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STATE OF HAWAII
STATE PROCUREMENT OFFICE

December 15, 2004

PROCUREMENT CIRCULAR NO. 2003-06, Amendment 2

TO: Executive Department Heads
Chief Procurement Officers

FROM: Aaron S. Fujioka, Administrator

SUBJECT: State of Hawaii Purchasing Card
Management Oversight and Controls

The benefits of using a purchasing card (pCard) versus the traditional purchase order and payment process include lower transaction processing costs and less administrative resources for both government agencies and businesses. While the State Procurement Office strongly encourages the use of the pCard, we also emphasize the need for management to maintain oversight and internal controls over pCard usage. Oversight and internal controls should start from the top of the agency and down to the lower management or supervisory levels.

The SPO recommends that agencies address the following issues:

1) The number of cards and cardholders should be limited to those necessary to accomplish the department's goal.

2) Training is key to ensure that employees have the necessary skills to perform the function and understand the department's goals. Cardholders must understand proper pCard procedures, restrictions, responsibilities and penalties for noncompliance.

3) The number of approving officials should be sufficient to review cardholder-spending activities.

4) Cardholder limits should be based on actual need. Limiting credit available to cardholders is important in managing the pcard program and minimizing the government's financial liability.

5) An adequate number of personnel are necessary to monitor purchases at the department and agency level.

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Precautions should be taken to prevent fraudulent, improper, and abusive purchases and to the theft and misuse of government property. There are five key areas to consider:

1) Independent Receipt and Acceptance of Goods
Someone other than the cardholder should document receipt of the goods and services that are ordered with a pCard.

2) Reconcile and Review Monthly Statements
Cardholders should reconcile their purchases with supporting documentation. Approving authorities should also review the cardholder's activities to confirm the purchase and that proper reconciliation to the monthly statement has been completed.

3) Follow Proper Procurement Policies and Procedures
Cardholders must follow all procurement procedures, such as small purchase or e-procurement procedures.

4) Accountability of Items
Sensitive and accountable property must be properly recorded as they are acquired.

5) Disciplinary or Administrative Action
Agencies should refer to the program and procedures manual and the cardholder agreement for disciplinary and administrative action for employees who misuse the pCard.

Thank you for your support of the pCard program and your attention to this matter. Please call me at 587-4700 if you have any questions or your staff may contact Justin Fo at 586–0577 or Bonnie Kahakui at 587-4702.