



PROCUREMENT CARDS: POLICIES & PROCEDURES MANUAL

Revised March 15, 2016

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I. Introduction

The City of Gulf Shores Procurement Card Program is designed to improve budget control and efficiency in processing dollar purchases from any vendor that accepts the MasterCard credit card and allows City employees to attend classes and conferences out of town.

This program will allow the cardholder to purchase approved commodities and services directly from vendors. Each procurement card is issued to a named individual with the City of Gulf Shores clearly shown on the card as the Government buyer of goods and/or services. The card will also contain the City's logo, employee name, and card account number.

The Purchasing Officer will monitor the purchases, policies, and performance of the program. All questions or concerns should be directed to:

- Purchasing Officer 1443

II. Purpose

The purpose of these policies and procedures is to accomplish the following:

1. To provide an efficient method of purchasing and paying for goods and services not exceeding a predetermined amount per item purchased, per total invoice or per total, per month, per vendor.
2. To reduce the use of petty cash.
3. To ensure procurement card purchases are in accordance with City of Gulf Shores Purchasing Policies and Procedures.
4. To provide policies and procedures for disciplinary action if procurement cards are misused.
5. To ensure that the City of Gulf Shores bears no legal liability for inappropriate use of procurement cards.
6. To provide budget, commodity, and vendor control over purchases.

The policies and procedures provided herein set the minimum standard for City Departments. Departments may establish additional controls as deemed necessary.

III. How It Works

The procurement card system simplifies the purchasing process and enables qualified City employees to use the cards for travel, conference and class registrations. Responsibility is delegated to the ordering department enabling an authorized cardholder to place an order directly with the vendor for purchase of goods and/or services, registration for classes and/or travel.

When a purchase authorization is requested by the supplier at the point of sale, the procurement card system validates the transaction against preset limits established by the City Administrator, Purchasing

Officer, and Department Head. All transactions are approved or declined electronically based on the established procurement card authorization criteria. The authorization criteria may be adjusted periodically as needed, and may include, but is not limited, to the following:

- Number of transactions allowed per day
- Number of transactions allowed per month
- Single item purchased
- Daily total
- Monthly total
- Invoice total
- Approved vendors
- Approved commodities

The authorization process occurs through the electronic system that supports the procurement card processing services with First National Bank and Trust (hereinafter referred to as “First Bank”).

IV. Roles and Responsibilities

A. Department Head

1. Request procurement cards for designated employees
2. Set departmental spending limits within established guidelines
3. Set transaction limits, commodities, and vendors
4. Responsible for authorizing charges
5. Request additional procurement cards as needed
6. Comply with all purchasing and procurement card policies and procedures
7. Reviews, approves, and initials receipts, statement, or department summary
8. Sends cardholder statement and department summary to Accountant five (5) business days after receipt
9. Receives statement reports and uses for tracking, forecasting, and management tool

B. Cardholder

1. Hold secure procurement card
2. Ensure sales tax is not charged and discounts are given
3. Order/receive materials and services
4. Make sure there are no backorders

5. Compare charge slip with receipt and verify totals are the same
6. Request correct charge slip and credit slip if totals do not agree
7. All charge slips are to be turned in daily to Department Head or representative
8. Comply with all purchasing and procurement card policies and procedures
9. Responsible for all missing documentation

C. Department Representative

(Individual(s) designated by Department Head)

1. Receives daily all receipts, charge slips, and credit slips
2. Verify there is no sales tax or backorders
3. Verify discounts are given
4. Verify receipt total and charge slip total agree
5. Return all unequal charges to cardholder for correction
6. Write account code on each receipt
7. Have Department Head or designated representative initial each receipt as a validated charge
8. Reconcile monthly card statement total for agreement with receipts
9. Resolve any discrepancies
10. Process all cardholder statements in a timely manner – five (5) business days after receiving; there is no exemption to this rule
11. Complete summary sheet
12. Forward statement, receipts, and summary to Accountant
13. Comply with all purchasing and procurement card policies and procedures
14. Copies may be used for tracking, managing, and forecasting

D. Purchasing Officer

1. Coordinate program policy issues
2. Initiate all procurement cards
3. Block commodity codes for procurement card program
4. Initiate training program for all cardholders
5. Request issuance and cancellation for all cardholders
6. Receive and issue all procurement cards
7. Maintain all files and records of procurement cards

8. Maintain policy and cardholder guides/manuals
 9. Evaluate procurement card feedback from vendors and departments
 10. Coordinate and maintain internal controls
 11. Participate in ongoing program reviews
 12. Pursue supplier discount opportunities
 13. Establish and monitor benchmarking objectives
 14. Conduct semiannual inventory of procurement cards
 15. Cancel cards
- E. Accounts Payable
1. Receive monthly City Total Summary from MasterCard
 2. Date Stamp, forward to Department Heads for reconciliation
 3. Pay all non-disputed monthly charges from consolidated statement
 4. Process accounting data and issue check
 5. File and store statements, receipts, etc., with monthly check
- F. External Auditor
1. Include procurement cards in annual audit
 2. Report any discrepancies to Finance and Administrative Services Director
 3. Notify Finance and Administrative Services Director and Purchasing Officer of any changes required

V. General Information

1. Procurement cards will be issued to employees and Department Heads, who before the procurement program, often used petty cash and local charge cards.
2. The procurement card will have the employee's name, the City's name and logo, and the expiration date on the card. The procurement card issuing company will not have individual cardholder's information. No credit records of the cardholder are maintained; however, social security numbers will be needed strictly for employee identity verification purposes.
3. All requests for new cardholders, changes to current cardholders, or changes to authorization must be made by the Department Head by submitting a form to the Purchasing Officer.
4. When the Purchasing Officer receives a procurement card from the issuing company, the cardholder will be required to personally take receipt of the card and sign the Certification and Receipts Form. Human Resources will retain each original signed certification. The cardholder

will be given a copy of the Procurement Card Policies and Procedures Manual and an oral review of the program by the Purchasing Officer.

5. At the Purchasing Officer's or City Administrator's discretion, a department may require that all procurement cards are turned in daily or weekly.
6. The Purchasing Officer will notify the City Administrator of the issuance of all procurement cards.

VI. Lost or Stolen Procurement Cards

1. If a procurement card is lost or stolen, the cardholder, department head, or representative must immediately notify the Purchasing Officer.
2. The cardholder will be responsible for reporting all information necessary to reduce the liability to the City for a lost or stolen card.
3. The department is responsible for all costs associated with a lost or stolen card.
4. Disciplinary action will be taken in the event that the Purchasing Officer is not notified.
5. The cardholder will make payment to the City for any unauthorized charges if he/she fails to report the card as lost or stolen. If charges are not repaid, the City will take disciplinary action up to and including termination. The City will also pursue all legal avenues available for collection.

VII. Termination or Transfer of Cardholder

1. When an employee ends his employment or is transferred to another department, the department head or representative must immediately notify the Purchasing Officer, who will ensure that the card is canceled.
2. Human Resources will be responsible for collecting the card from employee and returning to the Purchasing Officer.

VIII. Limitations on Use of Procurement Card

1. The procurement card may only be used by the employee whose name is embossed on the card. No other person is authorized to use the card without express consent of the cardholder.
2. Departmental cards may be assigned to any employee in that department.
3. The procurement card is to be used for City authorized purchases only. The procurement card cannot be used for any personal purchases. Any such use will require immediate reimbursement and result in disciplinary action which may include dismissal.
4. Department heads hold the ultimate responsibility for all cards issued to their employees.

IX. Dollar Limitations

The Department Head approving the assignment of a procurement card will set limits for each cardholder, single item, monthly, daily, vendor, and commodity as required. Limits cannot exceed maximum amounts set by the City Administrator, Department Head, and Purchasing Officer. Requests for spending limit changes may be initiated and authorized by the Department Head and approved by the City Administrator and Purchasing Officer. A purchase may be made of multiple items, but the invoice cannot exceed the cardholder's limit. Payment for purchases shall not be split to stay within the spending limit.

Other Conditions:

1. All items purchased over-the-counter must be immediately available. No back-ordering is allowed.
2. All items purchased by telephone transaction must be confirmed by fax or email. All items must be delivered during the current billing cycle. No back-ordering between cycle periods is allowed. The City will not accept charges for items not received.
3. All items purchased by telephone/fax must be delivered by the vendor within the 30-day billing cycle. The order should not be placed without this assurance.
4. For all telephone transactions, a faxed or emailed proposal from the vendor, initialed by the cardholder, will be given to the department representative at time of order.

X. Prohibited Uses of Procurement Cards

The following types of items may not be purchased with a procurement card regardless of dollar amount:

1. Entertainment when traveling
2. Cash advances
3. Sports or recreation tickets
4. Cruise tickets
5. Personal items
6. Telephone calls
7. Any additional goods or services specifically restricted by the City Administrator, Purchasing Officer, or Department Head
8. Any item which would be an unlawful expenditure in accordance with the City's Code of Ordinances, adopted resolutions, adopted policies, or State Law
9. Local meals, unless required for city business – Receipts should list attendees and purpose

Any possible abuse or misuse of the procurement card will be reported to the Department Head and/or City Administrator.

XI. Violations

1. Attempting to make a single item purchase that exceeds the limit. It is the responsibility of the ordering department to ensure all “extra” charges, such as freight handling, set up, etc., are considered before a transaction is made. A vendor’s willingness to honor a transaction exceeding the procurement card limit does not authorize the cardholder to make such a transaction.
2. Attempting to make more transactions per day or month than allowed.
3. Purchases from vendors that create conflicts of interest. (See “Conflict of Interest” definition in Employee Handbook under “Additional Information.”)
4. Multiple procurement card transactions to circumvent the predetermined limits.
5. Procurement card transactions referenced as items prohibited for purchase.
6. Failure to produce proper documentation, receipts, to Department Representative daily.
7. Failure to report lost or stolen procurement card to Purchasing Officer.
8. Purchase of any item considered an unlawful expenditure in accordance with the City’s Code of Ordinances, adopted resolutions, adopted policies, or State Law.

Any abuse or misuse of the procurement card will result in the privilege being suspended or revoked. The Purchasing Officer will refer violations and discrepancies to the City Administrator for disciplinary or other appropriate action.

XII. Procedures for Making and Paying for Purchases

A. General Information

1. When using the procurement card, the cardholder will make the purchase at the best possible price. If buyer is unsure of appropriate vendor, he/she should contact an immediate supervisor.
2. If a purchase order is required, the vendor should be listed as First Bank Card Services, Vendor No. 01000055. It will be annotated on the purchase order that the payment was made by procurement card, employee name, and last four (4) digits of card number. The name of vendor with whom the procurement card is being used must also be indicated on the purchase order.

B. Documentation of Over-the-Counter Purchases

1. When a purchase is made, the cardholder must obtain the customer’s copy of the charge slip and the detail receipt. The buyer verifies that the receipt and charge slip are the same amount. The buyer verifies that no tax has been charged and that discounts have been given (i.e., State Contract price schedule, bids, or other applicable purchasing agreements). If receipt is incorrect,

the buyer will request a credit charge slip plus a corrected charge slip. All transaction receipts are to be turned in daily to the Department Representative.

2. The charge slip and detailed invoice will be turned in daily by the cardholder to the Department Representative. Upon receipt of monthly statement, Department Representative will compile all receipts, verify against statement, and turn into Department Head for approval.
3. The City is exempt from sales tax. The cardholder must ensure that the vendor is aware and does not charge sales tax. The City also has agreements for discounts. The cardholder must ensure that the vendor gives the discount.

C. Telephone Orders

1. When placing a telephone order, the cardholder must confirm that the vendor will charge the procurement card when the item is shipped so that the receipt of the item occurs during the same billing cycle as the charge. The City will pay for items that have been received. The City will not pay for items in transit.
2. Ensure the vendor knows that the City will not pay tax and is aware of any discounts. The City's Tax ID will be provided.
3. Absolutely no backorders will be allowed after billing cycle.
4. A telephone order will be confirmed by fax or email. The fax or email will be initialed by the buyer and given to the Department Representative.

D. Missing Documentation.

If, for some reason, the cardholder does not have documentation of the transaction, the cardholder must try to obtain a copy and if this is not possible, details of the purchase must be written on the missing receipt form. The information will include a description of each item, the number of items purchased, unit cost, date of purchase, vendor's name, and why there is no supporting documentation. Continued incidents of missing documentation will result in the cancellation of the employee's procurement card.

E. Payment and Invoice Procedures

1. First Bank (the procurement card issuer) will mail individual billing statements and one consolidated statement for all cardholders to Accounts Payable. This statement of accounts will list all transactions processed during the billing cycle. No statement of accounts will be generated unless adjustments for previously billed transactions have been processed during the cycle. The Accountant will distribute individual billing statements to cardholders.
2. Account numbers are to be written on each receipt and turned in daily. All documents will then be reviewed and the summary form signed by the Department Head or a designated representative. By signing the summary form, the Department Head is certifying that all charges are appropriate, funds are available, and payment is authorized based on the attached receipts. Once the Department Head or the designated representative has reviewed all statements for which they are responsible, all documents are forwarded to Accountant.

3. The Purchasing Officer and Accounts Payable will ensure that procurement card charges are paid on a timely basis and that the consolidated statement received is reconciled against the individual cardholder statements forwarded from the departments. Department Heads will be notified when individual statements are not received in the allotted time. Continued failure to meet the two (2) working days deadline may result in the revocation of procurement cards at the discretion of the City Administrator and Purchasing Officer.

F. Disputes

1. If Items purchased with the procurement card are defective, the cardholder must return the item(s) to the vendor for full replacement or credit. If the service paid for the procurement 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. It is essential that the time frames and documentation requirements established by First Bank be followed to protect the cardholder's rights in dispute.
3. Accountant must be notified of all disputed items. All documentation concerning the disputed items will be turned in to Accountant as soon as possible. Purchasing Officer will contact MasterCard and follow dispute procedures. Department Heads will complete the dispute section for each department summary.
4. Department Heads will contact the Purchasing Officer about the transaction and will supply necessary information to begin the resolution process. Purchasing Officer completes and submits the First Bank MasterCard Dispute Form, along with a copy of the statement if the item has posted and the reason(s) for dispute. First Bank will place the item into a disputed state.
5. If the problem is resolved between the merchant and the Department Head, the Department Head will write the agreed upon solution on the bottom of the dispute form and send to First Bank as soon as possible. If an agreement cannot be reached, the following steps will be completed:
 - a. After the item has been entered as a dispute, First Bank must determine who is responsible by researching the transaction, including requesting a copy of the sales receipt when necessary. When responsibility for the transaction is determined, the dispute will be settled in the current account cycle.
 - b. When a transaction is in dispute, the disputed amount is still included in calculating the procurement card's account balance. At the time the item is placed in dispute, it is removed from all finance charges, late charges, past due amounts, and payment calculations. Finance charges which accrue from posting until the item is placed in dispute will be paid by the City. Any cardholder statements generated while the account is in dispute will display the following message:

“YOUR ACCOUNT IS IN DISPUTE FOR \$XXX.XX. THIS AMOUNT HAS NOT BEEN INCLUDED IN THE FINANCE CHARGE OR PAYMENT CALCULATION.”

- c. If the cardholder is actually responsible for the transaction, the dispute is settled in favor of First Bank and no further actions are required. If the cardholder is not responsible for the transaction, the dispute is settled in favor of the cardholder and the charge back process may be initiated against the merchant.
- d. If there continues to be a problem with a particular merchant, the cardholder should notify Purchasing Officer.
- e. Purchasing Officer will be responsible to keep all documentation, complete status reports, and forward reports to the Accountant on all disputed items.
- f. Any item or amount considered inappropriate or charged incorrectly which is not credited by the vendor, will be a disputed item or amount.

G. Review of Purchases by Departments

- 1. Department Heads or designated representatives, because of their knowledge of their job responsibilities and requirements, are required to review each procurement card expenditure, to include item purchased, amount, and vendor, to ensure the goods or services were necessary and for official use.
- 2. When purchases are questioned, the Department Head or designated representative will be responsible for resolving the issue with the cardholder. If the Department Head or designated representative cannot be satisfied that the purchase was necessary and for official use, the cardholder must provide a credit voucher proving the item(s) were returned for credit. If the item(s) cannot be returned, then a payment will be made in cash to the City by the employee/cardholder. The City reserves the right to pursue all legal avenues available for collection. If cardholder misuses or attempts to use card for unauthorized purchases a second time, the MasterCard will be terminated, and the employee will no longer be authorized to use a procurement card.
- 3. All misuse must be documented and filed with Purchasing Officer. Purchasing Officer will report all disputes and misuse to the City Administrator.