

To: Staff with a MIT Visa Purchasing Card or
Staff Making Purchasing Decisions or
Staff Responsible for Approving or Verifying Purchases
From: Angie Milonas, IS Financial Officer
Date: May 21, 2003
Subject: MIT/IS Purchasing Policies and Procedures

This memo has information regarding MIT's purchasing policies and procedures as of May 2003.

This update is a result of a recent audit of IS' financial policies, practices and controls. Although IS was found to be compliant overall, there were some areas of potential financial risk that the auditors noted as requiring corrective action..

A reference is made to FBCs and FAs,; a current FA/FBC listing can be found at <http://web.mit.edu/is/isft>.

The content of this memo will also available on the web at <http://web.mit.edu/is/isft> .

A few highlights from the document include

- Itemized receipts (detail list of purchased goods or services) are required for all purchases, including meals. A credit card receipt with only the total is not sufficient.
- Itemized receipts for MIT VIP credit card purchases are due to your verifier within 7 days of purchase.
- You may not use the credit card to purchase certain items. It is your responsibility to know the list of items, since the vendor will not necessarily reject your card.
- There are a number of 'sensitive' purchases that require senior management review prior to purchase, regardless if credit card, purchase order, or reimbursement. It is your responsibility to be aware of the sensitive item list.
- You are responsible for knowing whether a purchase is tax exempt, and not paying sales tax if it is exempt.

MIT VIP Card (a.k.a. MIT Visa Purchasing Card or MIT Credit Card)

• Background:

IS employees who regularly have the need to purchase qualifying goods and services should have an MIT VIP card issued in their name. (See your AA or FA for the forms/procedure to get a card). Before the card is issued, the cardholder must attend a 1 hour VIP card training session. Each cardholder has an assigned ‘verifier’ – someone other than the cardholder who is responsible for verifying that the charges are consistent with MIT policy, and that the charges are assigned to the proper Cost Object and General Ledger account. In IS, your verifier is also a Financial Assistant for your Cost Object.

• Supporting Documentation

If you are an MIT VIP cardholder, it is your responsibility to provide proper hardcopy supporting documentation to your credit card verifier. *Proper documentation includes itemized sales receipts, packing slips, online screen print, and/or any other list of the specific goods or services and the prices. Credit card receipts with only the total amount are not sufficient.*

To ensure proper accounting, your verifier will be expecting this *documentation within 7 days of the original purchase*. If the documentation has not been provided within 14 days of the purchase, the issue may be escalated to your FBC and subsequently to your Primary Reviewer. Chronic lateness with supporting documentation may lead to revocation of MIT VIP card privileges.

If you don’t have the required documentation, you will need to contact the vendor to request a copy. If the vendor can’t provide one, then you need to write an explanation (email is ok) with details of the purchase (description of item(s), date and amount of purchase, and vendor’s name) and the reason for the lack of proper supporting documentation, and submit this to your verifier within 7 days of the original purchase.

If you purchase food (e.g., pizza for a lunch meeting; business lunch in a restaurant), supporting documentation must include the itemized receipt (not just the credit card receipt), purpose or agenda of the meeting and a list of attendees by name if under 15 attendees (if over 15 attendees, note the number of attendees). NOTE - Only food for *business meetings* can be purchased with the MIT VIP card (no alcohol purchases are allowed). Please consult your FBC or FA regarding the definition of a business meeting and for payment options pertaining to food purchases for non-business meetings.

• Purchase of Restricted Items

The MIT VIP card cannot be used to purchase certain restricted items, such as alcohol, equipment, furniture, and travel-related expenses. A complete list of such items can be found as part of the MIT VIP Card user guide: <http://web.mit.edu/purchasing/vipcard/VIPuser.htm> An IS-relevant list of restricted items is included at the end of this document.

Although in some cases your credit card may be denied when trying to purchase restricted items, it is your responsibility as an authorized MIT VIP cardholder to not use your MIT VIP card to purchase these items, even if the supplier accepts your card. Please review and familiarize yourself with this list (you may want to print the list so it is handy when making purchases). If you have any questions about the list of restricted items or about payment options for purchasing such restricted items, please contact your FBC or FA.

Suggestions for dealing with some restricted items:

Alcohol – it is never permissible to purchase alcohol, either as a standalone item such as beer for a team party or as part of a business meal (ask the restaurant to run a separate tab). An exception may be made for Reward and Recognition events provided you have prior CG approval (which will also require IS VP approval).

Travel-related expenses – although the MIT VIP card can be used in local restaurants, the card may be rejected if the restaurant is part of a hotel because it would be coded as a hotel and, therefore, considered travel. Therefore, business meals at hotel restaurants, such as the Cambridge Hyatt or Marriott, need to be paid in cash or on a personal credit card, and a request for reimbursement submitted. Since the MIT VIP card cannot be used for travel expenses, MIT offers a Diner's Club card. However, the Diner's Club card should not be used for charges in the Boston/Cambridge area.

If you are arranging an event at a local hotel, please work through your FA or AA to ensure that costs are handled appropriately.

If you have a regular need to purchase restricted items, please consult with your FA or FBC about whether there are options to simplify the purchasing process.

• Credit Card Transaction Limit

As a cardholder, you are responsible for knowing your credit card transaction limit and for not exceeding your limits when making purchases using the MIT VIP card. If you forget your limits you may contact your verifier. (If you are not sure who your verifier is, you can ask your FBC, or any Financial Assistant; typically, your verifier is also the FA supporting your Cost Object.)

The maximum transaction limit allowed currently is \$3,000 and the monthly spending limit is \$15,000.

If you need to purchase something that exceeds your credit card transaction limit, then you need to use a purchase order. Please consult with your FBC or FA if you have any questions about MIT's purchase order process.

REMINDER: Deliberately circumventing transaction limits, such as splitting a purchase into two or more invoices, is strictly against the MIT credit card purchasing policy and is subject to immediate credit card revocation.

• Notification of Charges

The MIT VIP card office provides an option to send the cardholder an email anytime there is a charge on the card. FA's will automatically activate this option for all IS staff with MIT VIP cards.

There is also an option to receive a monthly MIT VIP card hardcopy statement from the bank. Since there is no business reason to get the statement, you will need to notify your verifier if you want to receive this statement.

REMINDER: MIT VIP cards are issued to individuals; the cardholder is liable for any actions taken with the card, therefore, sharing the card is strongly discouraged. With the email notification, if someone else uses your card, you will still receive the email that a purchase has been made with your card. It is then your responsibility to ensure that the proper policies and procedures are followed.

• Revocation of MIT VIP Card Privileges

It is the responsibility of the card holder to use the MIT VIP card in accordance with MIT policies and procedures as outlined in the MIT VIP User's Guide - <http://web.mit.edu/purchasing/vipcard/VIPuser.htm> - and with the IS policies and procedures outlined in this communication.

Improper use of the MIT VIP card could result in the loss of credit card privileges and possible further disciplinary action, up to and including termination of employment.

Sensitive Purchases

According to MIT Purchasing Policies and Procedures, certain items are considered “Sensitive Items,” regardless of how they are purchased (e.g., purchase order, MIT VIP card, or request for payment). Such purchases require special review by the Controller’s Accounting Office (CAO) and/or explicit approval by an Officer of the Institute (for IS, this is the Vice President) before the purchase is made. In some cases, sensitive purchases may be disallowed; even if they are allowed, they require more detailed justification and involve greater scrutiny before payment is rendered.

Sensitive purchases include the following:

- Airline Club Memberships (requires prior approval by IS VP)
- Alcohol (requires prior approval by IS VP)
- Gifts for Employees (e.g., retirement gifts, showers, etc)
- Parking tickets/traffic fines, even if a result of MIT business or using MIT owned vehicle
- Coffee Makers, Hot Plates, Microwave Ovens, Refrigerators, Stoves, etc. for food preparation/storage for employee purposes
- Coffee Supplies and Services
- Contributions
- Flowers and Plants (IS has a blanket PO for such purchases – see your FA)
- Membership Fees
- Lunches, Dinners, and other entertainment expenses

(See <http://web.mit.edu/purchasing/pol&proced/2.24.pdf> - CAO Purchasing Policy 2.24 for more detail.)

If you are planning to make such a purchase, please contact your FBC or FA for guidance on how to proceed.

If you made a sensitive purchase without prior approval, IS reserves the right not to reimburse you. Repeated purchases without approval may result in disciplinary action, up to and including termination of employment.

Sales Tax Exemption

As a nonprofit educational institution, MIT is exempt from Federal Excise Tax and from Massachusetts Sales and Use Tax. This means that for all Institute purchases regardless of method of payment (purchase order, request for payment, or MIT VIP card) *you should not pay Mass Sales Tax* nor should you pay Mass Meals Tax for catered business functions. MIT is also exempt from the Sales and Use Tax of many other states and Accounts Payable will ordinarily deduct the charge for any state sales or use tax prior to payment of the invoice -- a complete listing of MIT's Sales Tax Exemption status in other states is provided at

https://web.mit.edu/purchasing/certificate/sales_tax_exempt/sales_tax_exempt.htm

Note that MIT is not exempt from Mass Meals Tax for meal purchases made by individual employees even if connected with Institute business nor from Room Occupancy Tax charged by hotels and motels in any state.

If government auditors find that MIT is routinely paying sales tax, MIT could lose its tax exempt status. Therefore, as a representative of MIT, it will require some effort on your part to ensure that purchases made with MIT funds are treated correctly. *When making a purchase that is tax exempt, you will need to tell the vendor or cashier that MIT is tax exempt* and that your purchase should not be charged sales tax. They will ask for MIT's Massachusetts Tax exemption number (E 042 103 594) -- if paying by MIT VIP card, this number is printed on the front of the credit card. In some cases, you may be asked to present or fax a copy of MIT's Massachusetts Tax exemption certificate. We suggest that you obtain a hard copy of the tax exemption certificate from your FBC or FA and carry it with you in case you are required to present it.

If you are making retail purchases, we recommend that you get the paperwork taken care of at the service desk before going to a cashier, because the process of filing out the tax exemption paperwork by the vendor can be time-consuming and often cashiers are unaware of the process. If you do come across a cashier who is unaware of what to do with a tax exempt purchase, ask for the manager.

If you end up paying sales tax using an MIT VIP card, your verifier will contact you and, in some cases, will ask that you contact the vendor to get a credit issued for the sales tax paid. Chronic payment of sales tax may lead to revocation of MIT VIP card privileges.

If you use your personal credit card or cash and you pay sales tax on an exempt purchase, you will not be reimbursed for the sales tax. If you do include sales tax in a request for reimbursement, it will be deducted by the FA before it is submitted to Accounts Payable.

RESTRICTED VIP CREDIT CARD PURCHASES*

• Alcohol	• Travel and Entertainment Expenses
• Food for Non-Business Meetings	• Equipment purchases, rentals and leases
• Consulting, Professional or Temporary Services	• Software (except standard shrink-wrap software)
• Furniture	• Cash Advances
• Flowers, plants, gifts, contributions	• Fire extinguishers
• Parking Tickets/Traffic Violations	• Items for personal use

* MIT's official list has been amended to reflect IS relevant purchases

The complete list is available at: <http://web.mit.edu/purchasing/vipcard/VIPuser.htm>

• Contacts

If you have any questions or concerns about MIT's or IS' purchasing policies or procedures, please contact your FBC or FA. If your FA or FBC is not available, please feel free to contact the IS Financial Group at is-fin@mit.edu.

Profit Center Description	Financial Business Consultant (FBC)	Financial Assistant (FA) or Financial Business Administrator (FBA)
VP for Information Systems	Angie Milonas	Margaret Mahoney
Competency Group, including ABST	Angie Milonas	Margaret Mahoney
Architecture & Infrastructure Practice	Rosalind James	David Long
Office Computing Practice	Rosalind James	David Long
Academic Computing Practice	Rosalind James	David Long
Discovery Process	Rosalind James	David Long
Delivery Process	Ken Higgins	Jane Trull
Support Process	Anne Denna	Henry Sennott
Service Process	Cecilia Talamantes	Eileen Kenney, Glorisel Caraballo, Harriet Hodge-Henry
Telecommunications & Network Services Process (TNS)	Holly Bickle	Tina Sands, Helen O'Brien, Eileen Kenney, Wayne Dwyer (IOs only)
I/T Service Center	Bob Berson	Wayne Dwyer, FBA

NOTE: To send e-mail to the IS Financial Group use: IS-FIN@mit.edu

NOTE: To send e-mail to the IS Finance Team only use: ISFT@mit.edu

NOTE: To send e-mail to the IS FA Team only use: IS-FA@mit.edu