



## Administrative Policies and Procedures

Policy Title: <b>CITY ISSUED PURCHASING CARDS</b>	Policy Number: 512
Effective: August 1, 2007	
Supersedes: APR #512 dated 4/1999	
Approval: <i>Roger W. Fraxey</i>	Page 1 of 6

### 1. Purpose

To set forth the official policy of the City of Ann Arbor regarding the use of City purchasing cards. This policy provides instructions on the proper use of City-issued purchasing cards as a supplement to purchase orders and other procurement techniques. This policy will facilitate service area operations while preserving the integrity of the City's internal controls.

### 2. Policy

2.1. It is the policy of the City of Ann Arbor to use purchasing cards issued to authorized personnel for the purchase of goods and services while on official business for the City only. The card may only be used for authorized expenditures from budgeted funds as approved by the Service Area Administrator. Failure to obtain proper authorization will result in the cancellation of the individual's purchasing card and may result in other administrative and/or disciplinary actions, if appropriate.

2.2. Unless otherwise approved, the purchasing card may be used for single purchases up to \$3,000 in value without prior approval. The *total monthly purchasing card limit for all transactions on each individual employee's purchasing card* will be established by his/her Service Area Administrator.

2.2.1. The type of transaction on each purchasing card can be limited to only certain types of vendors (i.e., hardware stores, automotive suppliers, etc.) at the request of the Service Area Administrator or the City Administration.

2.2.2. The total monthly purchasing card limit of any purchasing card issued to an employee may be increased or decreased at any point after issue by the Accounting Services unit staff upon a written request of his/her Service Area Administrator. Written notification identifying the amount of the increase or

decrease, the effective date and the reason, if any, for same, must be received by the Accounting Services Unit no later than 72 hours prior to any proposed effective date.

2.3. It is the responsibility of the Accounting Services unit to approve the issuance, accounting, monitoring and retrieval of purchasing cards issued in the City's name.

2.3.1. The Service Area Administrator, or authorized designee, is required to notify the Accounting Services unit whenever an employee who has been issued a purchasing card changes employment status as described below:

2.3.1.1. Employees transferring between City service areas must have written confirmation on file with the Accounting Services unit from their new Service Area Administrator confirming their authorized purchasing limit or the card should be returned to Accounting Services for cancellation.

2.3.1.2. It is the responsibility of the Service Area Administrator, or authorized designee, to retrieve the purchasing card from terminated or retiring employees and return the card to the Accounting Services unit immediately for cancellation.

### **3. Procedure**

3.1. Authorization. Each Service Area Administrator, or authorized designee, must in writing request issuance of a purchase card for an employee in their service area/unit. The request should include the following information: employee's name as it should appear on the purchasing card (i.e., legal name), amount of authorized monthly credit limit, any restrictions and a service unit contact person. The purchasing card issued will be issued in the City's and the employee's name.

3.1.1. The purchasing card issuer will only receive the last four digits of the employee's social security number for security purposes, if an employee needs to contact the bank for account information or to report a card lost or stolen. No other personal information will be provided to the purchasing card issuer other than the cardholder's name and work address.

3.1.2. The Service Area Administrator, or designee, and employee will be notified by the Accounting Services unit when the purchasing card is received. The employee will be required to attend a brief orientation and sign for the purchasing card before any usage of the purchasing card will be authorized.

3.2. Use and Responsibility. The employee to whom the card is issued will be responsible for all charges against the card.

3.2.1. Every employee issued a purchasing card will be given a copy of this policy and be required to sign a statement that the policy has been received and

read. The signed statement will be filed with and acknowledged by the Accounting Services unit before any purchases are authorized.

3.2.2. Any employee using a purchasing card is responsible to the City for complying with this policy. Each employee is responsible for protection and custody of the purchasing card and shall immediately notify the purchasing card issuer, their Service Area Administrator, or designee, and the Accounting Services unit if the purchasing card is lost or stolen.

3.2.2.1. An employee shall not duplicate, post or otherwise displace or disseminate his/her purchasing card so that it can be used by a third party. Sharing of an employee's card could result in cancellation of the purchasing card.

3.2.3. A statement of purchases for each purchasing card will be received by the individual cardholder at their work address, which will summarize the purchases during the preceding month. Charges received for billing during the billing cycle will be reflected. In addition to the purchasing card statements each employee receives, the Accounting Services unit will receive several management reports summarizing the activities of all employee purchasing cards.

3.2.4. If the Service Area Administrator, or authorized designee, questions a purchase made with a purchasing card, the cardholder must be able to explain the nature of the purchase. If the cardholder cannot substantiate that the purchase was necessary and for official City business, the Service Area Administrator will address this situation in accordance with normal disciplinary procedures. Resolution of situations involving improper use of the purchasing card and resulting in disciplinary action will be handled within existing procedures in applicable collective bargaining agreements or Human Resources Policies and Procedures.

3.2.5. An employee shall retain and file copies of all receipts pertaining to any purchase made on a monthly basis with their service area/unit. The service area/unit shall forward the original detailed receipts to the Accounting Services unit as part of the monthly reconciliation process. (Please note: Receipts that indicate just the amount purchased and not the detailed items are insufficient.)

3.2.6. The service area/unit shall be required to justify for audit purposes any purchase made by their employees.

3.2.7. In accordance with the regulations and procedures established by the card issuer, participating vendors cannot increase prices to purchasing card users. The employee should report violation of this regulation to the Service Area

Administrator, or designee, and the Accounting Services unit as soon as possible after the incident.

3.3. The following list covers purchases for which purchasing card use is prohibited:

- 3.3.1. Cash advance through the bank tellers or teller machines;
- 3.3.2. Purchase of gasoline or diesel fuel for City vehicles, except in an emergency situation;
- 3.3.3. Additional specific restrictions as deemed necessary by individual service units or the City administration. Specific restrictions may be updated from time to time.
- 3.3.4. Any merchandise or service not required by the City for the conduct of official business.

3.4. The purchasing card is a supplement to other City purchasing ordinances, policies and procedures such as purchase orders. As with the other purchasing methods, the following conditions must be met prior to or in conjunction with the use of a purchasing card:

- 3.4.1. Cardholders must follow normal budgetary control procedures to ensure that sufficient funds are available prior to making any purchase;
- 3.4.2. Use of the purchasing card is not intended to: 1) replace effective procurement planning which enable volume discounts, or 2) to purchase centrally controlled expenditures;
- 3.4.3. Purchases must not be split to circumvent procurement procedures.

3.5. Employees are required to follow these steps when an in-person purchase with the purchasing card is made:

- 3.5.1. The merchant will request that the employee sign a vendor sales draft. Before signing the draft the employee should verify the dollar amount is correct and that sales tax has not been included.
- 3.5.2. The employee will be provided one copy of the signed sales draft. This copy should be kept and verified against the monthly Statement of Account. Once verified that all items are correct, the sales drafts should be attached to the statement and forwarded to the Service Area Administrator, or designee, for approval. (Note: If the sales draft does not have sufficient detail of the purchase, a description should be attached to the statement along with the sales draft).

3.6. Employees are required to follow these steps when a telephone, fax or Internet purchase with the purchasing card is made:

3.6.1. The cardholder must confirm that the vendor agrees to charge the purchasing card when shipment is made and provide a receipt or paid invoice with the shipped goods so that the purchase may be certified on the monthly Statement of Account. The cardholder may also request that a receipt or invoice be faxed or mailed to substantiate the purchase.

3.6.2. On receipt of the purchase, the employee will be required to verify the invoice dollar amount is correct and that sales tax has not been included. Notify the Accounting Services unit of any vendors unwilling to remove/reimburse taxes charged in error.

3.7. The following procedures should be followed after a purchase with a purchasing card has been made:

3.7.1. After receiving the monthly Statement of Account, review the statement for accuracy;

3.7.2. Attach all original sales drafts and detailed receipts to the statement. The sales draft or detailed receipt must identify the items or services charged. Charges without the sales draft will be subject to review by the Service Area Administrator, or designee, and may be subject to disciplinary action. Frequent submissions of statements without the sales drafts will lead to the revocation of the card.

3.7.3. If you have returned an item purchased, attach the credit voucher to the statement on which it appears.

3.7.4. If the employee has charged an item incorrectly, provide a complete explanation of the error on a memo accompanying the statement. Deposit a reimbursement with the Customer Service Center and attach a copy of the receipt to the monthly reconciliation. Contact Accounting Services if you need assistance.

3.7.5. There may be occasions where you find items on your statement that do not correlate with your receipts. You may not have made the transaction, the amount is incorrect, or you have a quality issue. If this situation arises, try to resolve the problem with the merchant first. If the merchant refuses to issue a credit voucher, or is unable to be contacted with the information given on the statement, the employee should prepare a memo to the Service Area Administrator, or designee, and the Accounting Services unit, explaining the problem. Upon receipt of a disputed charge, the Accounting Services unit will submit a formal dispute with the purchasing card issuer. Disputes should be submitted in writing to the purchasing card issuer within 60 days of the statement date so the bank can research the disputed item. The bank will

resolve disputes within 90 days. Prompt and timely notification should be submitted to the Accounting Services unit to ensure the above deadlines are met, otherwise the City could be liable for the disputed charge and become the responsibility of the affected service unit's budget.

3.8. The following list details internal accounting procedures:

- 3.8.1. The management reports issued to the Accounting Services unit will be used to determine charges to individual service units;
- 3.8.2. Accounting Services unit will establish an appropriate expense budget line for purchasing card charges for each service unit;
- 3.8.3. On a monthly basis, the Accounting Services unit will prepare a journal voucher (JV) to post the appropriate charges to the responsible service units;
- 3.8.4. Service units will be responsible to insure expenses (journal voucher) are charged to the correct accounting budget line. On a monthly basis journal vouchers will be forwarded to the Accounting Services unit for approval with all related detailed receipts.