

ORDINANCE NO.: 14 -2012  
INTRODUCED BY: Headen

AN ORDINANCE ENACTING A PROCUREMENT CARD POLICY  
FOR CITY PURCHASES.

WHEREAS, it has been recommended by the City's Audit Committee that a procurement card policy be established for use by City employees and officials for certain purchases necessary for the operation of the City government under specific guidelines and protocols;

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Richmond Heights, Cuyahoga County, State of Ohio, that:

Section 1: This Council adopts a procurement card policy that is set forth in Exhibit A to this Ordinance, which is attached hereto and incorporated fully by reference herein.

Section 2: This Council finds and determines that all formal actions of this Council and any of its committees concerning and relating to the passage of this Ordinance were taken in an open meeting of this Council or any of its committees, and that all deliberations of this Council and of any of its committees that resulted in those formal actions were in meetings open to the public, in compliance with the law.

Section 3: This Ordinance shall take effect and be in force from and after the earliest period allowed by law.

PASSED: \_\_\_\_\_, 2012

\_\_\_\_\_  
Daniel J. Ursu, Mayor

APPROVED: \_\_\_\_\_, 2012

ATTEST: \_\_\_\_\_

Betsy Traben  
Clerk of Council

\_\_\_\_\_  
David H. Roche  
President of Council

## Procurement Card Policy

The procurement card is a purchasing tool, which offers an alternative to the existing City of Richmond Heights purchasing process. It provides an extremely efficient and effective method of purchasing and paying for goods and services.

This policy describes the procedures for appropriate procurement card use. By signing the procurement card agreement form (attached hereto as Appendix 1), the employee promises to comply with program policies, rules and regulations. A procurement card will be issued to an employee upon approval by the City's Director of Finance ("Finance Director") and after the employee executes a signed procurement card agreement form. The employee executing the procurement card agreement shall be known as the "Cardholder" as defined herein.

A procurement card that is issued with an employee's name on the face of it is to be utilized only by that employee Cardholder. The authorized Cardholder of the procurement card is the person that is responsible for tracking and reporting monthly purchases to the Finance Department. The authorized Cardholder that handles a procurement card is responsible for the appropriate use of City funds. The procurement card is the property of the City of Richmond Heights and may be rescinded at any time. The procurement card is only to be used for the types of purchase outlined in this policy.

Each "Custodian" (as defined herein) shall keep a current record of transactions and receipts to protect himself/herself and the City. These records are important internal controls elements of the electronic purchasing process and essential to the success of the procurement card program.

### **PROCEDURE**

The procurement card simplifies the purchasing and disbursement process by facilitating point-of-demand procurement. Purchasing authority is delegated to the authorized Cardholder enabling him or her to place an order directly with the supplier.

When the supplier requests a purchase authorization, the Master Card system validates the transaction against pre-set limits established by the City.

All transactions are approved or declined (instantaneously) based on the following procurement card authorization criteria:

- Number of transactions allowed per day
- Number of transactions allowed per month
- Single purchase limit

- Spending limit per month
- Approved merchant commodity code

The authorization process occurs through an electronic system that supports the procurement card processing services under the City of Richmond Heights agreement with the card provider. In addition, the Department of Finance will have the capability to view transactions daily and create reports to effectively monitor the use of the procurement cards.

### **Purchasing Guidelines**

The procurement card program will not circumvent the City's purchasing rules and procedures. The Procurement Card will not be used in place of a Purchase Order.

Each Cardholder and card Custodian is responsible for the security of the card he/she is issued and for the purchases made with it. Consequences for card misuse are severe and penalties may include loss of job.

The regulations for the usage of procurement cards are as follows:

- It is the responsibility of each Custodian to have control over all purchases made by his/her department or division using the procurement card.
- The Custodian must submit all requests for procurement card deletions, additions, or changes in writing to the Finance Director.
- The authorized Cardholder of the procurement card is the person that is responsible for tracking and reporting monthly purchases to the Department of Finance.
- The card Custodian shall maintain a list of authorized users. The card Custodian is responsible for ensuring that purchases made with the procurement cards are within budgeted appropriations.
- The President of Council will serve as the card Custodian for procurement cards issued in the name of councilmembers.

### **Restrictions on Procurement Card Use**

The procurement card cannot be used for the following: cash advances, traveler's checks, personal services, capital equipment (equipment purchases exceeding \$5,000), purchases of alcoholic beverages, tobacco purchases, and any other purchase that is not for a public purpose of the City of Richmond Heights.

The Procurement Card cannot be used for the following transaction types listed below unless the Finance Director has specifically approved the inclusion as an approved merchant commodity code on a specific procurement card: airline tickets, automobiles and vehicle rentals, registration fees for educational programs (conferences, seminars, forums, and continuing education), and hotels.

If you have any questions regarding a restricted commodity, please contact the Finance Director.

Each procurement card has been assigned an individual credit limit based on the Custodian's and the Finance Director's approval. If that limit becomes too low to accommodate monthly requirements, the Cardholder may request an increase through the Custodian to the Finance Director. The department or division should allow two days to process any limit changes to a procurement card.

Certain merchants are blocked from the program and purchases through them will be declined. If the Cardholder feels that his/her purchase has been mistakenly declined, the Cardholder should contact the Department of Finance to address the issue.

#### **PLACING AN ORDER**

When placing an order, the Cardholder should be able to provide the vendor the following procurement card information:

- Identify himself/herself as a City of Richmond Heights Cardholder employee;
- Indicate that the purchase will be made using a procurement card;
- Supply the provider card name;
- Provide the individual card number;
- Give the expiration date of the card;
- Provide the complete delivery address;
- Any other information necessary to make the purchase; and
- Never allow a vendor to maintain the procurement card information for its files.

## **ORDER VERIFICATION PROCEDURES**

Upon receipt of an order, the documentation received from the vendor (typically a sales receipt or packing slip) shall be kept for later reconciliation. Each month the card Custodian will receive a statement from the card provider showing all purchases made. It is the responsibility of the card Custodian to verify each purchase.

The card Custodian is responsible for ensuring receipt of goods and services. Items should be returned directly to the vendor by whichever means the vendor requires. The card Custodian is responsible for seeing that the proper credit is posted for any returned items.

## **Proof of Purchase Documentation and Reconciliation**

With the authority to purchase specific goods and services comes the responsibility to maintain adequate documentation at the source of the transaction. Whenever a packing slip or sales receipt is received by the Cardholder making the purchase, the sales receipt should be forwarded to the Custodian of the card as proof that the transaction occurred. The Custodian should retain this documentation until the monthly statement from the card provider is received.

After receiving the statement from the card provider, the card Custodian will need to verify all purchases made and create a purchasing log allocating the account(s) that will be used in order to pay for the items purchased. The original documentation along with the correlating purchasing log will then be sent to the Department of Finance for approval and processing.

All documentation must support the legitimate business purpose of all transactions made with the procurement card. In addition to sales receipts and packing slips, the following are examples of supporting documentation: copies of order forms or applications, services reports when service is provided by a vendor, and cash register receipts.

## **Discrepancies and Dispute Procedures**

The Cardholder that makes the purchase is responsible for following up with a vendor for any erroneous charges, disputed items, or returns. Disputed charges can result from failure to receive goods or services, fraud or misuse, altered charges, defective merchandise, incorrect amounts, duplicate charges, credits not processed, etc. The Cardholder who made the purchase should contact the vendor first to resolve any outstanding issues.

In the event that the Cardholder who made the purchase is unsuccessful with resolving disputes with the vendor, he/she will need to notify the card Custodian to obtain help in resolving the issue. The card Custodian will then need to contact the card provider to report the dispute. The card provider will decide what form the card Custodian will need to file in order to resolve the dispute. Any contact made with a vendor, as well as its response, should be attached to the form, especially noting the date that the exchange of information occurred. The card provider also requires a date when merchandise is returned and/or services are cancelled. Once the form is completed it shall be returned to the card provider.

Please Note: By law, vendors are not permitted to bill a credit card for purchases until the items have been shipped.

### **Custodian Purchasing Log**

Each Cardholder shall use the "Purchasing Log" to record transactions and help reconcile to the monthly statement (attached hereto as Appendix 2).

The information to be included on the purchasing log is as follows: the transaction date, merchant name, purchase price, and the account(s) where the charges will be allocated.

### **Payment**

The City of Richmond Heights is responsible for payment of authorized and appropriate procurement card transactions. The procurement card will not affect the Cardholder's personal credit in any way.

### **Lost or Stolen Procurement Cards**

In the event that the procurement card is lost or stolen it is the responsibility of the Cardholder to report the event to the card Custodian. It is then the responsibility of the card Custodian to report the card lost or stolen by phone directly to the card provider at **877-368-4441** and also to the Finance Director by phone or e-mail at the time of the occurrence. It is important to report all lost or stolen procurement cards immediately since the City of Richmond Heights will be responsible for all transactions made until the card is reported lost or stolen.

A Cardholder's quick response will reduce the risk of fraud. A replacement card may be issued to the card Custodian within 10 business days.

### **Sales Tax**

The City of Richmond Heights is tax exempt. When traveling outside of the State of Ohio, hotel charges, food charges and fuel charges will most likely be taxed since tax exemption applies only to sales within the State of Ohio.

### **Canceling Procurement Cards**

In order to cancel a procurement card, the Custodian must cut the card in half and submit a written request to cancel the card to the Department of Finance. The cut card is to be forwarded to the Finance Director.

### **Renewal of Existing Procurement Cards**

A renewal procurement card will be sent automatically to the Department of Finance thirty (30) days prior to the expiration date of the existing card. The old card will need to be returned to the Department of Finance to receive the new card. The Department of Finance will destroy the old cards.

### **Misusing the Procurement Card**

The procurement card represents the City's trust in the Cardholder and his/her empowerment as a responsible employee of the City of Richmond Heights to safeguard and protect its assets. Each Cardholder assumes the responsibility for the protection and proper use of the procurement card.

The following situations are considered misuse of the procurement card:

- Personal use – Purchases using the card for the benefit of the employee, e.g., clothing and food not authorized by the Custodian.
- Loaning out the card – Assignment, transfer, or loaning of an individual card to an unauthorized person or to a suspended or terminated employee.
- Administrative misuse – Lack of proper and timely reconciliation of individual card accounts and card use that is in direct violation of acquisition goals.

Misuse of the procurement card shall be handled promptly and uniformly for all Custodians and Cardholders.

The following are the actions that may be taken in the event of possible misuse: The procurement card use may be suspended. The procurement card will not be restored until the issue is resolved. The Cardholder and Custodian will be contacted by the Department of Finance of any instance of non-compliance.

If the Department of Finance does not receive a written response within two business days, a written communication will be sent to the Custodian to take action.

Based upon the severity of misuse, disciplinary measures may include personnel action up to and including termination of employment and legal action in accordance with the terms and conditions of the Cardholder Agreement Form and the City of Richmond Heights personnel policies.

#### **Procurement Card Audit**

To ensure the continued success of the procurement card program, periodic audits will be performed. The purpose of the audits will be to ensure that the Cardholders utilizing the program are adhering to authorized policies and procedures.

#### **Conclusion**

The procurement card must be used responsibly. Each employee should be aware that improper use might result in disciplinary action, up to and including termination and criminal prosecution. Even though the department or division maintains purchasing logs, the original receipts must be forwarded to

the Department of Finance. The card may be randomly audited to track purchasing and record keeping activity.

**Definitions**

“Cardholder”: The “Cardholder” is an employee or officer of the City of Richmond Heights or a councilmember who has been authorized by the Finance Director to have his or her individual name on a procurement card.

“Custodian”: The “Custodian” is a person with a supervisory position in the City of Richmond Heights. Custodians are Directors of the Departments of Public Safety, Law, Finance, Public Service and Properties, Engineering and Construction, and Recreation, as well as the Mayor for administrative personnel, and the Chief of Police and Chief of Fire for the Divisions of Police and Fire, and the Commissioner for the Division of Building, Zoning and Housing. The Custodian is responsible for ensuring expenditures are within appropriations for all Cardholders within their respective departments and divisions. The President of Council is the Custodian of Cardholders within City Council.



## **APPENDIX 1**

### City of Richmond Heights PROCUREMENT CARD AGREEMENT

I, \_\_\_\_\_, agree to the following regarding my use of the Procurement  
(print/type name of CARDHOLDER)  
Card Program:

1. I understand that I am being entrusted with a powerful and valuable tool and will be making financial commitments on behalf of the City of Richmond Heights and will strive to obtain the best value for the City of Richmond Heights.
2. I understand that under no circumstances will I use the Procurement Card to make personal purchases, either for myself or for others. Willful intent to use the Procurement Card for personal gain will result in disciplinary action, up to and including termination of employment.
3. I will follow the established procedures for using the procurement card. Failure to do so may result in either revocation of my use privileges or other disciplinary actions, up to and including termination of employment. Additionally, I will follow the City of Richmond Height's Procurement Card Policy.
4. I have been given a copy of the Procurement Card Policy and understand the requirements for using the Procurement Card Program.
5. I agree that should I violate the terms of this Agreement and use of the Procurement Card for personal use or gain, I will reimburse the City of Richmond Heights for all incurred charges and any fees related to the collection of those charges.

\_\_\_\_\_  
Employee Name (Print)

\_\_\_\_\_  
Employee Signature and Date

\_\_\_\_\_  
CUSTODIAN'S Signature and Date

\_\_\_\_\_  
Director of Finance's Signature and Date

Distribute executed copies to:

Cardholder

Custodian

Original to: Director of Finance

## **APPENDIX 2**

### **PURCHASING LOG**

City of Richmond Heights

Card Ending xxxxx

For Month Ending xx/xx/20\_\_.

Account Number	Vendor	Amount	Date of Purchase	Description of Purchase	Card Used/User Name

Verified by:

Date: