at any time for any reason by Agency management, by the State Comptroller or by the State Procurement Officer.
- Q. Improper use of the P-Card is subject to the appropriate disciplinary actions (up to and including dismissal and prosecution).

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R. The above represents the minimum compliance requirements of the Arizona Department of Administration for individuals using the P-Card. Each Agency may impose additional restrictions on the use of the P-Card.

II. Agency Responsibilities

- A. The Agency head is responsible for all P-Card activity in his or her Agency.
- B. The Agency head or his or her delegee shall act as or appoint, in writing, an Agency P-Card Administrator.
- C. The Agency head or his or her delegee will issue Agency-specific P-Card policies and procedures.
 - 1. Agency policies and procedures must comply with the State contracts for commodities and all other applicable laws, rules, contracts, and financial and accounting policies and procedures.
 - 2. Agency-specific P-Card policies and procedures must in general conform to those set forth in this technical bulletin. Agency specific P-Card policies and procedures, however, may contain terms, conditions and limits more restrictive but not more liberal than those set forth in this technical bulletin.
 - 3. An Agency may incorporate, in whole or part, the terms of this technical bulletin into its policies and procedures by reference.
 - 4. Agency-specific P-Card policies and procedures shall address:
 - a) P-Card card processes, documentation flow, prompt payment, encumbrances, internal controls, training, appropriation and budgetary controls, and other matters affecting program management and performance.
 - b) Responsibility for reconciling, on a monthly or more frequent basis, all charges against statements of activity.
 - c) The form and format of requests for P-Cards by employees, organizations, divisions, programs or departments.
 - d) The requirement that each employee or P-Card custodian to whom a P-Card is to be issued will sign a GAO-PC-101, which is to be retained by the P-Card Administrator.
 - e) Separation of duties.

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(1) Except as specifically approved by the GAO, the authority for approving disbursement of Agency funds cannot be assigned to the Cardholder.

(2) Except as specifically approved by the GAO, a cardholder cannot have both purchasing and payment authority.

(3) Any exceptions to the provisions regarding separation of duties must be approved by the GAO.

(a) An Agency that cannot enforce strict separation of duties should request a variance by directing a letter to the State Comptroller. This letter should contain a justification for the request, the purpose for which the card will be used, the spending limit requested, a description of the internal controls in effect to prevent misuse, and any other restrictions, such as the restriction of the P-Card's use to certain preferred vendors or for certain comptroller objects, which will be imposed.

(b) The GAO may require an examination of an Agency's internal controls over P-Card usage before rendering a decision with respect to any variances from the provisions regarding the separation of duties.

f) Steps that may be taken in the event of a cardholder's misuse of a P-Card, including but not limited to:

(1) The pursuit of full restitution, including penalties and interest, from the cardholder, in the event of a cardholder's misuse of a P-Card.

(2) Other disciplinary actions, up to and including dismissal, for a cardholder's misuse of a P-Card.

(3) Possible referral of the matter to the Attorney General.

5. Agency-specific P-Card policies and procedures documents must be submitted to the GAO to be kept on file not later than May 31, 2008.

D. The Agency head or his or her delegee may set monthly limits on purchasing transactions and payment transactions.

E. The Agency head or his or her delegee shall review and approve the issuance of any P-Card to an employee or a P-Card custodian

F. Requests for P-Cards, the approval or denial of such applications, and the revocation of P-Cards must be documented in writing

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G. The Agency head is responsible for ensuring that any employee to whom a P-Card is issued has been sufficiently trained to be familiar with both statewide and agency P-Card policies and procedures.

H. The Agency P-Card Administrator shall:

1. Distribute P-Card applications to candidates for P-Cards.
2. Document the application's authorization or denial.
3. Submit approved requests to the State P-Card Contractor.
4. Monitor compliance with Agency and State P-Card policies and procedures.
5. Receive and distribute new and replacement P-Cards.
6. Retain a copy of each P-Card application in the Agency accounting or procurement records.
7. Review cardholder records at least semi-annually to verify compliance with governing laws, rules and policies and to confirm the appropriate use of P-Cards.
8. Ensure that charges on P-Card statements of activity are reviewed and matched to the charges submitted by the cardholder.
9. If an employee to whom a P-Card has been issued leaves the Agency for any reason:
 - a) Recover the P-Card.
 - b) Direct the State P-Card Contractor to cancel the P-Card.
 - c) May place a hold on wages—up to the maximum limit of the P-Card issued to the employee—if the employee leaves Agency employment and fails to surrender his or her P-Card.
 - d) Document all appropriate files.
 - e) Forward the documentation to the Attorney General's Office for prosecutorial consideration.

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10. Be responsible for determining whether a supplier is required to accept or elects to accept the P-Card for procurement or payment.

11. Acquire and retain in an appropriate file a signed State of Arizona P-Card Cardholder Agreement, Form GAO-PC-101, from each employee or P-Card custodian to whom a P-Card will be issued.

12. If not previously resolved by the cardholder, resolve any disputed transactions and document the resolution thereof.

13. Review and match detail on statements of activity to the detail submitted by the employee.

14. Maintain payment records made to the contracted vendor with supporting documentation.

15. Effect payments in accordance with the required payment time frame.

H. The Agency shall maintain all records in accordance with established record retention requirements.

III. Cardholder Responsibilities

A. A cardholder shall be an employee of the State of Arizona.

B. An employee who has been approved to use a P-Card shall sign a State of Arizona P-Card Cardholder Agreement, Form GAO-PC-101, before using a P-Card.

C. A Cardholder shall:

1. Maintain all receipts that document charges, credits or adjustments incurred on the P-Card.

a) If original receipts are not available due to loss or are illegible, the cardholder must complete an affidavit detailing the purchase date, vendor, product, cost, tax, other charges, total and reason the receipt is not available.

b) This affidavit shall be forwarded with the reconciled statement of activity as required in Agency policy.

2. Unless his or her Agency policy specifically otherwise delegates this task, reconcile the monthly statement of activity against the purchasing activity conducted on the P-Card during that time frame (i.e., match receipts or log to statement of activity).

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- a) The reconciliations must be prepared in an Agency-prescribed format.
- b) Forward the reconciled statement of activity and the original receipts to the appropriate authorized party within the Agency for processing of payment within the allotted timeframe, as specified by the Agency's P-Card policy.

D. Adhere to the limitations imposed upon the use of the P-Card.

- 1. Except as otherwise provided, cardholders shall purchase items on State contract from a State Contract vendor; items not on State Contract shall be purchased using such competition (i.e. price comparisons) as is practicable under the circumstances.
- 2. The P-Card must immediately be surrendered upon transfer to another State Agency or cost center, resignation, retirement or termination from State service. If the P-Card is not surrendered upon such separation or transfer, the employee consents, in writing by signing a GAO-PC-101, to the withholding of the amount of the P-Card limit from any wage due the employee, pending the reconciliation by the Agency of the final monthly statement of activity for the P-Card. Use of a P-Card issued by a certain Agency or cost center after transferring from that Agency or cost center or after separation from State service is prohibited.

E. Before receiving a P-Card, employees must sign an affidavit of acknowledgement and understanding of the policies and procedures for use of the P-Card (State of Arizona P-Card Cardholder Agreement). This document authorizes withholding of money from wages if the card is misused or not returned upon separation from State employment.

F. Cardholders shall resolve any discrepancies on the monthly statement of activity, including charges for items returned to vendors, credit vouchers not appearing on the statement of activity, and disputes with either the vendor or the State P-Card Contractor. Any unresolved discrepancies shall be communicated to the Agency P-Card Administrator for resolution.

G. Except as otherwise herein provided, P-Cards are assigned to individual employees. It is the cardholder's responsibility to ensure the security of the P-Card and to ensure the use of the P-Card complies with this policy and applicable statutes, rules and Agency policies. Transferring, borrowing or lending a P-Card is prohibited.

H. If a P-Card is lost, misplaced, stolen or destroyed, this fact must be reported immediately to the Agency P-Card Administrator and the State P-Card Contractor. In the case of a card that has been destroyed or otherwise rendered inoperative, the card to be replaced is to be returned to the P-Card Administrator.

IV. Compliance Reviews

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A. Pursuant to A.R.S. 41-735, the GAO may perform compliance audits of all Issuing Agencies. All P-Card related information, including but not necessarily limited to, the following will be reviewed:

1. Agency policy and procedure documents.
2. Documents supporting any appointments or delegation of duties.
3. Cardholder agreements and related employee information.
4. Reconciled detailed statements of activity.
5. Transactional information.
6. Adherence to limits.
7. All supporting documents, receipts, and approved exception memos as needed.
8. Emergency approvals and documentation as required by the Arizona Procurement Code.
9. Claim documents with reconciled statement of activity attached.

B. Reports upon compliance will be issued to the Agency head, the Director, the State Comptroller and the State Procurement Officer.

C. An Agency's failure to comply with all laws, rules, policies and procedures related to the use of the P-Card may result in revocation of authority to issue P-Cards.

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AREAS IMPACTED

All State agencies.

CONTACTS

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gaopolicy@azdoa.gov