

City of South Daytona

Office of the City Manager

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MEMORANDUM

AGENDA ITEM
E 21 DATE 9/29/2020

To: The Honorable Mayor and Members of the City Council
From: James L. Gillis, Jr., City Manager *[Signature]*
Re: Resolution No. 2020-41 Revising the City's Purchasing Card Policy
Date: September 23, 2020

Staff developed a Purchasing Card Policy which was adopted by the City Council on September 14, 2020. At that meeting, it was requested that the policy be amended in three ways:

1. Assigning the City Manager as being responsible for the implementation, execution and performance of the policy.
2. Requiring the City Manager to report infractions to the City Council.
3. More clearly define which employees receive a purchasing card.

The above revisions will strengthen the policy and further reduce the likelihood of misuse; therefore, the policy has been revised as requested. Attached is Resolution No. 2020-41 which seeks ratification of the revised policy by the City Council. The revised policy has been attached to the resolution and the requested changes have been highlighted on Page 1 and Page 5 of the document.

RESOLUTION NO. 2020-41

**A RESOLUTION OF THE CITY OF SOUTH DAYTONA, FLORIDA,
REVISING THE CITY'S PURCHASING CARD POLICY; PROVIDING
FOR CONFLICTING RESOLUTIONS; PROVIDING FOR
SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.**

WHEREAS, the City Council adopted the City's Purchasing Card Policy on September 14, 2020; and

WHEREAS, the City Council requested the policy be amended to include making the City Manager responsible for the implementation, execution and performance of the policy including the duty to report infractions to the City Council and the decision on which employees receive a purchasing card; and

WHEREAS, the Purchasing Card Policy, attached, has been revised to reflect the City Council's request on page 1 and page 5; and

WHEREAS, the revisions made to the Purchasing Card Policy will strengthen the document, further reducing the likelihood of misuse.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SOUTH DAYTONA, FLORIDA, THAT:

SECTION 1. Based on the recitals above, the City Council hereby ratifies the revised Purchasing Card Policy which is attached hereto and made a part hereof.

SECTION 2. All prior resolutions, if any, which conflict with this resolution are hereby repealed.

SECTION 3. If any section, subsection, sentence, clause, phrase or portion of this resolution, or application hereof, is for any reason held invalid or unconstitutional by any Court, such portion or application shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions or application hereof.

SECTION 4. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a meeting of the City Council of the City of South Daytona, Florida, on the 29th day of September, 2020.

SIGNED:

WILLIAM C. HALL
Mayor

ATTEST:

JAMES L. GILLIS, JR.
City Manager

APPROVED AS TO FORM:

SCOTT E. SIMPSON
City Attorney

City of South Daytona

Purchasing Card Policy

1. Purpose:

To establish procedures for a purchasing card program.

2. Scope:

These procedures apply to all transactions made with a City of South Daytona purchasing card.

3. General:

The City of South Daytona Purchasing Card Program is designed to improve efficiency in processing small dollar purchases from any vendor that accepts credit cards.

This program will allow the cardholder to purchase approved commodities and services directly from our vendors. Each purchasing card is issued to a named city employee, and City of South Daytona is clearly shown on the card as the governmental buyer of the goods or services.

The City Manager is responsible for the implementation, execution and performance of this policy.

The Finance Department will monitor all transactions made with the City's purchasing cards. The Finance Director will advise the City Manager of any and all infractions to the policy immediately upon discovery.

Infractions will be investigated by the City Manager, Finance Director and Police Chief, if warranted. It is the responsibility of the City Manager to notify the City Council of infractions made by employees along with the associated discipline levied for those infractions which shall include law enforcement action when deemed necessary.

All questions or concerns should be directed to the Finance Director.

4. Objectives:

- A. To provide departments an efficient method of purchasing and paying for goods or services under \$3,000 per purchase/transaction/job/project.
- B. To reduce the use of petty cash and blanket purchase orders.
- C. To ensure purchasing card purchases are in accordance with the City's policies and procedures and with the Florida Statutes.
- D. To reduce the time spent by personnel processing small dollar transactions.

- E. To ensure that the City bears no legal liability from inappropriate use of purchasing cards.
- F. To provide for disciplinary action if the purchasing cards are misused. The procedures provided herein are minimum standards for departments.

5. Authorization:

When the purchase authorization is requested by the supplier at the point of sale, the purchasing card system validates the transaction against preset limits established by the employee's department and approved by the Finance Director. All transactions are approved or declined (electronically) based on the purchase card authorization criteria established. The authorization criteria may be adjusted periodically as needed and may include, but are not limited to the following:

- A. Number of transactions allowed per day.
- B. Number of transactions allowed per month.
- C. Single purchase limit.
- D. Monthly spending limit.
- E. Approved merchant category codes.

The authorization process occurs through the electronic system that supports the purchasing card processing services under the agreement established between the City of South Daytona and the financial services provider.

6. Responsibilities:

The following is a summation of the responsibilities of the individuals and organizations involved in the purchase card system:

A. Cardholder

1. The Purchasing Card shall be used only in strict conformity with the terms and conditions of the Cardholder Agreement.
2. Hold and secure purchasing cards
3. Order materials and services.
4. Inform vendor of tax-exempt status prior to processing sale transaction. It is the responsibility of the cardholder to ensure that sales tax is not charged. Failure to ensure that sales tax is removed will result in progressive discipline as outlined in our employee policy manual.
5. Obtain all sales receipts and forward to the representative for authorizing approval.

6. Log phone orders and request receipts.
7. Identify disputed charges.
8. Sign monthly statement and forward to department head for approval and signature.

B. Department Representative

1. Review charges daily.
2. Assist department cardholders with disputed items.
3. Assign and/or verify the appropriateness of account numbers.
4. Verify appropriate discount has been deducted by vendor.
5. Verify that no sales tax has been charged on any receipts.
6. Enter cardholder charges into invoice entry in Accounts Payable.
7. Obtain signature from Department Head on monthly statements.
8. Forward all charge receipts, invoice batch recaps and necessary documentation to Accounts Payable.
9. Collect cards from cardholders that transfer employment and via e-mail notify the Finance Director of the transfer and return the card to the Finance Director.
10. Notify, via e-mail, the Finance Director when an employee terminates. The purchasing card shall be cut in half and returned to the Finance Director.

C. Department Head or His/ Her Designee

1. Request purchasing cards for designated employees.
2. Set departmental and cardholder spending limits within established guidelines.
3. Designate Department Representatives to administer purchasing card system within each department.
4. Review charge receipts and authorize payments by signing accounts payable slips.
5. Sign monthly statements for their purchasing card, attach all receipts with justification and forward to the City Manager for approval and signature.

D. Finance Director

1. Approve requests for purchasing cards submitted by Department Head

2. Coordinate issuance and cancellation of cards.
3. Coordinate program policy issues including revisions to the program.
4. Participate in resolving billing disputes.
5. Coordinate and maintain internal controls.
6. Maintain procedures and cardholder guides/manuals.

E. City Manager

1. Review, approve, and sign department head monthly statements.
2. Sign monthly statements for their purchase card, attach all receipts with justification, and forward to the Finance Director for approval and signature.

F. Accounts Payable

1. Receive all charge receipts, invoice batches and necessary documentation from all department representatives.
2. Receive approved charge receipts from all cardholders.
3. Confirm that all charges are authorized by Department Head or his/her designee and all purchases are in conformance with the City's purchasing policy.
4. Reconcile consolidated statement and notify departments when approved charge receipts are not received.
5. Post all monthly charges from consolidated statement.
6. File and store statements, receipts, etc.
7. Upon request, provide weekly or monthly statements to the Department Head or his/her designee.
8. Pursue supplier discount opportunities.
9. Evaluate purchasing card feedback from suppliers and cardholders.
10. Provide training to all new cardholders and refresher training classes as needed.

7. Procedures:

A. Assignment and Control of the Purchasing Card

1. Requests for and Issuance of Purchasing Cards

- a. Purchasing cards shall be issued to all department heads. Department heads will be responsible for determining which employees under their direction are to be issued purchasing cards. Generally, these will be the employees who frequently purchase goods or services on behalf of the City. All requests for purchasing cards or for changes to current cardholders must be made by the Department Head using the Request for Purchasing Card form. The Finance Director must concur with the Department Head's selection of employees or changes. If there is a dispute between the Department Head and Finance Director regarding which employees are to receive a purchasing card or any changes thereof, the City Manager shall make the decision in writing based on minimizing the possibility of card misuse.
- b. The purchasing card will have the employee's name, the City's name, the City's tax exemption number and the expiration date. The purchasing card issuing company will not have individual cardholder information other than the cardholder's work address. No credit records, social security numbers, etc., of the cardholder will be maintained.
- c. When the Finance Director receives the card from the issuing card company for a cardholder, the cardholder will be required to personally take receipt of the card and sign the Request for Purchasing Card. The Finance Department will provide training and a copy of the Purchasing Card Procedures Guide to the cardholder.

2. Lost or Stolen Purchasing Cards

- a. If a purchasing card is lost or stolen, the cardholder or department representative must immediately notify the financial service provider and the Finance Director.
- b. The cardholder will be responsible for reporting all information necessary to reduce the liability to the City for a lost or stolen card.
- c. Lost or stolen cards may result in progressive discipline as outlined in the employee policy manual.

3. Termination or Transfer of Cardholder

- a. When an employee ends employment, the Department Head or his/her representative must notify the Finance Director immediately, collect the purchasing card, cut it in half, and submit the card to the Finance Director.
- b. If the department is unable to collect the purchasing card when an employee terminates, the Department Head must immediately notify the Finance Director. The Finance Director will ensure that the card is cancelled.
- c. When an employee transfers to another department, the Department Head or his/her representative must notify the Finance Director, submit the card

to the Finance Director. The Finance Director will adjust the employee's purchasing card to reflect privileges given, if any, by the new department.

B. Limitation on Use of Purchasing Cards

1. Cardholder Use Only

The purchasing card may be used only by the employee whose name is embossed on the card. No other person is authorized to use the card.

2. City Purchase Only

The purchasing card is to be used for City-authorized purchases only.

The purchasing card cannot be used for any personal use. Any such use will require immediate reimbursement and will result in disciplinary action which may include dismissal.

3. Dollar Limitations

- a. The Department Head approving the assignment of a purchasing card will set two limits for each cardholder: a single purchase limit and a 30-day limit. The maximum limits shall be \$5,000 for goods and supplies and services. A limitation will be placed on purchases in a 30-day cycle.
- b. A purchase may be made of multiple items, but the invoice cannot exceed \$3,000 without a purchase order issued prior to purchase, or the cardholder's limit if less than \$3,000. Payment for purchases can not be split to stay within the single purchase limit.

4. Other Conditions

- a. Sales tax may not be charged by the vendor. If necessary, provide the vendor with a sales tax exemption certificate.
- b. All items purchased over-the-counter must be immediately available. No back ordering is allowed.
- c. All items purchased during one telephone transaction must be delivered in a single delivery. If an item is not immediately available, no back ordering is allowed.
- d. All items purchased by telephone must be delivered by the vendor within the 30-day billing cycle. The order should not be placed without this assurance.
- e. Check with the vendor when ordering by phone or check the catalog from which you are ordering to make sure shipping is included in the price quoted. If the price exceeds \$3,000 when shipping is added, you may not

use the purchasing card until a purchase order has been issued authorizing the purchase.

- f. No purchases shall be made from a foreign supplier requiring foreign currency.

5. Prohibited Uses of Purchasing Cards

- a. Cash advances
- b. Capital items
- c. Any additional goods/services specifically restricted by the Finance Department or the department
- d. Any purchases from a foreign supplier requiring foreign currency
- e. Telephone calls
- f. Personal, Family or Household items
- g. Purchases from vendors, which create a conflict of interest

C. Procedures for Making and Paying for Purchases

1. Telephone Orders

- a. When placing a telephone order, the cardholder must confirm that the vendor will charge the purchasing card when shipment is made so that receipt of the supplies may be certified on the monthly Statement of Account.
- b. The cardholder shall request the vendor to send the customer's copy of the charge slip with the order. Packing slips are not sufficient documentation.
- c. Charge slips should identify the merchandise purchased. If the merchandise is not sufficiently identified on the charge slip provided by the merchant, the cardholder should describe the merchandise sufficiently enough for the Department Director to determine that the purchase was for City purpose.
- d. The charge slip will be forwarded to Accounts Payable with the proper authorization signatures.

2. Missing Documentation

Where supporting documentation is missing, the cardholder must contact the vendor and request a duplicate receipt. If the cardholder is unable to obtain documentation, a description of the purchase must be attached. Continued incidents of missing documentation may result in the cancellation of the employee's purchasing card and disciplinary action.

3. Payment and Invoice Procedures

- a. The purchasing card company will provide one consolidated statement for all cardholders to Accounts Payable. This Statement of Account will list all transactions processed during the previous 30 days. If no purchases were made on the purchasing card during the billing cycle, no Statement of Account will be generated unless adjustments for previously billed transactions have been processed during that cycle.
- b. Accounts Payable will review the statement and note any errors and notify the departments of any discrepancies. The department will determine whether to dispute the item in question. If the item is disputed, follow the procedures below. All items must be resolved within five (5) working days.

D. Disputes

1. If items purchased with the purchasing card are defective, the cardholder must return the item(s) to the vendor for replacement or credit. If the service paid for with a purchasing card is faulty, the vendor must be notified and asked to correct the situation or provide a credit. If the vendor refuses to replace or correct the faulty item or service, the purchase will be considered in dispute.
2. If a department has been charged for an item not received, then a Cardholder Statement of Disputed Item Form must be completed by the cardholder and sent or faxed to the financial service provider. A copy of the Cardholder Statement Disputed Item Form should also be sent to Accounts Payable.

E. Review of Purchases by Departments

1. Because of their knowledge of the job responsibilities and requirements, Department Heads are required to review each purchasing card expenditure (item purchased, amount and vendor) to ensure the goods/services were necessary and for official use.
2. When the Department Head is not satisfied that the purchase was necessary and for official use, the cardholder must provide either a credit voucher proving the item(s) were returned for credit or a personal check for the full amount of the purchase. Checks must be sent to Accounts Payable with an explanation and account number to credit.
3. Serious or repeated misuse of the purchasing card will result in the revocation of the card. Employees incorrectly using their purchasing card will be disciplined by the Department Head in accordance with the progressive discipline outlined in the employee policy manual.
4. To help the departments in their reviews, management reports will be available from the Finance Director or Accounts Payable.

F. Abuse/Violations

1. Participation in the City of South Daytona Purchasing Card Program is a convenience that carries responsibilities along with it. Although the card is issued in a cardholder's name, it is City property and should be used with good judgement. Improper use of the card can be considered misappropriation of City funds which may result in disciplinary action, up to and including termination. Cardholders are expected to comply with internal control procedures in order to protect City assets. This includes keeping receipts, resolving discrepancies and following proper card security measures.
2. The Department Head should notify the Finance Director if a cardholder abuses the program or violates the procedures.
3. The Finance Director will conduct operational and compliance audits to determine if the program is being abused or procedures are being violated.
4. If an abuse or violation has occurred, the Finance Director should notify the cardholder by using a Purchasing Card Abuse Notification form.
4. Misuse of the Purchasing card may result in disciplinary or other appropriate action. Misuse and violations will result in revocation of Purchasing Card privileges and may result in termination of employment for cause.
5. Abuse, misuse, and violations include, but are not necessarily limited to the following:
 - a. Purchase over \$3,000 without obtaining a purchase order.
 - b. Purchase of unauthorized or prohibited items/services (See Section 5)
 - c. Multiple transactions to circumvent Purchasing procedures.
 - d. Failure to provide proper documentation, receipts invoices etc.
 - e. Purchase of Capital Outlay Items.
 - f. Purchase from vendors, which create a conflict of interest.
 - g. Personal, Family or Household charges.
 - h. Allowing another person, other than the cardholder, to use the card.
 - i. Failure to report a lost or stolen card in a timely manner.