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FINANCE DEPARTMENT
100 N. APPLETON STREET
APPLETON, WI 54911

MEMO

To: Alderperson Kathy Plank and Members of the Finance Committee

From: Jeff Fait, Purchasing Manager

Date: 8/23/2016

Re: Request to Approve Revisions to the Procurement Card Policy

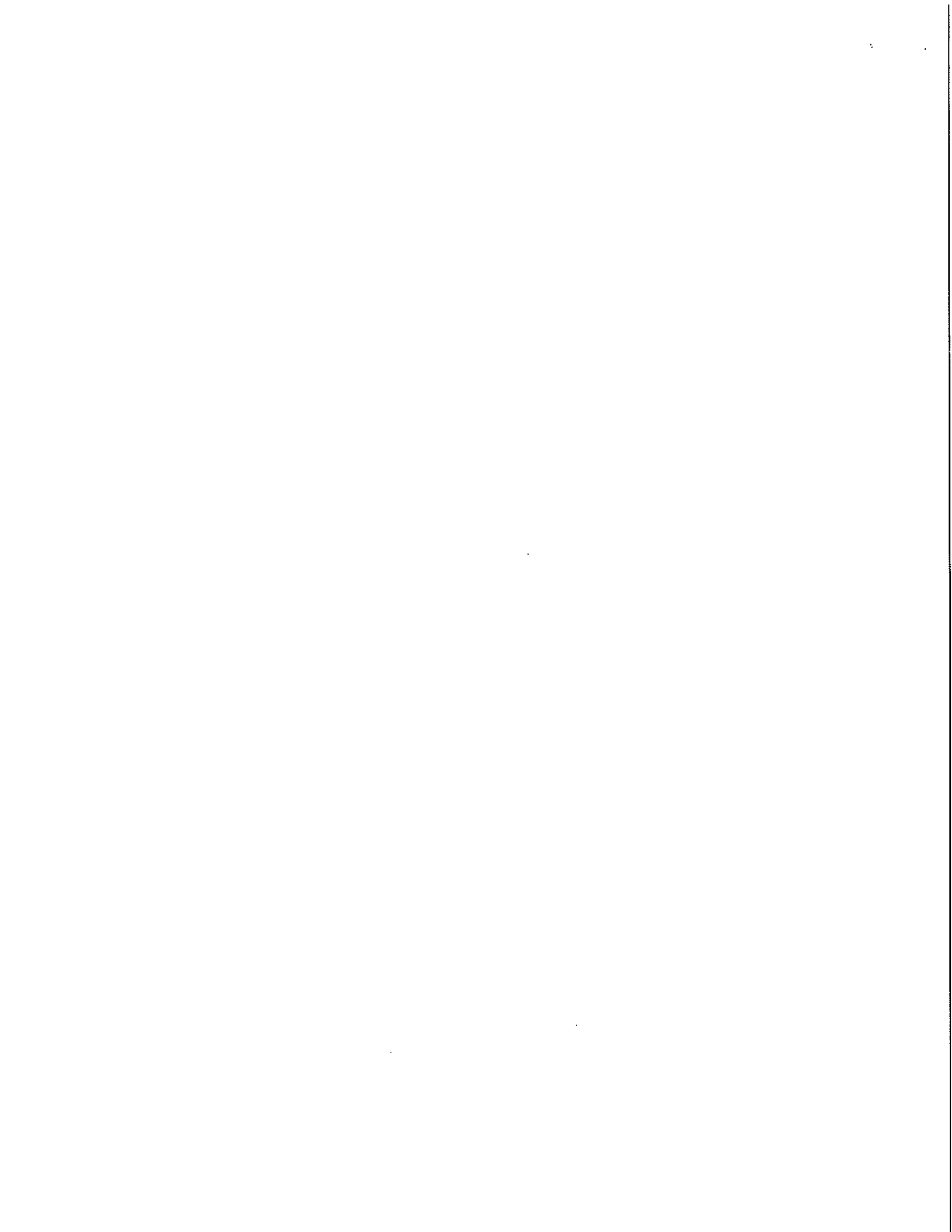
The attached "strike and bold" version of the City's Procurement Card Policy contains proposed changes for your review and approval. The main policy changes are in the threshold levels of the Quote Policies and Procedures. These thresholds now line up with the Procurement and Contract Management Policy updated in October 2015. The balance of the revision consists of administrative clarifications and language cleanup.

Thank you for your consideration of these proposed changes. Please feel free to contact me should you have any questions.

I would also like to take this opportunity to provide some information about the Procurement Card program:

P-Card Rebate by Year (program year ends on Feb. 28)

<u>Year</u>	<u>Total Spend</u>	<u>Active Cards</u>	<u>Rebate %</u>	<u>Rebate \$</u>
2009	\$1,319,090	307	0.83%	\$10,948
2010	\$1,720,951	295	0.90%	\$15,489
2011	\$1,653,724	284	0.92%	\$15,214
2012	\$2,117,879	277	1.22%	\$25,444
2013	\$2,839,848	292	1.60%	\$45,438
2014	\$2,220,665	310	1.63%	\$36,197
2015	\$2,296,303	305	1.69%	\$38,808
2016	\$2,731,638	299	1.70%	\$46,438



CITY OF APPLETON POLICY		TITLE: PROCUREMENT CARD PROGRAM	
ISSUE DATE: 2/2/00	LAST UPDATE: 1/18/12	SECTION:	TEXT NAME:
POLICY SOURCE: Finance Department			TOTAL PAGES: 10
Reviewed by Attorney's Office Date: 11/30/11	Finance Committee Approval Date: 1/11/12		Council Approval Date: 1/18/12

I. PURPOSE

To establish a methodology, and to define the limits for use, of City issued procurement cards provided to certain City employees to make purchases of goods and/or services.

II. ATTACHMENTS

1. Procurement Card Quick Reference (Sample)
2. Employee Agreement (Sample)
3. Procurement Card Application form (Sample)

III. DEFINITIONS

Account Statement: The monthly listing of all transactions posted to the cardholder's account, issued by the Procurement Card vendor directly to the cardholder.

Approving Supervisor: The individual responsible for reviewing and approving a cardholder's monthly statement of account.

Cardholder: Personnel who have been issued procurement cards and who are authorized to make purchases in accordance with these procedures.

Department Coordinator: The individual assigned to perform administrative tasks associated with the program on behalf of their department and its cardholders.

PCPS: Procurement Card Purchasing System.

Purchasing Manager: The person responsible for overall program administration, including cardholder account maintenance, contract administration, final monthly account reconciliation, and departmental auditing.

Rebate: Money paid back to the City by the procurement card vendor based upon spending volume and other criteria, as provided for in the master contract.

Single Purchase Transaction Limit: A dollar amount limitation of purchasing authority delegated to a cardholder for each individual transaction. This dollar limit may vary from cardholder to cardholder, as agreed between the Purchasing Manager and the Department Director or Approving Supervisor.

Vendor or Merchant: A company from which a cardholder is purchasing materials and/or equipment or services under the provisions of these procedures.

IV. PROCEDURES

INTRODUCTION

This program is being established in order to simplify the procurement and payment processes, and to reduce paperwork and handling costs, primarily for small purchases. By using the Procurement Card Purchasing System (PCPS), the traditional requisition process (establishing need, inquiring on prices, placing the order, delivery of goods, receipt of invoice, reconciling invoice to purchase order, paying vendor) is greatly reduced. Employees who are issued procurement cards may initiate transactions in person, by telephone or through the internet within the limits of these procedures, and receive goods or services. The Finance Department will make monthly settlements with the procurement card vendor.

When using a procurement card, cardholders shall adhere to all provisions of the City Procurement and Contract Management Policy.

RECEIVING A PROCUREMENT CARD

Department directors or approving supervisors may request their personnel be issued cards by contacting the Purchasing Manager.

The proposed cardholder will be issued a summary of these procedures and shall be required to complete and sign a Procurement Card Application form (Attachment 3) and an Employee Agreement (Attachment 2). The agreement indicates that the cardholder understands these procedures and the responsibilities of a PCPS cardholder.

The Purchasing Manager shall maintain all records of procurement card requests, limits, ~~cardholder transfers and lost/stolen~~ card information, fraud and dispute resolutions, and monthly signature/approval sheets.

AUTHORIZED PROCUREMENT CARD USE

The unique procurement card that the cardholder receives has his/her name embossed on it and shall **ONLY** be used by the cardholder. **NO OTHER PERSON IS AUTHORIZED** to use that card. The cardholder may make transactions on behalf of others in their department (example: training

registrations); however, the cardholder is responsible for the use of his/her card.

Use of the procurement card shall be limited as follows:

- a) The total value of a transaction shall not exceed a cardholder's single transaction limit. Preset electronic controls will cause a transaction to be declined when a cardholder's authorized single transaction (or other) limit is being exceeded.
- b) Payment for a purchase **SHALL NOT** be split into multiple transactions to stay within the single transaction limit. Contact the Purchasing Manager for limit increases to accommodate larger transactions.
- c) All items purchased "over the counter" should be immediately available at the time of procurement card use. No backordering of merchandise is allowed. Orders for future delivery may be placed, but vendors must not charge a card prior to shipment or delivery.
- d) Only authorized commodities or services may be purchased with a procurement card. See the next section for a listing of unauthorized uses.

UNAUTHORIZED PROCUREMENT CARD USE

The procurement card **SHALL NOT BE USED** for the following:

- a) Personal purchases or identification.
- b) Meals for travel when the per diem method of reimbursement is used.
- c) Cash advances.
- d) Fuel, unless necessary during authorized travel with a City vehicle outside the area, or during an emergency within the area.
- e) Telephone calls.
- f) Alcohol or any other purchases or expenditures prohibited by City policy.
- g) Charges for goods or services not immediately available.
- g)h) Individual departments may impose further restrictions at the discretion of the Director.

A cardholder who makes unauthorized purchases or carelessly uses the procurement card may lose the privilege of future card use and will be liable for the total dollar amount of such unauthorized purchases plus any administrative fees charged by the procurement card vendor in connection with the misuse. The cardholder may also be subject to disciplinary action, up to and including termination.

MAKING A PURCHASE

Procurement procedures permit a purchase of goods and services (if their value is \$~~1,000~~2,000 or less) to be made from a "Vendor of Choice." This implies the possibility of not comparing sources or competition between vendors. However, it is also policy to seek competition and the lowest prices within parameters of quality and delivery whenever practical. Accordingly, the cardholder is encouraged to check as many sources of supply as reasonable to assure best price and delivery. Where feasible, the Purchasing Manager will establish pricing agreements and identify preferred suppliers.

Cardholders will utilize the following "checklist" when making a purchase:

- a) Ensure that the purchase is being made from a preferred supplier, if one has been -designated by the Purchasing Manager-, or that competitive quotes have been obtained if required by policy.
- b) Once a vendor is identified and that vendor confirms that the goods or services are available, meet the specification, delivery and any other requirements, the following steps shall be taken:
 1. Confirm that the vendor agrees to accept the procurement card.
 2. Advise the vendor of the City's tax exempt status.
 3. Direct the vendor to include the following information on the shipping label and/or packing list:
 - a) Cardholder's name;
 - b) Complete delivery address;
 - c) The words "Procurement Card Purchase" or similar indication; and
 - d) ~~The vendor's order number.~~Complete description of the goods shipped.
 4. It is very important that all purchases be shipped or delivered to the attention of the cardholder ordering the merchandise as this will ensure that the documents necessary for recordkeeping are readily available to the cardholder.
 5. If necessary, the individual who receives merchandise in the cardholder's department should be advised of the vendor's name and order number, anticipated delivery date, number of boxes expected, carrier (UPS, Fed Ex, or other). That individual should notify the cardholder when delivery is made.

CARDHOLDER AND DEPARTMENTAL RECORD KEEPING

Whenever a procurement card purchase is made, either in-person, over the counter, by telephone or through the internet, documentation shall be retained as proof of

the purchase. Such documentation will be used to verify the purchases listed on the cardholder's monthly account statement.

When the purchase is made over the counter, the cardholder shall retain the invoice and "customer copy" of the receipt. Prior to signing or accepting this receipt, the cardholder is responsible for making sure that the vendor lists the quantity and fully describes the item(s) purchased, the receipt indicates payment by procurement card, and no sales tax has been charged. -When the goods are received as a result of placing a telephone or internet order, all order confirmation and shipping documentation is to be retained.

Each City department shall maintain its own internal procedure for matching and verification of receipt documentation against individual cardholder account statements. Cardholders may forward their statement with all documentation attached to the Department Coordinator once per month, or forward transaction receipts to the Department Coordinator as received throughout the month, as dictated by internal procedure. In either case, the cardholder shall be ultimately responsible for complete documentation of all charges and credits on their individual statements. If the cardholder does not have documentation of a transaction listed on the monthly statement, he/she shall attach an explanation that includes a description of the item(s) purchased, date of purchase, vendor's name and a reason for the lack of supporting documentation. This data attachment is critical to enable audit substantiation. **IF THIS ROUTINE IS NOT ADHERED TO, THE AUTHORIZATION TO USE THE PROCUREMENT CARD WILL MAY BE REVOKED.** The careful matching of complete support documents to the account statement is vital to the success of this program.

Departments shall be responsible for entry of all transaction data (basic description and general ledger account number) into the procurement card vendor's online system. A department summary sheet signed by the department Director or Approving Supervisor shall be forwarded, electronically or in hard copy, to the Purchasing Manager, and shall serve as authorization and approval of all departmental purchases and charges. Both tasks shall be completed no later than the 15th of the month following the end of each billing cycle.

All cardholder statements, reports and supporting documentation shall be retained at the department level, referenced by month and year, for a minimum of seven (7) years.

OTHER ITEMS

Tax Exemption: The cardholder shall inform the vendor of the City's tax exempt status. The tax exemption information is printed on the front of the card as a reminder. The cardholder shall be responsible to make reasonable efforts, relative to the amount of tax charged, to recover sales tax charged by a vendor.

Such efforts should be documented in the monthly file.

Purchasing Card Returns: If an item is not satisfactory (such as, received wrong, damaged and/or defective, or duplicate order), the cardholder should make contact with the vendor to explain the problem and inquire about return policies. If an item has been returned and a credit voucher received, the cardholder shall verify that this credit is reflected on the monthly statement.

If purchased items or credits are not listed on the monthly statement, the appropriate transaction documentation shall be **RETAINED** by the cardholder until the next monthly statement. If the purchase or credit does not appear on the statement within sixty (60) days after the date of purchase, the cardholder or approving supervisor shall notify the Purchasing Manager to expedite the credit or file a dispute.

CARD SECURITY

It is the cardholder's responsibility to safeguard the procurement card and account number to the same degree that a cardholder safeguards his/her personal credit information. The cardholder must not allow anyone to use his/her account number. A violation of this trust will result in the cardholder having his/her card withdrawn and the initiation of disciplinary action. Any unauthorized or suspicious charges appearing on a cardholder's account shall be immediately reported to the Purchasing Manager.

If the card is lost or stolen, the cardholder shall immediately notify the Procurement Card vendor, and shall notify the Purchasing Manager by the next working day. A new card shall be promptly issued to the cardholder after the reported loss or theft. A card that is subsequently found by the cardholder after being lost shall be destroyed.

CARDHOLDER SEPARATION

Prior to separation from the City, the cardholder shall surrender the procurement card and any current period documentation to his/her approving supervisor. Upon receipt, the approving supervisor will review the current charges for appropriateness, advise the Purchasing Manager of the employee's separation and destroy the card.

AUDITING

The Purchasing Manager shall, on a quarterly basis, examine one month's procurement card records of selected departments, on a schedule that ensures each department receives an audit annually. Audit criteria shall verify that:

- a) Hard copy receipts are on file for all transactions, including credits;
- b) All receipts are from valid suppliers and contain adequate information;
- c) Proper quotes are attached or noted if required for the dollar amount of the transaction; and
- d) All transactions comply with this and other City policies (i.e. Travel Policy).

The audited department shall receive a report upon completion of the audit, with any discrepancies noted. Within 30 days, the department shall report in writing to the Finance Department the action(s) taken to correct the discrep(ies) and prevent recurrence.

REBATES AND LARGE TRANSACTIONS

As stated, the PCPS is established primarily to reduce paperwork and handling costs for small purchases (under \$1,000). However, the City's contract with the procurement card vendor provides for a cash rebate to be paid back to the City based on total spend, ~~average transaction size~~ and other program measures. Therefore, departments and cardholders are encouraged to identify opportunities to use procurement cards as a payment method for larger transactions whenever possible. When used for high dollar purchases, the procurement card is simply considered a payment method in lieu of a bank check. Cardholders should contact the Purchasing Manager to adjust card limits to accommodate these transactions.

This program is being established to provide rapid turnaround of purchases of low-dollar value goods, and to reduce paperwork and handling costs. Employees who are issued procurement cards may initiate transactions in-person, by telephone or online, within the limits of these procedures, and receive goods or services.

The procurement card that the cardholder receives has his/her name embossed on it and shall **ONLY** be used by the cardholder. **NO OTHER PERSON IS AUTHORIZED** to use that card. The cardholder may make transactions on behalf of others in their department. However, the Cardholder is responsible for all use of his/her card.

Use of the procurement card shall be limited as follows:

- The total value of a transaction shall not exceed a cardholder's single purchase transaction limit. Payment for a purchase **SHALL NOT** be split into multiple transactions to stay within the single purchase transaction limit. Single transaction limits can be adjusted by request.
- All items purchased "over the counter" must be immediately available at the time of procurement card use. **No backordering of merchandise is allowed.**
- ~~Assigned spending limit must be followed, without exception.~~
- The cardholder shall inform the vendor of the City's tax exempt status.

The procurement card **SHALL NOT BE USED** for the following:

- Personal purchases or identification
- Cash advances
- Telephone calls
- Meals for travel when the per diem method of reimbursement is used
- Goods or services that are not immediately available
- Alcohol or other expenditures restricted by City policy

Quote Policies and Procedures

Less than \$1,000 - Departments may purchase from the vendor of their choice, but encouraged to seek competition

\$1,000 - \$4,999 - Two price quotes (verbal or written)

\$5,000 - over - Three price quotes (written)

Whenever a procurement card purchase is made, documentation shall be retained in the department as proof of the purchase. The cardholder is responsible for making sure that the vendor lists the quantity and fully describes the item(s). Such documentation will be used to verify the purchases listed on the cardholder's monthly account statement and for internal and/or external auditing.

**CITY OF APPLETON
Employee Agreement**

I, _____, hereby request a procurement card. As a cardholder I agree to comply with the following terms and conditions regarding my use of the card.

- I understand that I am being entrusted with a valuable tool - a **procurement card** - and will be making financial commitments on behalf of the City of Appleton. I will strive to obtain the best value for the City by using "preferred suppliers" if identified by the City's Purchasing Manager.
- I understand that the City of Appleton is liable to the procurement card vendor for all charges made on the card.
- I agree to use this card for approved purchases only and agree not to charge personal purchases. I understand the Finance Department will audit the use of this card and report and take appropriate action on any discrepancies.
- I will follow established procedures for the use of the card. Failure to do so may result in revocation and/or other disciplinary action.
- I have been given a copy of the purchasing card administrative rules including the "quick reference information" and understand the requirements and limitations for the card's use.
- I agree to return the card immediately upon request or upon termination of employment, including retirement.
- If the card is lost or stolen, I agree to notify the procurement card vendor immediately, and the Purchasing Manager by the next working day.
- I understand that if personal purchases are discovered on the card, I will be held personally responsible for payment of such charges and will be subject to disciplinary actions up to and including discharge.

Employee Signature

Social Security Number

Department

Date



CITY OF APPLETON ***** J.P. MORGAN CHASE

PROCUREMENT CARD APPLICATION

EMPLOYEE/APPLICANT INFORMATION

First Name Middle Initial Last Name

Department Name

Department Business Address (to send monthly statement to)

City State Zip

() Business Phone Date of Birth (mm/dd/yyyy)

Social Security Number Mother's Maiden Name

Signature of Applicant Date

APPROVAL

Signature of Dept. Head or Authorized Designee

\$10002000 Other (specify):
Single Transaction Limit
(\$10002000 unless otherwise specified)