



# GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<b><i>P-Card and Travel Card Incentives: Collection, Distribution and Accounting</i></b>	Issued:	10/27/10
Manual Section(s):	N/A	Effective:	07/01/10
Supersede(s):	Technical Bulletin No. 10-07	Page:	1 of 7

TO: Technical Bulletin Administrators  
All Agencies

FROM: D. Clark Partridge  
State Comptroller

## **AUTHORITY**

A.R.S. § 35-101	Definitions
A.R.S. § 35-154	Unauthorized obligations; effect; liability
A.R.S. § 35-181.01	Presentation, approval and payment of claims and payrolls; etc.
A.R.S. § 35-181.02	Audit, adjustment and settlement of claims; procedures for rejection
A.R.S. § 35-182	Certification of claims
A.R.S. § 41-703	Duties of director
A.R.S. § 41-722	Powers and duties relating to finance
Technical Bulletin 00-8	Reimbursement of Appropriated Funds
Technical Bulletin 08-1	Statewide Purchasing Card (P-Card) Policies and Procedures
Technical Bulletin 08-2	Statewide Travel Card Program Policies and Procedures

## **DEFINITIONS**

**Adjusted incentive:** An incentive less administrative costs.

**AFIS:** The Arizona Financial Information System. Arizona State Government's principal automated accounting system.

**Agency:** Any department, authority, board, commission, council, administration, court, registrar, office, institution, or other entity in the Executive, Legislative, or Judicial branch of Arizona State Government. In contexts that are directive in nature, the use of the term "agency" may imply that employee or those employees within the organization—such as the agency head, the CFO, etc.—responsible for carrying out the procedures under consideration.

**Agency head:** The chief executive officer of any agency.

**Card:** The P-Card and the Travel Card, considered collectively.

**Card issuer:** The commercial or financial institution with which a card originates and that administers payments, collections, incentives, etc.

**CFO:** Chief financial officer; that person principally responsible for managing the accounting operations of an agency.

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Supersede(s):	Technical Bulletin No. 10-07	Page:	2 of 7

---

COBJ: Comptroller object; in governmental accounting, a code used to classify revenues and expenditures.

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

Distributable incentive: That portion of an incentive received by the State, relating to an agency’s expenditures, which, after adjustment, may be remitted to a generating agency.

Distributed incentive: That portion of an incentive received by the State that will be or has been remitted to a generating agency.

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

GAO-614: A form, published by the GAO, entitled “Companion Transaction Entry/Transfer,” used to effect interagency transfers.

Generating agency: An agency whose volume of use and timeliness of payment results in the State’s receiving an incentive remittance.

Incentive: A cash rebate periodically paid to the State under an incentive plan.

Incentive plan: An arrangement under which the State receives a cash rebate, known as an incentive, related to the volume of P-Card or Travel Card use and the timeliness of payments made to card issuers.

Incentive remittance: The quarterly or annual rebate paid by a card issuer using whatever means—check, cash, electronic transfer, credit memo, etc.—in connection with an incentive plan.

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.

State Comptroller: A chief financial officer of the State of Arizona and principal executive of the GAO.

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Supersede(s):	Technical Bulletin No. 10-07	Page:	3 of 7

---

TC: Transaction Code. A code required for recording financial transactions in AFIS.

Travel Card: The State contracted credit accounts relating to travel. The Travel Card Program extends to include **both** the Corporate Travel Card and the CTA.

**INTRODUCTION**

The P-Card and Travel Card contracts both contain Incentive Plans under which, when certain conditions are met, the State of Arizona receives cash rebates, otherwise known as incentives.

P-Card incentives are paid quarterly; Travel Card incentives are paid annually.

This technical bulletin establishes policies for the distribution of and accounting for incentives distributed to agencies.

**POLICY & PROCEDURES**

1. All incentives resulting from the use of P-Cards or Travel Cards by any agency are to be initially received and deposited by the GAO.
2. The GAO will calculate, manage and disburse those portions of incentives to be allocated to the Federal government or to be used for administrative purposes.
3. A distributable incentive related to a single incentive remittance that exceeds five hundred dollars (\$500.00), will be distributed to the generating agency by the GAO.
4. A generating agency may elect to credit the entire amount of its distributable incentive to the State's general fund.
  - a. An election will take effect for incentives received in subsequent fiscal quarters.
  - b. Under this election, deposits of incentives are to be credited to AFIS agency "AAA." (AFIS agency AAA is a contrivance of the GAO used to transfer funding between and among agencies or from agencies to the State's general fund).
  - c. This election is to be communicated to the State Comptroller in writing and will remain in effect until its revocation.
  - d. While this election is in effect, the GAO will, on a quarterly basis, report to the generating agency the amounts of its incentives that have been deposited to the general fund.

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Manual Section(s):	N/A	Effective:	07/01/10
Supersede(s):	Technical Bulletin No. 10-07	Page:	4 of 7

---

- e. This election may be revoked:
  - i. At any time by the State Comptroller. This revocation will be communicated in writing from the State Comptroller to the generating agency. In such cases, the revocation will take effect for incentives received in subsequent calendar quarters.
  - ii. By a generating agency's sending written notification of its revocation to the State Comptroller. In such cases, the revocation will take effect for incentives received in subsequent fiscal years.

- 5. An incentive distributed to a generating agency must be credited to one or more State funds.
  - a. If seventy-five percent (75%) or more of the distributed incentive is attributable to P-Card or Travel Card expenses or expenditures from a single State fund, the entire incentive may be credited to that fund.
  - b. No incentive distributed to a generating agency is to be credited to any Federal fund nor are Federal funds to be used in computing the allocation of incentives among funds.
  - c. If less than seventy-five percent (75%) of the distributed incentive can be attributed to P-Card or Travel Card expenses or expenditures from a single State fund, then the incentive must, except as otherwise herein provided, be allocated among State funds in that proportion representing the ratio each State fund's P-Card or Travel Card expenses or expenditures bears to all P-Card or Travel Card expenses or expenditures made from all State funds.

Example: A given agency expends \$175,000 using the P-Card in a certain quarter. Of these expenditures, \$100,000 were attributable to various State funding sources and \$75,000 were related to a Federal grant. With respect to the P-Card expenditures from State funding sources, \$50,000 were related to State Funding Source 1, \$35,000 to State Funding Source 2, and \$15,000 to State Funding Source 3. The agency receives a distributable incentive for the quarter of \$1,800. In allocating the distributable incentive, \$900 is to be credited to State Funding Source 1 ( $\$1,800 \times \$50,000 / \$100,000$ ), \$630 to State Funding Source 2 ( $\$1,800 \times \$35,000 / \$100,000$ ), and \$270 to State Funding Source 3 ( $\$1,800 \times \$15,000 / \$100,000$ ). None of the distributable incentive is credited to the Federal grant.

- d. If the amount of an incentive to be allocated to any State fund for a quarter is less than two hundred fifty dollars (\$250), it may either be proportionally allocated among the State funds to which at least two hundred fifty dollars (\$250) is to be otherwise credited or be allocated to the general fund.

Subject:	<b><i>P-Card and Travel Card Incentives: Collection, Distribution and Accounting</i></b>	Issued:	10/27/10
Manual Section(s):	N/A	Effective:	07/01/10
Supersede(s):	Technical Bulletin No. 10-07	Page:	5 of 7

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Example: A given agency expends \$175,000 using the P-Card in a certain quarter. Of these expenditures, \$100,000 were attributable to various State funding sources and \$75,000 were related to a Federal grant. With respect to the P-Card expenditures from State funding sources, \$50,000 were related to State Funding Source 1, \$40,000 to State Funding Source 2, and \$10,000 to State Funding Source 3. The agency receives a distributable incentive for the quarter of \$1,800. In allocating the distributable incentive, \$900 is to be credited to State Funding Source 1 ( $\$1,800 \times \$50,000 / \$100,000$ ), \$720 to State Funding Source 2 ( $\$1,800 \times \$40,000 / \$100,000$ ), and it is originally calculated that \$180 is to be credited to State Funding Source 3 ( $\$1,800 \times \$10,000 / \$100,000$ ). Since the amount to be credited to State Funding Source 3 is less than \$250, the agency may choose to allocate the \$180 between State Funding Sources 1 and 2. State Funding Source 1 would, if the agency so chose, be allocated \$100 ( $\$180 \times \$50,000 / (\$50,000 + \$40,000)$ ) and State Funding Source 2 would be allocated \$80 ( $\$180 \times \$40,000 / (\$50,000 + \$40,000)$ ). The total deposit to State Funding Source 1 would be \$1,000 (\$900 + \$100); the total deposit to State Funding Source 2 would be \$800 (\$720 + \$80). None of the distributable incentive is credited to the Federal grant.

6. When an incentive is received during the year in which the underlying P-Card or Travel Card expenditures were made, an agency has some discretion with respect to the accounting treatment of the incentive. In such cases, the GAO will contact the generating agency and work with it to determine whether the incentive is to be treated as revenue or as a reduction of expenditures.
  - a. When it is determined that an incentive is to be treated as revenue:
    - i. The GAO will initiate and partially complete a revenue transfer, employing Form GAO-614, using TC 408 and COBJ 4825, entering the amount of the distributable incentive, and forward it to the generating agency.
    - ii. The generating agency will complete the GAO-614, using TC 407 and COBJ 4825. The agency should also enter the applicable index/PCA, fund/funds and appropriation year. When the GAO-614 has been completed, the generating agency is to return the form to the GAO for entry into AFIS.
  - b. When it is determined that an incentive is to be treated as a reduction of expenditures:
    - i. The GAO will initiate and partially complete an expenditure reduction transfer, employing Form GAO-614, using TC 408 and COBJ 4825, entering the amount of the distributable incentive, and forward it to the generating agency.

Subject:	<b><i>P-Card and Travel Card Incentives: Collection, Distribution and Accounting</i></b>	Issued:	10/27/10
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Supersede(s):	Technical Bulletin No. 10-07	Page:	6 of 7

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- ii. The generating agency will complete the GAO-614, using TC 409 and the COBJ or COBJs to be credited. The agency should also enter the applicable index/PCA, fund/funds and the appropriation year. When the GAO-614 has been completed, the generating agency is to return the form to the GAO for entry into AFIS.
    - 1) When the reduction of an expenditure or expenditures is to be allocated to an appropriated fund or appropriated funds, copies of the reconciliations required by Technical Bulletins 08-1 and 08-2 must be forwarded to the GAO with the GAO-614 to substantiate the allocation.
    - 2) When the reduction of an expenditure or expenditures is to be allocated to an appropriated fund or appropriated funds, the generating agency must comply with the notification requirements set forth in Technical Bulletin 00-8.
  - iii. The amount by which an incentive exceeds the expenditure to which it would otherwise be entirely credited (a situation that may result from timing differences) may be credited either to revenue or the general fund.
7. Incentives related to P-Card or Travel Card use during a given fiscal year, but received after the close of that fiscal year, will be treated as revenues in the year received.
- i. The GAO will initiate and partially complete a revenue transfer, employing Form GAO-614, using TC 408 and COBJ 4824, entering the amount of the distributable incentive, and forward it to the generating agency.
  - ii. The generating agency will complete the GAO-614, using TC 407 and COBJ 4824. The agency should also enter the applicable index/PCA, fund/funds and appropriation year. When the GAO-614 has been completed, the generating agency is to return the form to the GAO for entry into AFIS.

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**GAO Technical Bulletin**

**10-09**

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Manual Section(s):	N/A	Effective:	07/01/10
Supersede(s):	Technical Bulletin No. 10-07	Page:	7 of 7

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**AREAS IMPACTED**

All State agencies.

**CONTACTS**

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison. You may also e-mail questions or comments concerning State policy and procedure to us at:

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