



City of Grand Island

Tuesday, April 15, 2003

Study Session

Item -2

Discussion Relative to Use of Credit Card for Purchasing Purposes

The City currently has a limited number of credit cards that are used for purchases at firms that do not have an account with the City of Grand Island or do not take purchase orders. Credit card use is also authorized for travel arrangements, including hotel reservations, airline tickets, and conference fees. Currently, the credit cards are maintained in the Finance Department and may be signed out by other departments as needed. This centralized location has proven to be both cumbersome and inefficient. The City's Procurement Committee has been reviewing this policy for improvements. The City of Kearney has an existing policy for credit card use that has been reviewed by the State Auditor's Office, and has been used as a pattern to revise our policy. The City's Procurement Committee is recommending that the existing policy be modified to allow for departmental credit cards. A set number of cards would be issued to each department; accountability for use of the credit cards would be the responsibility of the Department Director. A monthly credit card limit of \$10,000 has been recommended. This policy would facilitate travel arrangements, purchases of items not readily available locally, reduce paperwork and processing, and also allow for more price comparisons, through internet means.

Staff Contact: David Springer & Cindy Johnson

DEPARTMENTAL CREDIT CARD

CITY OF GRAND ISLAND, NE

POLICY AND PROCEDURES

MANUAL

OVERVIEW

Departments will each have their own credit cards for the purpose of travel and purchases where the purchase order process is not available. Each Department will be issued their own card(s) based on the number of divisions and the request of the Department Director. It will no longer be necessary for the cardholder to create a purchase requisition prior to buying approved items.

HOW TO OBTAIN A CREDIT CARD

Each Department will complete the *Credit Card Agreement*, obtain necessary approval and mail the Agreement to the Credit Card Program Administrator. Each Department will be limited on the number of credit cards they will receive.

GUIDELINES FOR CARD USE

Examples of what can be purchased:

- Books, video tapes, subscriptions
- Electronic database services
- Special or emergency office supplies not available through current office supplies or other stock items
- Maintenance/repair items
- Incidental and miscellaneous purchases
- Engineering supplies
- Lab supplies
- Airline tickets, car rentals, lodging, and registration fees.

Examples of what cannot be purchased:

- Hazardous material
- Items for personal use
- Alcoholic beverages, drugs, or pharmaceutical products.
- Flowers, holiday decorations, or personal items (such as food, Kleenex tissues, greeting cards,

invitations, paper cups or plates, pictures, radios, coffee pots, refrigerators, microwaves, art objects, etc.)

- Items that would be given away for promotional purposes.
- Entertainment expenses, parking fees, bus fares, taxi expenses, or meals when traveling.
- Gifts, donations, or contributions to individuals or organizations.
- Payments to other City departments.
- Cash Advances.
- Services

GENERAL INSTRUCTIONS

Give the supplier the Credit card number and expiration date, or present the card.

Ask the supplier to place "Visa" and the "cardholder's last name" in the purchase order field of the invoice/packing slip and write "Visa" somewhere on package.

If the material will be shipped or delivered, have the supplier enclose a copy of the receipt with each shipment.

If the material will be picked up, obtain the receipt indicating the purchase price.

No cash advance

Monthly credit limit - \$10,000 Per Department

Single transaction limit - \$3,000

Daily limits - \$3,000

Merchant Category Code (MCC) blocking (if available)

ORDERING PROCESS

Purchases for restricted transactions and purchases of more than \$3,000 should continue to be processed in accordance with the established procurement/disbursement policies and procedures.

Please be sure to follow these procedures when using the Credit Card:

1. Determine if the purchase is appropriate for a Credit Card transaction.
2. Determine if your transaction total is \$3,000 or less. If the transaction including delivery, shipping, tax, etc. will be greater than \$3,000, the transaction must be processed in accordance with established purchasing/disbursement policies and procedures.
3. Contact the vendor/supplier and:
 - State that you are calling from the City of Grand Island and you will be making a Visa purchase.
 - Emphasize that the City of Grand Island is sales tax exempt.
 - If the vendor/supplier requests the City of Grand Island's sales tax exempt number, please tell them that a Nebraska Resale or Exempt Sale Certificate Form 13 will be provided via mail or fax. You will need to contact the Finance Department to have the Form 13 completed and provided to the vendor/supplier.
 - Order item(s).
 - Give vendor/supplier the Credit Card number and expiration date.
 - Give vendor/supplier your name; the department's name, and complete delivery address. (Please provide complete shipping address to ensure proper delivery).
 - Indicate to vendor to only bill for exact items shipped.

When receiving a shipment, it is the responsibility of the cardholder to properly inspect the shipment of purchased goods. In case of returns, the cardholder is responsible for coordinating the return directly with the vendor/supplier and for contacting the Credit Card Program Administrator in the Finance Department with any unresolved issues.

PROOF OF PURCHASE DOCUMENTATION

With credit card authority comes the responsibility of acquiring adequate documentation for each credit card transaction.

Supporting documentation shall include at least one of the following:

- Vendor/supplier cashier's receipt
- Vendor/supplier invoice
- Copies of the vendor/supplier order form, registration form or application form

Supporting documentation for every purchase shall be submitted to the Finance Department on the credit card remittance form detailing the account number and amount for payment. The supporting documentation will be reconciled to the statement received from the Financial Institution for credit cards on a monthly basis by each Department.

- Violating any of these policies will result in the immediate termination of the privilege to use the credit card.
- Fraudulent use of the credit card will result in corrective action in accordance with the policies in the Human Resources Policy Manual.
- The credit card administrator reserves the right to suspend the use of an individual purchasing card at any time.

The Finance Director will administer the credit card program.

The Finance Controller will provide for the accounting transactions related to the credit card program including purchasing and payments under the direction of the Finance Director.

The credit card is not a substitute for the use of blanket purchase orders. If the City has a blanket purchase order with a vendor, that number shall be used and the purchase card shall not be allowed with that vendor.

WHAT IT THE SUPPLIER DOES NOT ACCEPT CREDIT CARDS?

Not all suppliers accept credit cards. If this happens:

Complete the transaction with a purchase requisition. Please contact your Credit Card Program Administrator with the names of any vendors you will use in the future who do not accept Visa.

AUDITS

The primary purpose of the audit is to ensure that the Credit Card Program procedures are being followed and that:

- Purchase volume appears reasonable
- The card is being used for appropriate transactions
- Auditor process when abuse is suspected:
 - Ask cardholder about the item(s)
 - Ask manager about the item(s)
 - Review with vendor if appropriate
 - Contact Human Resources

oContact Union representative if so advised

MONTHLY PAYMENT PROCEDURE

A monthly activity statement for each account is mailed to the cardholder. A summary statement is sent to Accounts Payable for payment processing.

It is the responsibility of the employee assigned to the card to verify the correctness of the billing by performing the following:

- Step 1 Verify that all items included on the monthly activity statement are correct.
- Step 2 Attach the monthly activity statement with the receipts/invoices. The statement must be sent to the approving manager for signature.
- Step 3 Each Department will submit a requisition for the credit card statement for payment. It is the responsibility of the approving manager to review, sign and return statements and send the statement and receipts to Accounts Payable. The manager's signature indicates that all charges for the cardholder have been reviewed and are in compliance with company policy and procedure.

RETURNS, CREDITS AND DISPUTED ITEMS

If you have a problem with a purchased item or billing resulting from use of the Credit Card, you should first try to reach a resolution with the supplier that provided the item. In most cases, disputes can be resolved directly between the cardholder and the supplier.

- Returns. Returns are handled just like any credit card purchase. Bring or ship the item back to the supplier, along with the purchase receipt and request that a credit be placed on your card account. If the item is shipped, keep a copy of the shipping form in case further follow-up is required.
- Credits. The supplier should issue credit for any item that has been discussed and agreed to for return. The credit will appear on a subsequent statement. Any item purchased with the Credit Card that is returned must be returned for credit. Do not accept a refund in cash or any other manner.

- Disputed Items. If you have a disputed charge and cannot reach resolution with the supplier, complete the form entitled Credit Card Billing Inquiry Form or write a letter within 60 days of the date the charge first appeared on your monthly statement. This should be faxed to
XXXXXXXXXX.

It is the cardholder's responsibility to attempt to resolve a dispute with a vendor within fifteen (15) days of a disputed purchase. If a resolution is not possible, the cardholder must report the problem to the City of Grand Island Credit Card Program Administrator.

ACCOUNTING

The Credit Card payment system is described as a central bill/central payment system. Each cardholder receives a monthly account statement for information and reconciliation purposes only. In addition, a summary of all charges with supporting detail is provided to Accounts Payable. Accounts Payable makes one payment to the card issuing financial institution on behalf of all cardholders and posts the individual account totals according to the General Ledger Account Number associated with each individual Credit Card number.

It is the cardholder's responsibility to provide the documentation for all transactions to the Finance Department in accordance with the City of Grand Island's record retention policy.

The cardholder and Department Head are responsible for ensuring that the purchases are charged to the proper account numbers.

CREDIT CARD SECURITY

The Credit card should be treated with the same level of care used with personal credit cards.

The credit card account number should be guarded carefully. Do not post it or write it in any location that is accessible to others.

It is the cardholder's responsibility to report the loss of the card immediately to the issuing bank, and the City of Grand Island Credit Card Administrator.

CONSEQUENCES FOR FAILURE TO COMPLY WITH PROGRAM GUIDELINES

Cardholder Consequences:

Revocation of card

Other disciplinary measures

Auditor process when abuse is suspected:

Ask cardholder about the item(s)

Ask manager about the item(s)

Review with vendor if appropriate

Contact Human Resources

Contact Union representative if so advised

KEY CONTACTS - WHO TO CALL

The following resources are available to provide assistance with answering questions or help solving any problems that arise with your purchasing card.

Call **at (800) xxx-xxxx (24 hours):**

To cancel or report a lost/stolen purchasing card

Emergency situations

Account inquiries

Billing information

If you don't receive your monthly memo statement

Call the Purchasing Card Program Administrator (*name*), ext. *xxxx*:

To apply for a purchasing card

For questions about procedures and policies

To replace damaged purchasing cards

For assistance with suppliers