



Reformed Purchasing Card Program In Sync with New Legislation

Many are aware of the public attention the statewide purchasing card program has received in recent months, following a review by the Georgia Department of Audits and Accounts in 2007. However, it is lesser known that before the report became public in October 2007, the State Purchasing Division (SPD) had already been hard at work overhauling the state purchasing card program on many levels. These renewal efforts included updating the purchasing card policies and procedures, developing a statewide audit program, and developing training classes for program administrators and cardholders statewide. The new State Purchasing Card Policy, issued in November 2007 and made effective January 16, 2008, is consistent with new state purchasing laws that came into effect this July.

During a 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 became 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. Section 50-5-83 codifies many of the tighter restrictions SPD had already put into the State Purchasing Card Policy in January.

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 is 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 the transactions for payment.

Changes to the State Purchasing Card Policy

Even before the new legislation was officially passed, SPD 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 was released 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.
 - States 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. 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. ■