

EASTERN MICHIGAN UNIVERSITY

PURCHASING CARD PROGRAM

CARDHOLDER GUIDE

Revised: 10/07

TABLE OF CONTENTS

I.	The EMU Purchasing Card	2
II.	General Information	2
III.	Purchasing Card Security	3
IV.	Purchasing Card Guidelines	3
V.	Sales Tax	6
VI.	Billing, Payment and Fund/Org Distribution	6
VII.	Verification and Approvals	7
VIII.	Record Maintenance	7
IX.	Disputed Transactions	7
	Questions and Answers	8
	Cardholder Agreement Form	11

PCard Cardholder Guide, Cardholder Application and PCard Profile Maintenance form can be found on the Purchasing and Communications web site at:

<http://www.emich.edu/controller/purchasing/forms.htm>

I. THE EMU PURCHASING CARD

The Purchasing Card Program includes two types of credit cards, a **Purchasing Card** and **declining balance card**. The Purchasing Card allows employees to purchase items for general office use such as office supplies, repair services, subscription fees, dues and memberships and travel arrangements, for University related business. The declining balance card is generally utilized for research projects that have a pre-determined, not to exceed expense amount.

Both types of cards have pre-established credit limits. The divisional vice president establishes limits to fit their employees' purchasing requirements. As a guideline, the typical monthly limit on a Purchasing Card is \$2,500 per month. If frequent travel is necessary, cards with a monthly limit of \$5,000 per month may be appropriate. Divisional vice presidents may approve monthly limits either higher or lower, depending on individual purchasing requirements. Transaction limits are generally restricted to the University competitive bid limit of \$2,500.

All purchases made with the Purchasing Card must be in accordance with Purchasing Policies and Procedures. Use of the Purchasing Card may be revoked if the card is not properly used.

II. GENERAL INFORMATION

- The card is a JPMorgan Chase Bank MasterCard. Periodic audit reviews will be conducted to ensure proper card use. Misuse of this card may result in disciplinary action.
- Issuance of a University Purchasing Card will not impact the cardholder's personal credit status. The card should remain under the direct control of the designated user.
- The card is issued to authorized individuals. Cardholders have electronic access to review and distribute charges to authorized fund/orgs. A default fund/org number associated with each card will be charged, for the expenses incurred, if further distribution is not necessary.
- The cardholder DOES NOT PAY THE BILL. There will be a consolidated, direct bill charge to the University from JPMorgan Chase
- Monthly statements will be mailed to cardholders and can also be printed on-line, on the JPMorgan Chase PaymentNet system, by the cardholder.

III. PURCHASING CARD SECURITY

You are responsible for the safekeeping of your card. This card has your name on it, and is intended only for your use. You are encouraged to keep it in a secure place. Do not lend your card or give out your card number for others to use.

If your card is lost or stolen:

- Immediately notify the JPMorgan Chase Bank Customer Service at 1-800-270-7760 or Cynthia Palombit at 487-6936
- Contact DPS at 7-1222 to file a police report for a stolen card

IV. PURCHASING CARD GUIDELINES

A. Allowable Expenditures of University Funds

Purpose: As a public institution, the University must ensure that all funds are only used to support appropriate University business. When the expenditure is funded by a grant or contract, the use of such funds will be governed by the more restrictiveness of the grant, contract, or University procedures.

Rationale: As stewards of the public trust, it is the fiduciary responsibility of every University supervisor and employee to ensure that university funds are prudently used to advance the mission of the institution and the academic needs of its students. The University, as a tax supported institution, limits the disbursement of its resources to official University purposes.

Definitions: The term “University purposes” signifies that the expenditure is essential for the furtherance of an officially authorized University program. “Personal items” are those items which are more personal in nature, and do not further an officially authorized University program.

Allowable Expenses Policy: Sound spending practices and controls are essential to maintaining the integrity of the University in the eyes of the public. Spending practices and controls must include both employees who are charged with spending University funds, as well as those who supervise employees who spend University funds at all levels of the organization for all expenditures. Spending practices are restricted by those listed below.

It is recognized that EMU is a very diverse University, and as such, different divisions, departments, groups have different needs to properly execute their missions. As such, it is expected that all employees who are responsible for any University funds will spend them prudently, in the furtherance of the university mission.

This policy applies to all Eastern Michigan University employees. As with all University expenses, these will be subject to audit by the University’s Internal Auditor.

Procedures:

Wherever possible, employees are encouraged to use the University Purchasing Card.

The Vice President of Business and Finance has overall responsibility for the procurement of supplies, materials and equipment. Therefore, the Vice President of Business and Finance has the exclusive authority to make exceptions to these procedures.

Limitations:

Alcoholic beverages

Allowed only with written "University Purpose", SOC approved and reimbursement will be from the Foundation account.

Cash gifts, prizes and awards to employees

Cash gifts, prizes, and awards given to employees (including student employees) that are paid for with University funds constitute gross wages subject to federal, state and FICA taxes. Cash gifts are identified as cash, cash equivalents, gift certificates, gift cards, or other intangible property such as vacations, lodging, tickets to theater or sporting events, stocks, bonds and other securities.

Non-cash gifts, prizes, and awards given to employees are subject to taxation unless these items of recognition qualify as one of the following:

- A 'de minimis' (minimal) fringe benefit.

NOTE: Cash or Cash equivalent is never considered de minimis.

(Fair Market Value Guidelines: The IRS imposes a \$25 limit on business gifts) ref: IRS Taxable Fringe Benefit Guide January 2007

- A length of service award, or
- A safety achievement award

Length of Service Award

A length of service award may qualify as a non-taxable benefit; provided:

- The employee has at least five years of service with the University.
- The employee has not received a length of service award within the past five years.
- The awards are presented as part of a meaningful ceremony.
- The cost of the awards cannot exceed \$400 per year without being taxable. The excess amount is to be reported to the Payroll Office for inclusion in the employee's W2.

Safety Achievement Award

Safety achievement awards that recognize an employee's accomplishments for maintaining or promoting defined safety standards may qualify for exclusion from taxes; provided:

- The award is limited to annually fewer than 10% of total employees,
- The award is not presented to managers, administrators, clerical and professional employees,
- The award is limited to \$400 per employee per year.

Cash gifts, prizes and awards to non-employees

Gifts, awards, and prizes that are presented to non-employees are typically not subject to tax withholding. The payment will be reported to the IRS on Form 1099-MISC if the aggregate amount of payments to that individual for the year exceeds \$599. A form W-9 must be filled out by the recipient and put on file with the Accounts Payable Office prior to the award.

All Cash Equivalent and Non Cash gifts/prizes/awards to employees or non employees must be reported to Accounts Payable on the Non Cash Notification form. This form must be accompanied by a copy of the purchase receipt regardless of method of payment.

Legality

University funds will be used for only those purposes that are legal in nature.

Personal items

Generally, items for personal use are not appropriate use of University funds and are thus not allowable.

B. Unallowable expenditures

- | | |
|--|---|
| * Animals | * Controlled Substances |
| * Automotive Repairs (accident related) | * Hazardous Materials |
| * Cash Advances | * Contracts and Leases |
| * Cylinder Gases/Liquid Nitrogen | * Weapons/Ammunition |
| * Equipment (\$5,000 & 1 year life) | * Purchases involving trade of University property |

C. Meals

Occasional Meals with fellow employees generally are allowed on the purchasing card, if University matters are discussed.

Business meeting meals are generally allowed if the following conditions exist:

1. Someone who is not an EMU employee is present, and their presence is for a

specific business purpose that can benefit the University, e.g. interviewing a candidate for an employment position; lunch with a staff member of a state agency which can assist and/or advise the University; a meal with someone from a granting or an accrediting agency, etc. Receipts must be maintained and include details of who was present and the business purpose.

2. A business meeting that includes a meal is conducted **and** a specific University issue (not routine) is the primary topic of discussion; **and** attendance is either mandatory (i.e. supervisory/subordinate relationship exists), **or** a cross divisional/departmental relationship exists; **and** the time was selected to accommodate busy schedules. Receipts must be maintained and include details of who was present and the purpose of the meeting.

Business Travel Meals that relate to overnight business travel are not permitted on the purchasing card, as employees are reimbursed a per diem meal rate.

D. Gasoline

Gasoline may be purchased for rental vehicles while on a University paid trip. All other authorized gasoline purchases must be made with a University gasoline card.

E. Office Supplies

Office supplies should be purchased through our Office Supply Prime Vendor, Office Max, utilizing the purchasing card.

V. SALES TAX

The University is exempt from state sales tax. A letter regarding the university tax status is distributed with the issuance of the card. Some vendors may want to see a copy of the letter. Eastern Michigan University is imprinted on each card to assist the cardholder in not being charged sales tax by the vendor. Also, remember to mention the University's tax-exempt status when placing telephone orders.

VI. BILLING, PAYMENT AND FUND/ORG DISTRIBUTION

JPMorgan Chase will provide the University with a consolidated invoice at the end of each month. Twice a month, the cardholder should reconcile their online statement against their actual purchases. The cardholder has the ability to make online fund/org distributions, to their authorized fund/orgs. Items not distributed by the cardholder will default to the fund/org number assigned to the card. If you have charges that should be expensed to another fund/org, an expense transfer request should be completed and submitted to the Accounting Department at 212 Hover Building. The form link is:

<http://www.emich.edu/controller/finserv/accounting/expensetransfer.pdf>

VII. VERIFICATION AND APPROVALS

Cardholders are required to review and verify all transactions. Additionally, on a monthly basis, supervisors are required to approve all cardholder purchases. Cardholder statements and attached itemized receipts should be submitted to the immediate supervisor for written signature approval on the statement. Transactions will be transferred to the University Banner system on the 10th and 25th of each month. Cardholders will receive email notifications to review and distribute charges, if necessary, prior to transfer dates. It is important that if the cardholder desires to reallocate expenses, they must do so prior to the expenses being transferred on 10th and 25th.

VIII. RECORD MAINTENANCE

It is the cardholders' responsibility to maintain a file of all purchasing card receipts for seven years from the date of transaction. Cardholder's should attach original itemized receipts to monthly statements and retain them within their department. Periodic inspections of these receipts will occur.

IX. DISPUTED TRANSACTIONS

A disputed transaction can result from failure to receive goods, fraud or misuses, altered charges, defective merchandise, incorrect amounts, duplicate charges, credits not processed, etc. The cardholder is responsible for resolving with the supplier and/or banks any questions regarding erroneous charges, disputed items or returns.

The cardholder should contact the supplier first to resolve any outstanding issues. Most concerns can be resolved in this manner. A vendor has 30 days to issue a credit. If the vendor fails to issue an anticipated credit in the allowed time period, a formal dispute of the charge should be issued to the bank.

If the cardholder is unable to reach agreement with the supplier, or the vendor fails to issue an anticipated credit, cardholders can process disputed transaction online via the Chase PaymentNet system.

JPMorgan Chase must be notified of any disputed item within 60 days of the statement date of the disputed item.

**EASTERN MICHIGAN UNIVERSITY
PURCHASING CARD PROGRAM
QUESTIONS AND ANSWERS**

1. Why was the Purchasing Card program implemented?

The Purchasing Card program was developed to provide departments with a widely accepted and efficient method of procuring goods and services.

2. What have the results been?

Program results have been favorable as the University has significantly reduced the number of requisitions prepared by departments, purchase orders prepared by the Purchasing Department and checks issued by Accounts Payable. In addition, vendors have received their payments more quickly and Central Receiving has realized reduced departmental deliveries.

The Purchasing Card provides departments with greater flexibility and timelier ordering for small dollar purchases. In addition, the Purchasing Card Program provides the Purchasing Department staff with available time to pursue cost saving initiatives for the University. Previously, this time was unavailable due to the large quantity of small dollar orders.

3. Are departments required to use the Purchasing Card?

No. However, the Purchasing Card can be a more convenient and efficient way of ordering. The Purchasing Department encourages departments to place their own orders by using the Purchasing Card.

4. How are Purchasing Cards obtained?

Purchasing Card applications may be obtained from the Purchasing Department web site: http://www.emich.edu/controller/purchasing/Pc_guide2003.pdf

The individual completes the application form, obtains the appropriate signatory approval and vice presidential approval and submits the form to the Purchasing Department.

5. How long will it take to receive the card?

Approximately ten (10) working days after receipt of the application in the Purchasing Department.

6. Can the Purchasing Card be used for personal purchases if the department's fund/org is reimbursed for the charges?

Generally, personal expenses are not to be charged to the purchasing card. In some instances, personal purchases are allowed and are required to be reimbursed

to the University within ten business days. An example would be paying for a spouse airline ticket at the same time the employee is booking their business travel airfare. Continual personal purchases and/or purchases specifically to avoid state sales tax are prohibited.

7. Can the Purchasing Card be utilized for “cash” advances?

No.

8. What if the Purchasing Card is lost or stolen?

Notify JPMorgan Chase Bank at 1-800-270-7760 or the Purchasing Department at 7-6936. If it is assumed the card was stolen, contact the DPS department to file an incident report. Each Purchasing Card is insured for \$5,000 against unauthorized charges. JPMorgan Chase’s liability will not exceed \$5,000 per cardholder or be extended for any transactions that occurred more than three business days prior to the card being reported as no longer being in the control of the cardholder.

9. Can the Purchasing Card be utilized for travel expenses, including travel, hotel accommodations, conference/workshops/seminar registration fees, and other out of pocket expenses?

Yes, the Purchasing Card can be utilized for these expenses; however, all travel related expenditures must be reported on an approved travel voucher form and processed through Accounts Payable. Meals associated with University travel are not allowed, as the employee will be reimbursed on a per diem meal basis.

10. Can the Purchasing Card be utilized for printing/copying?

Yes.

11. Can the Purchasing Card be utilized for repairs?

Yes.

12. Can the Purchasing Card be utilized for advertising purchases?

Yes, as long as written approval has been received by University Marketing. Please file the written approval with your statement and receipts.

13. Can the Purchasing Card be utilized for computer software and supplies?

Yes. All computer related purchases in excess of \$500 require the written approval of ICT. Please file the written approval with your statement and receipts.

14. Can the Purchasing Card be utilized for rentals?

Yes.

15. What are the guidelines for purchasing of food items?

The Purchasing Card can only be used for food purchases related to University business. The card cannot be utilized for personal meals that are not for

University purposes. All itemized meal receipts should include the business purpose of the meal and those in attendance. Meals associated with University travel are not allowed, as the employee will be reimbursed on a per diem meal basis.

16. Can I receive a Purchasing Card for a Grant Fund?

Yes, subject to approval by the Manager of Grant Accounting and divisional Vice President.

17. How will payments be processed to JPMorgan Chase Bank?

On a monthly basis, the University will receive a consolidated billing statement. The University will automatically process payment to the bank. Each cardholder should print a monthly billing statement from JPMorgan Chase Bank that identifies the purchases made by the cardholder during the billing period.

18. If an item is returned, should a cardholder request a credit from a vendor?

Yes, it is the cardholder's responsibility to handle their transactions.

19. How will charges appear on Banner?

Twice a month, on the 10th and 25th, charges will be transferred from the JPMorgan Chase PaymentNet system to the University Banner system. Charges will appear in the appropriate account code associated with the Merchant Category Code.

20. What audit requirements are departments responsible for?

Departments must maintain their monthly Purchasing Card statements, with all receipts attached, for seven (7) years. Receipts are to be a descriptive itemization of the purchase.

21. What tax-exempt information should I provide a vendor if they question EMU's tax-exempt status?

Provide them with a copy of the tax-exempt letter that is provided with the issuance of the card. The University Federal ID# 38-6005986 is imprinted on the card.

22. What is the last date of the monthly billing period?

The billing cycle is posted transactions as of the 25th of each month. The monthly card limit is restored on the 26th of each month.

23. Does the card provide car rental insurance coverage?

Yes. Primary Collision/Loss Damage Insurance (up to \$50,000), towing charges, rental company charges while vehicle is being fixed, Secondary Personal Effects insurance (up to \$2,000) are included. Personal liability insurance is not included and should be accepted from the rental company.

**EASTERN MICHIGAN UNIVERSITY
PURCHASING CARD
CARDHOLDER AGREEMENT FORM**

INTRODUCTION

Eastern Michigan University has entered into an agreement with JPMorgan Chase Bank that provides qualified employees with a Purchasing Card, at University expense, to purchase items for University use.

The Cardholder must follow the policies contained in this agreement and in the supplemental Purchasing Card Program Cardholder Guide. Policy violations will result in revocation of Cardholder privileges and possible disciplinary action.

GENERAL POLICY GUIDELINES

Card Member Definitions: Purchasing Cards are issued at the discretion of the University administration to qualified employees.

Ownership and Cancellation of the Purchasing Card: The Purchasing Card remains the property of the Bank. The card may not be transferred to, assigned to, or used by anyone other than the designated Cardholder. The Bank or University may suspend or cancel Cardholder privileges at any time for any reason. The Cardholder will surrender the Purchasing Card upon request to the Card Administrator. If the Purchasing Card is not provided upon request, the card will be considered stolen and the University will initiate appropriate action. Use of the Purchasing Card after notice of its cancellation may be fraudulent and may cause the Bank or University to take legal action.

Spending Limits: Each Purchasing Card has a pre-set spending limit, which may not be exceeded under any circumstances. **Generally, personal expenses are not to be charged to the purchasing card. In some instances, personal purchases are allowed and are required to be reimbursed to the University within ten business days. An example would be paying for a spouse airline ticket at the same time the employee is booking their business travel airfare. Continual personal purchases and/or purchases specifically to avoid state sales tax are prohibited.**

Purchasing Card Abuse: Abuse of the Purchasing Card will result in revocation of the Card and appropriate disciplinary action, which may include discharge. Policy violations include, but are not limited to:

- Purchasing items for personal use without reimbursement within ten business days
- Exceeding bank credit line limit
- Utilizing the Purchasing Card for unauthorized purchases.
- Failure to return the Purchasing Card when reassigned, terminated, or upon request
- Failure to retain proper documentation

USAGE

For additional specific usage guidelines, the Purchasing Cardholder must refer to the supplemental Purchasing Card Program, Cardholder Guide which is distributed with the Purchasing Card and by this reference is incorporated and made a part of this agreement.

ORIGINAL RECEIPTS AND OTHER DOCUMENTATION

It is the Purchasing Cardholders responsibility to obtain original and itemized receipts from the merchant or vendor each time the Purchasing Card is used. These receipts must show line item detail. Each month, the Cardholder will receive an activity statement from the bank. The monthly card activity statement should be reconciled to the receipts that the cardholder has retained. These documents must be retained, at the University department, for seven years.

DISPUTED ITEMS

It is the Purchasing Cardholders responsibility to follow-up on any erroneous charges, returns, or adjustments and to ensure proper credit is given on subsequent statement. The Cardholders Guide contains specific guidelines for handling dispute resolutions.

PROTECTING THE EASTERN MICHIGAN UNIVERSITY CREDIT CARD

The Purchasing Card is valuable property, which requires proper treatment by the Cardholder to protect it from misuse by unauthorized parties.

VALIDATION AND SAFEKEEPING

Sign the Purchasing Card immediately upon receipt. When the expiration date is passed and/or after you have received a new Purchasing Card, cut the old Purchasing Card in half and dispose of it. Make sure the Purchasing Card is returned to you after each charge and verify that the returned Card has your name on it. Carbon sheets should be retained and destroyed.

LOST OR STOLEN CARDS

If your card is lost or stolen immediately notify:

- JPMorgan Chase Bank Customer Service at 1-800-270-7760 or Cynthia Palombit, Purchasing Card Administrator, at 487-6936
- Contact DPS at 7-1222 to file a police report for a stolen card

The undersigned Purchasing Cardholder Applicant and Department Administrator request that Eastern Michigan University Purchasing Card be issued to the applicant. The applicant has read the above agreement and guidelines and agrees to be bound by their terms and conditions.

Purchasing Cardholder Applicant (Signature) Date

Purchasing Cardholder Applicant (Printed)

Immediate Supervisor (Signature) Date

Immediate Supervisor (Printed)

Cardholder Applications and PCard Profile Maintenance forms can be found on the Purchasing and Communications web site at:

<http://www.emich.edu/controller/purchasing/forms.htm>