

Department of Homeland Security  
Management Directives System  
MD Number: 0760.1  
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**PURCHASE CARD  
PROGRAM**

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## **I. Purpose**

- A. This Management Directive (MD) sets forth policy for use of the Government Purchase Card (the Card). The Card is used for:
1. Making micro-purchases as authorized in the underlying contract; and
  2. Use as a payment mechanism for procurements above the micro-purchase limits.
- B. This MD is intended to establish:
1. The responsibilities of those employees involved in the Department of Homeland Security (DHS) Government Purchase Card Program (the Program);
  2. Basic guidelines for the operation of the program; and
  3. Basic internal controls to ensure the integrity of the program. The DHS Purchase Card Manual augments the Management Directive.

## **II. Scope**

This MD applies to all Purchase Card Programs and Purchase Card users in DHS, except for the Purchase Card Program in the Office of Inspector General (OIG).

## **III. Authorities**

- A. Public Law 107-296, Homeland Security Act of 2002, Section 833(b)(1), codified at 6 USC Section 393(b)(1)."
- B. Public Law 108-136, Title XIV, Section 1443, "Special Emergency Procurement Authority"
- C. Title 48, C.F.R., Chapter 1, "Federal Acquisition Regulation (FAR)"

- D. FAR, Section 13.301, "Government wide Commercial Purchase Card"
- E. DHS Management Directive 0003, "Acquisition Line Of Business Integration and Management"
- F. DHS Management Directive 0005, "Financial Management Line of Business Integration and Management"

## IV. Definitions

- A. **Agency Program Coordinator (APC)**: The DHS government employee designated by the DHS Chief Financial Officer (CFO) to have overall responsibility for the Purchase Card Program at DHS.
- B. **Approving Official (AO)**: The DHS government employee who has a number of Cardholders under his or her purview and determines if Cardholders' purchases are made in accordance with the applicable regulations, policies, and procedures.
- C. **Cardholder**: The DHS government employee who is a warranted contracting officer or to whom delegated procurement authority has been given and a Card issued.
- D. **Card Issuing Bank (hereafter referred to as "the bank")**: The bank selected by DHS from the GSA SmartPay master contract that issues cards to Cardholders and submits monthly statements to Cardholders and approving officials detailing line item purchases and credits made by Cardholders.
- E. **Delegation of Procurement Authority**: The authorization granting specific procurement authority to the individual DHS employee for use of the Card.
- F. **Finance Center (FINCEN)**: The designated United States Coast Guard finance center that processes daily payments to the bank and performs random audit and review of payment vouchers.
- G. **Head of Contracting Activity (HCA)**: Certain individuals with procurement authority appointed by the Chief Procurement Officer (CPO). Refer to the DHS Management Directive 0003.
- H. **Micro-Purchase**: An acquisition of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold.

I. **Micro-purchase Threshold:** The micro-purchase threshold is the maximum amount permitted for a single purchase. The micro-purchase threshold for DHS is \$2,500 except for the Transportation Security Administration, which has a micro-purchase threshold of \$10,000. Refer to the Purchase Card Manual for statutory and other exceptions.

J. **Organization Program Coordinator (OPC):** DHS employee designated at the Component level to oversee the Purchase Card Program within a specific area of responsibility.

**Note:** See the Purchase Card Manual for a comprehensive listing of definitions.

## V. Responsibilities

The responsibilities listed below, and others, are explained in detail in the DHS Purchase Card Manual.

A. The **Under Secretary for Management** shall be responsible for all aspects of the DHS Purchase Card Program.

B. The **DHS Chief Financial Officer (CFO)** shall:

1. Establish and maintain a system of internal controls to ensure effective, efficient, and proper use of the Card;

2. Monitor the activities of all DHS Components to ensure compliance with this MD; and

3. Appoint an Agency Program Coordinator who will serve as the liaison between the bank, General Services Administration (GSA), DHS operational service provider, Organization Program Coordinators, and Heads of Contracting Activity, on issues dealing with the Program.

C. The **Chief Procurement Officer (CPO)** shall coordinate with the DHS CFO to develop procedures and guidelines outlining the proper use of the Card.

D. The **Chief Human Capital Officer** shall establish and assure implementation of procedures and guidelines outlining appropriate disciplinary action for misuse/abuse of the Card.

E. The **Agency Program Coordinator (APC)** shall:

1. Represent the Department with ongoing SmartPay negotiations involving the bank and GSA;

2. Perform initial training for primary OPCs and refresher training at the GSA SmartPay Conference;
3. Develop and maintain DHS wide Purchase Card manual and basic training for all program participants;
4. Manage the implementation and ongoing operation of the Program across Components;
5. Report quarterly to the CFO and on the CPO Program; and
6. Monitor Component compliance with the policies, procedures and internal controls outlined by the DHS Purchase Card Manual and requirements outlined by FINCEN.

F. The **Heads of Contracting Activity (HCA)** shall:

1. Be accountable to the Chief Procurement Officer for procurement transactions under their delegated authority;
2. Establish Component specific policies and procedures to implement the Program in conjunction with the Component OPC;
3. Establish single purchase and credit limits guidelines;
4. Appoint the Component's OPC(s); and
5. Delegate and/or coordinate operational responsibilities within the Component for the Program.

G. The **Organization Program Coordinator(s) (OPCs)** shall:

1. Be subjected to oversight by the APC within the guidelines established by DHS CFO;
2. Manage the Purchase Card Program specific to their Components;
3. Issue and rescind purchase cards within their respective Components in accordance with the DHS Purchase Card Manual;
4. Determine the number of Cardholders, i.e., the span of control, managed by each Purchase Card Approving Official, within the limitations outlined in the DHS Purchase Card Manual;
5. Issue and establish Component training, job aids and guidance for effective implementation of the Program;

6. Maintain records of Cardholder training, warrants and other related certifications or credentials;
7. Ensure compliance by Purchase Card Approving Officials with the requirement that bank statements be reconciled on a monthly basis; and
8. Perform reconciliation and approve Cardholders transaction if the AO is unavailable.

H. **Purchase Card Approving Officials (AO)** shall:

1. Provide approval, validation, oversight, and monitoring of Purchase Card activity over Cardholders under their span of control;
2. Request increases or decreases in Cardholder purchase limits when appropriate;
3. Ensure Cardholders maintain complete and accurate purchase card records and Purchase Card Activity Logs;
4. Review, approve, and closeout the reconciliation of monthly bank statement for each Cardholder under their span of control;
5. Ensure that the goods or services charged to the account were inspected and accepted by the government; and
6. Perform the verification and approval of the Cardholder statement, if the Cardholder is unavailable.

I. The **Cardholder** shall:

1. Be personally liable (legally responsible) to the government for each transaction made with the Purchase Card;
2. Successfully complete GSA and DHS Purchase Card training and annual refresher training;
3. Only use the card for authorized purchases in accordance with the authorities delegated by the Head of Contracting Activity as well as the Organization Program Coordinator, within the limitations outlined in the DHS Purchase Card Manual;
4. Verify that funds are available prior to each purchase made with the Card;

5. Ensure that written approval is obtained prior to making each Purchase Card transaction (email approval is acceptable);
6. Maintain complete and accurate Purchase Card Activity Logs;
7. Review and reconcile monthly bank statements;
8. Ensure that inaccurate charges are formally disputed with the bank in a timely manner; and
9. Respond to the OIG, FINCEN, and/or Component audit point of contact or OPC requests for documentation in a timely manner. Cardholders must keep the OPC apprised of information/documentation provided to FINCEN.

## **VI. Policy**

- A. DHS Cardholders and AOs shall be government employees.
- B. Purchase Cards are the preferred method to buy goods and services up to the micro-purchase limit.
- C. Issuance of a DHS Purchase Card is evidence of delegated procurement authority for purchases up to the micro-purchase threshold. Delegation authority above the micro-purchase threshold must be conveyed through a specific written document from the HCA to the OPC.
  1. The HCA, or designee, shall determine training and experience requirements for Cardholders to whom delegated authority above the micro-purchase threshold is given; and
  2. DHS encourages the use of the Purchase Card as a payment method for purchases over the micro-purchase limit. If used in this manner, documentation adequate to support and identify the purchase must be maintained.
- D. Only one Purchase Card account is to be open for any Cardholder at any time. Exceptions to this policy must be justified to, and approved by, the OPC, in consultation with the HCA, in writing.
- E. Cardholder's shall use small, or service disabled veteran owned small business, businesses; Hubzone (historically underutilized business zone) businesses; and women owned businesses, whenever possible and appropriate.

F. Appropriate single purchase and monthly purchase limits will be placed on each Cardholder account in a manner that maximizes the utility of the Card and minimizes the risk to the government; limits shall be established to support each Cardholder's specific use requirements and the office budget.

G. Merchant Category Codes (MCC) will be used to block unauthorized and/or inappropriate Card purchases. The mandatory MCC blocks are established by the APC. The OPCs establish and manage MCC specific to their Component. See descriptions of the blocked MCCs on the DHS Bank Card Services purchase card web page.

H. Convenience checks associated with the Program may be used for purchases from vendors who do not accept credit cards. Each Component must seek written approval from the DHS CFO, or designee, to be a convenience check issuer. Convenience checks will only be written for the exact amount of the purchase. A separate log must be maintained to include explanations and check information.

I. Unless specifically exempt (i.e., Stafford Act or other exemptions), Cardholders must use the DHS EMALL for office supplies and are encouraged to use other web-based shopping malls and electronic buying opportunities to the greatest possible extent.

J. Purchase Cards will not be used as fleet cards except in limited emergency situations.

K. Purchase Cards will not be used as travel cards.

L. Components may create further restrictions in their respective Purchase Card policies and procedures manuals; however, they may not weaken or override DHS Purchase Card policies and procedures.

M. Unauthorized use/ misuse and penalties:

The following information pertains to DHS civilian employees. Members of the military service, employed by the United States Coast Guard, are subject to the Uniform Code of Military Justice and or other appropriate administrative policies, rules, regulations or policies that are specific and applicable to military personnel.

1. When using the Card the Cardholder must comply with, and be held accountable for, all applicable statutory and regulatory provisions and federal and DHS prohibitions, controls, limitations and approval requirements, with special attention to inappropriate use and the prevention of unauthorized purchases. Examples of unauthorized use or misuse include, but are not limited to, the following:

- a. Using or authorizing the use of the Purchase Card for other than official government business;
- b. Violating purchase Card policies;
- c. Making purchases that do not meet the needs of the government;
- d. Making false statements, submitting altered or false documents, or knowingly permitting such behavior in relation to the use of a the Card; or
- e. Negligence in performing official duties related to the use or approval of the Cards.

2. Each of these actions may be considered acts of abuse and attempts to commit fraud against the government, or other types of unacceptable conduct, or misconduct. Abuse and/or fraud will result in immediate cancellation of the Cardholder's Purchase Card. In addition, the Cardholder may be subject to disciplinary action up to and including termination of employment. An employee also may be personally liable to the government for the amount of any unauthorized transaction and may be subject to criminal prosecution.

3. AO are responsible, and will be held accountable for failing to monitor Purchase Card usage consistent with applicable law, rules and procedures. Additionally, the DHS Chief Financial Officer and Office of Inspector General (OIG) have and will exercise the right to monitor Card transactions on a consistent basis. The OIG retains all audit and investigative authorities. The OIG and CFO have access to an electronic system to monitor Program operations and transactions on an ongoing basis.

## **VII. Procedure**

A. Cardholder must receive, and retain on file, prior written approval by any purchasing authority for all Purchase Card orders.

B. Components will conduct their Purchase Card Programs in accordance with the GSA SmartPay contract provisions and take advantage of the services and rebates offered. Generic procedures and training materials available under the contract should be used and may be tailored to meet the Component's needs and particular business requirements. Component purchase card procedures shall maximize cost savings and not be overly restrictive. A copy of each Component's procedures shall be provided to the APC.

C. The purchase card program requires close coordination between the finance and procurement offices. Funding for micro-purchases made using the Card should be on an annual or quarterly basis. A requisition should not be required for individual micro-purchases made using the Card by end users outside of Procurement unless Component financial or procurement systems require it.

D. Component exit procedures should contain provisions to assure final accounting and cancellation of the Card when a Cardholder leaves his or her position. This applies to those who take another position within their same Component as well as those who leave the Component.

E. The OPC shall provide Component specific Purchase Card training to all of its Cardholders and AOs prior to issuing the Card.

1. The training shall include, but not be limited to, information on procurement regulations in the Federal Acquisition Regulation (FAR); the Department of Homeland Security Acquisition Regulation (HSAR); the General Services Administration Javitz Wagner O'Day (JWOD) Program; the Small Business Administration small business programs; the environmentally affirmative procurement program; the purchasing requirements in Section 508 of the Americans with Disabilities Act; and appropriate training in the use of the banks electronic system for financial reallocation and account reconciliation and certification.

2. AOs must receive the same training as the Cardholders.

3. Annual refresher training is required for Cardholders and AOs.

4. OPCs must provide training and training certificates to Cardholders and AOs and retain a copy of all such certificates in their files.

5. HCA shall review the training materials to assure the latest acquisition regulations are included with enough specificity to assure proper use.

F. The OPC will provide Purchase Card Application and Cardholder Agreement forms to each potential cardholder. Both forms must be completed by the employee, signed by the employee's supervisor, and returned to the OPC for processing. Prior to being issued the Card, the employee must complete Cardholder training.

G. Cardholders will retrieve an online monthly statement of account listing all purchases. This statement must be signed electronically or manually by the Cardholder and an AO and sent electronically or manually to the appropriate payment office for payment. Payments will be made using the electronic funds transfer method to the maximum extent possible.

H. Cardholders will reconcile and approve their monthly bank card statements within seven (7) days of cycle close. AOs will review and electronically certify their cardholder statements within fourteen (14) days of cycle close. DHS cycle close is the 12<sup>th</sup> of the month. AOs are responsible to report any instance of misuse or fraud to the OPC.

I. Purchase Card charges shall be paid daily by FINCEN to maximize contractor rebates.

1. To assure that Purchase Card transactions are made appropriately and within the regulatory requirements, post payment audits of randomly selected transactions under the micro-purchase limit and audits of all transactions exceeding the micro-purchase limit will be conducted by the FINCEN office;

2. Cardholders will be required to supply appropriate documentation for all audited transactions; and

3. Cardholders must provide all supporting documentation required by the FINCEN post payment audits within specified periods or risk card suspension and/or disciplinary action.

J. Comprehensive DHS Purchase Card Program policies and procedures are found in the DHS Purchase Card Manual. Topics include, but are not limited to:

1. Obtaining and maintaining a Purchase Card account;

2. Approvals and delegations of authority;

3. Unauthorized use/misuse and penalties;

4. Oversight and Program management;

5. Card issuance controls;

6. Cardholder separation and account closure;

7. Purchasing guidelines and allowable purchases;

8. Funding availability;

9. Program reviews and audits;
10. Sources of supply;
11. Merchant category code blocks; and
12. Compliance with IRS requirements.

## **VIII. Questions**

Any questions or concerns regarding this MD should be addressed to the Chief Financial Officer.