



Maria Tavares
DEPUTY COMPTROLLER FOR
ACCOUNTANCY/
CHIEF ACCOUNTANT

CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
JOHN C. LIU
BUREAU OF ACCOUNTANCY

MUNICIPAL BUILDING
ONE CENTRE STREET, ROOM 200 SOUTH
NEW YORK, N.Y. 10007-2341
TEL: (212) 699-8030
FAX: (212) 815-8516
MTAVARE@COMPTROLLER.NYC.GOV

COMPTROLLER'S MEMORANDUM

#14-1

September 11, 2013

TO: Agency Heads/Fiscal Officers

FROM: Maria Tavares 

SUBJECT: Updates to Comptroller's Memorandum #01-1 – *Guidelines for Use of Procurement/Purchasing Cards*

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This Comptroller's Memorandum (CM) updates certain provisions of Comptroller's Memorandum #01-1 – *Guidelines for Use of Procurement/Purchasing Cards*, which was issued on June 22, 2001. The two subject areas affected are: Section 3.0- Purchase Thresholds, and Section 4.2- Vendor/Payee Coding.

Procurement cards allow for the faster acquisition of items that meet the micro-purchase limit of \$20,000. This method however, should not be used in a manner that would circumvent, intentionally or unintentionally, policy outlined in Comptroller's Internal Control and Accountability Directives and the Procurement Policy Board Rules (PPB Rules). Agencies are encouraged to review the PPB Rules regularly for changes in City purchasing policy, including changes in the dollar limit. The corresponding Section has been reproduced below in its entirety in *italics*:

3.0 PURCHASE THRESHOLDS

The use of procurement cards is allowable for the use of micro-purchases which has an established limit of \$20,000 or less.

3.1 Purchases Up to \$250

Generally, agencies may use procurement cards for imprest fund type and other small purchases of \$250 or less without restriction. The provisions of

Comptroller's Internal Control and Accountability Directive 3, Procedures for the Administration of Imprest Funds apply, as do all other applicable City procurement rules.

3.2 Purchases Over \$250 to \$20,000

Purchases in excess of \$250, not to exceed \$20,000, must be made in accordance with written guidelines established in advance by the agency. The guidelines must reflect the agency's specific business requirements, and must, at a minimum, include the following or similar elements:

- 1) An overall policy statement that establishes the general framework within which the agency permits procurement card usage. Examples include, but are not limited to, use as a mechanism for unplanned, ad hoc purchases, to facilitate purchasing for field personnel, for use when it is important to expedite a purchase, or to suit other specific business needs of the agency;*
- 2) A tiered approach that treats purchases at different increments, e.g. \$250, \$5000, \$10,000 and \$20,000, with escalating internal controls, as appropriate;*
- 3) A reference to this Comptroller's Memorandum with explicit notice that certain card purchases over \$250 are subject to the enhanced processing procedures described below; and*
- 4) A reference to the Department of Citywide Administrative Service Purchasing Card – Citywide Policies and Guidelines for agency participation in the procurement card program.*

Also, effective immediately, Section 4.2 of Comptroller's Memorandum #01-1 is now null and void in order to reflect recent changes by the Internal Revenue Service (IRS) regarding the reporting of payments made in settlement of payment card and third party network transactions. These revisions apply to returns for calendar years beginning after December 31, 2010.

In accordance with the Final Regulations on Payment Card Reporting issued by the IRS, the bank or other organization with the contractual obligation to make payment to participating payees in settlement of payment cards are now responsible for issuing Form 1099-K to recipients of goods and services under this new provision. Form 1099-K, "Merchant card and third-party payments," requires annual reporting, with respect to each participating payee and must be issued in accordance with IRS rules and regulations.

In this regard, agencies are no longer required to prepare a journal voucher as indicated in Section 4.2 of Comptroller's Memorandum #01-1. Instead, agencies are encouraged to coordinate

with their respective payment card provider to ensure that the vendors identified as *Reportable* in the City's Financial Management System, receive a Form 1099-K as required. To that end, all agencies should ensure that a report of all *Reportable* vendor payments for which goods and services were received, and the gross amount, is submitted to the merchant responsible for the settlement of payment cards by January 1st of each calendar year.¹ To assist agencies in this effort, Attachment A of the current Comptroller's Memorandum #01-1 may be used to help facilitate the process.

Please keep this CM with your copy of the original CM 01-1 for future reference. Questions should be addressed to the Directives Unit, Municipal Building, 1 Centre Street, Room 200 south, New York, N.Y., 10007, (212) 669-8216, Email directives@comptroller.nyc.gov .

¹ Gross amount as defined by IRS regulations is the total dollar amount of aggregate reportable payment transactions for each participating payee without regard to any adjustments for credits, cash equivalents, discount amounts, fees, refunded amounts, or any other amounts.