



## Administrative Policies and Procedures

Policy Title: City Issued Purchasing Cards	Policy Number: 512
Effective: 11/24	
Supersedes APR #512 dated 4/99, revised 8/07, 1/15, 7/15, 04/16	
Approval: <i>Milton Dohoney Jr.</i>	Page 1 of 8

### 1. Scope

- |                                                        |                                              |
|--------------------------------------------------------|----------------------------------------------|
| <input checked="" type="checkbox"/> Full-time          | <input checked="" type="checkbox"/> Union    |
| <input checked="" type="checkbox"/> Part-time          | <input checked="" type="checkbox"/> Salaried |
| <input checked="" type="checkbox"/> Temporary/Contract |                                              |

### 2. 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. This policy covers all City Employees who are authorized to use a City purchasing card in the performance of their duties.

### 3. Policy

- 3.1 It is the policy of the City of Ann Arbor that City purchasing cards issued to authorized personnel may be used for municipal purchases of goods and services while on official business for the City. The purchasing 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. If the purchase is Federal grant-related, the City employee who is designated grant administrator must pre-approve p-card purchases in writing before a grant account can be charged.

- 3.2 Unless otherwise approved, the purchasing card may be used for single purchases up to \$5,000 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.

3.2.1 The type of transaction allowable on a 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. For items purchased with Federal grant funding, the purchase must be allowable under the grant and the cost must be reasonable and necessary under the grant terms.

3.2.2 The total monthly purchasing card limit of any purchasing card issued to an employee may be increased or decreased at any point after issuance by the Finance 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 Finance no later than 3 business days prior to any proposed effective date.

- 3.3. It is the responsibility of Finance to approve the issuance, accounting, monitoring and retrieval of purchasing cards issued in the City's name.

3.3.1 The Service Area Administrator, or authorized designee, is required to notify Finance whenever an employee who has been issued a purchasing card changes employment status as described below:

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

3.3.1.2 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 purchasing card to Finance immediately for cancellation.

#### 4. Procedure

- 4.1 Authorization - Each Service Area Administrator, or authorized designee, must request in writing issuance of a purchasing 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, a service unit contact person, and the completed Employee Purchasing Card Agreement. The purchasing card issued will be issued in the City's and the employee's name but will not be reflected on the employee's individual credit report.
- 4.1.1 The purchasing card issuer will only receive the last four digits of the employee's social security number and birth date as indicated on the Employee Purchasing Card Agreement. This information is for security purposes in the event that an employee needs to contact the bank for account information or to report a purchasing 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.
- 4.1.2 The Service Area Administrator, or authorized designee, and employee will be notified by Finance when the purchasing card is received.
- 4.2 Use and Responsibility - The employee to whom the purchasing card is issued is responsible for compliance with this policy and all regulations related to the use of the purchasing card established by the issuing bank.
- 4.2.1 An 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 authorized designee, and Finance if the purchasing card is lost or stolen.
- 4.2.1.1 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 purchasing card could result in cancellation of the purchasing card.***

- 4.2.2 A statement of purchases for each purchasing card which summarizes the purchases during the preceding month ("Statement of Account" or "Statement") will be received by the individual cardholder at their work address and is also available online. Charges received for billing during the billing cycle will be reflected. In addition to the purchasing card Statements each employee receives, Finance will receive several management reports summarizing the activities of all employee purchasing cards.
- 4.2.3 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 resulting in disciplinary action will be handled within existing procedures in applicable collective bargaining agreements or Human Resources Policies and Procedures.
- 4.2.4 An employee shall utilize the P-Card Documentation SharePoint site to retain and file copies of all receipts pertaining to any purchase made on a monthly basis. Itemized receipts are required. Receipts that indicate just the amount purchased and not the detailed items are insufficient. If the purchase is charged to a federal grant, please include the prior written permission received with your receipt. Copies of monthly statements, receipts, any other documentation, as well as the reconciliation with general ledger account details and manager approval are due to Finance within 30 days of the statement date. (i.e. the November 5<sup>th</sup> statement would be due to Finance by December 5<sup>th</sup>).
- 4.2.5 The service area/unit shall be required to justify for audit purposes any purchase made by their employees.
- 4.2.6 In accordance with the regulations and procedures established by the purchasing 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 authorized designee, and Finance as soon as possible after the incident. This does not pertain to credit card convenience fees that are charged to all patrons for using a credit card.

- 4.3 The following list covers purchases for which purchasing card use is prohibited:
  - 4.3.1 Cash advances of any kind;
  - 4.3.2 Purchase of gasoline or diesel fuel for City vehicles, except in an emergency situation;
  - 4.3.3 Additional specific restrictions as deemed necessary by individual service units or the City administration. Specific restrictions may be updated from time to time.
  - 4.3.4 Any merchandise or service not required by the City for the conduct of official business.
- 4.4 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:
  - 4.4.1 Cardholders must follow normal budgetary control procedures to ensure that sufficient funds are available prior to making any purchase;
  - 4.4.2 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;
  - 4.4.3 Purchases must not be split to circumvent procurement procedures.
- 4.5 Employees are required to follow these steps when an in-person purchase with the purchasing card is made:
  - 4.5.1 The merchant may request that the employee sign a vendor sales draft. Before signing, the employee should verify the dollar amount is correct and that sales tax has not been included.
  - 4.5.2 The employee must obtain an itemized copy of the receipt from the vendor. This copy should be kept and verified against the monthly Statement of Account. Once verified that all items are correct, the itemized receipt should be uploaded to the P-Card Documentation SharePoint site and the Service Area Administrator, or authorized designee, should be notified for approval.

- 4.5.3 The employee must ensure that sales tax is not added to the total amount paid. Repeated payment of sales tax may result in the revocation of the purchasing card.
- 4.6 Employees are required to follow these steps when a telephone or Internet purchase with the purchasing card is made:
  - 4.6.1 The cardholder must confirm that the vendor agrees to charge the purchasing card when shipment is made and provide an itemized 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, emailed or mailed to substantiate the purchase.
  - 4.6.2 Upon 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.
  - 4.6.3 The employee must ensure that sales tax is not added to the total amount paid. Repeated payment of sales tax may result in the revocation of the purchasing card.
- 4.7 The following procedures should be followed after a purchase with a purchasing card has been made:
  - 4.7.1 After receiving the monthly Statement of Account, review the Statement for accuracy; Contact suppliers if any discrepancies are found. If unable to resolve a discrepancy, follow the card issuers dispute reporting process.
  - 4.7.2 Scan and submit all itemized receipts to the P-Card Documentation SharePoint site. Obtain approval on the statement by notifying the Service Area Administrator, or authorized designee. The itemized receipts must identify the items or services being charged. Charges without the sales draft will be subject to review by the Service Area Administrator, or authorized designee, and may be subject to disciplinary action. Submission of monthly Statements without the itemized receipt may result in the revocation of the purchasing card. Please note that Order Summaries from online transactions may give detailed information but do not show the item(s) was delivered. By using this documentation, the user is acknowledging they have received the item and are satisfied with the purchase.

- 4.7.3 If you have returned an item purchased, attach the credit voucher to the Statement on which it appears.
  - 4.7.4 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 immediately and upload a copy of the receipt to the SharePoint site. Contact Accounting Services if you need assistance.
  - 4.7.5 There may be occasions where you find items on your monthly 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, 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 authorized designee, and Finance, explaining the problem. Upon receipt of a disputed charge, the cardholder will submit a formal dispute with the purchasing card issuer. Disputes should be submitted as soon as possible so the bank can research the disputed item. Prompt and timely notification should be submitted to Finance to ensure the above deadlines are met; otherwise the City could be liable for the disputed charge, which becomes the responsibility of the affected service unit's budget.
- 4.8 The following list details internal accounting procedures:
- 4.8.1 The documents submitted on the P-Card Documentation SharePoint site are used to determine charges to individual service units;
  - 4.8.2 Accounting Services Unit will establish an appropriate expense budget line for purchasing card charges for each service unit as a default; Cardholders are responsible for indicating the appropriate general ledger account to charge each month for each purchase.
  - 4.8.3 On a monthly basis, Finance will import transactions to post the appropriate charges to the responsible service units;
  - 4.8.4 Service units will be responsible to ensure expenses posted are charged to the correct accounting budget line. All statements, receipts, any other documentation, and approval of purchases are retained in electronic format on the SharePoint site.

## 5. Purchasing Card Violations

- 5.1 Employees who violate this policy shall be subject to revocation of their purchasing card, either temporarily or permanently, at the discretion of the City Administrator or their designee.