City of Rockville
Get Into It

Purchasing Card Policy

August 2013

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ATTACHMENT C

- **Spending Limits**
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Spending Limits

The maximum dollar amount for a single transaction is $3,000.00 unless other arrangements have been made with the Purchasing Card Administrator. A purchase may be rejected by MasterCard if the total transaction exceeds $3,000.00 for a single purchase or exceeds the monthly limit.

The limit for the billing cycle is established by the P-Card Administrator and the Department Head.

Purchasing Card Restrictions

- Spending Limits
- **P- Card Restrictions**
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

The Purchasing card may be used to purchase items or services that are for City Government **BUSINESS USE ONLY.**

Cardholders are restricted from purchasing items in the following categories on their purchase cards:

- Alcoholic Beverages
- Annual Maintenance Contracts
- Automotive Gasoline
- Cellular phones, Airtime, Pagers
- Computer Equipment
- Construction and Renovations
- Entertainment
- Personal Items (tissue, bottled water, coffee, etc.)
- Gift Cards
- Meals while on Travel
- Office Furniture
- Items carried in the City Stockroom
- PAYPAL transactions (w/o invoicing)
- Food other than for City programs
- Safety shoes (reimbursement only $135 limit)

**Any exceptions must come with the approval of the City Manager*

- Spending Limits
- P-Card Restrictions
- **Travel and Related Expenses**
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Travel and Related Expenses

Travel arrangements can be made on a purchase card by contacting the Administrator via written notification from the Cardholders Department Head.

The purchase card can be used for registration, transportation (air, train, etc.) and hotel accommodations. For hotel accommodations, a credit card authorization form must be requested from the hotel, completed by the cardholder and returned to the hotel prior to check-in.

The card **CANNOT** be used for meals, minibar, room service or an additional room charges.

Any personal use of the card, such as extended stays, while on travel is prohibited.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- **Placing an Order**
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Placing An Order

Always advise the merchant that the City is Tax Exempt. The City's tax exempt number is printed on the face of the credit card. If the supplier requires a City tax exempt certificate, contact the Purchasing Office.

Please be sure you obtain a itemized receipt for all charges.

Items must be shipped to a City facility. Cardholders cannot have shipments sent to their home.

Phone Orders - When a cardholder places a phone order (in which the cardholder is not present to sign a receipt) instruct the vendor to write, "per phone order" on the cardholder's signature line. At NO time should a third party sign a receipt for or on behalf of a cardholder.

Web Orders – Never store the City P-Card number in any online ordering site. This mitigates the likelihood for fraudulent and accidental purchases.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- **Placing an Order**
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Placing An Order

The Purchasing Card does not exempt the cardholder from obtaining Certificates of Insurance when procuring services to be performed on City property. Certificates must be obtained from the vendor, meet the City's minimum insurance requirements and be approved by Risk Management before the services can be performed.

The Purchasing Card does not provide the cardholder, or anyone in their department, with the agency to sign vendor agreements when procuring services. Agreements must be forwarded to Legal for review, and if approved, signed by the City Manager.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- **Reconciliation Process**
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Reconciliation Process

Cardholders must review transactions and reconcile charges on a weekly basis.

Final reconciliations must be completed and reports signed within ten (10) calendar days after cycle ending date. The cycle ends on or about the 25th of every month.

Each Department Head or Delegated person is responsible for reviewing and approving the expense reports of the cardholder.

If a cardholder had no purchase activity on their purchasing card for a particular billing cycle, a memo or zero expense report should be turned in. This notifies the auditors that no charges were generated for that month.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- **Reconciliation Process**
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Reconciliation Process

When reconciling P-Card charges, be sure to use the proper accounting lines and check for budget availability. Contact Budget if you do not have the budget line that is most appropriate for the item purchased.

When reviewing budget availability, keep in mind that P-Card expenses post to AMS approximately 10 days after the end of the P-Card statement cycle, after all expenses have been reconciled by the card holder.

For departments that make purchases for divisions across the City, please be consistent with the accounting lines that you use for the purchase of similar items (ie. software)

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- **Reconciliation Process**
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Reconciliation Process

The expense reports are placed in a RED envelope with the following:

- Itemized sales receipt for each purchase if the sales receipt shows the entire credit card number black out all but the last four numbers.
- Credit receipt (if applicable)
- Copy of order form/registration form (if applicable)
- Itemized packing slip or service report (if applicable)
- If food was purchased for a City program the itemized receipt is required along with how many people attended and the nature of the program.
- Documentation of any exception granted for a restricted purchase(if applicable)
- On the expense report a detailed description for each transaction should be included. The information such as the name of the person for whom the purchase is being made, vehicle number, invoice number, event name, class description, or project name should be noted. If utilizing a City contract, the contract number must be entered in the description field (with exception of office supply contracts and WW Grainger)

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- **Auditing**
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Auditing

To ensure the continued success of the Purchasing Card Program and compliance with the City's audit requirements, periodic audits of a cardholders statements and transactions will occur. The primary purpose of the audit is to ensure compliance with the program policy and procedures.

Envelopes MUST be hand carried to the Accounts Payable staff within 5 business days of when the request is made.

Periodic reviews of cardholder activity will occur in between audits. Purchases that appear to be violations of the Purchasing Card Policy, or do not demonstrate good stewardship of City resources will be questioned.

Get Into It

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- **Auditing**
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Auditing

Auditors will be looking for compliance with the policy and documentation requirements including:

- A reconciled expense report dated and signed by the cardholder and department head or delegated signer within 10 calendar days of the closing date.
- A receipt for each transaction, including credit receipts, organized in the same order as the charged listed on the expense report.
- Compliance with dollar limits and item restrictions

Following each audit, a report of the results will be sent to the cardholder and delegated signer. The report will confirm compliance with policy and/or incidents failing to meet the policy requirements. Cardholders will be instructed to correct any audit incidents and return the corrected documentation to be re-audited.

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- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- **Auditing**
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

If repeated minor incidents are found during audits it will be recommended that the department head institute disciplinary action such as written warnings to the cardholder. A recommendation to suspend and/or terminate a card may be made by the auditors to the department head upon repeated or severe findings of noncompliance.

Purchasing Card Audits are performed monthly. Each audit covers a period of 3 months and every employee with a Purchasing Card will be audited at a minimum of one time per year. All new cardholders will be audited a minimum of 2 times per year, and any employee with an audit resulting in findings of noncompliance will be re-audited in the following quarter.

The Director of Finance reserves the right to suspend or cancel a card at his discretion.

Get Into It

Dividing Purchases

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- **Dividing Purchases**
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

If a purchase is expected to exceed $3,000 (including all delivery, shipping and/or special handing charges) the card **CANNOT** be used.

Items exceeding the authorized dollar limit on a single purchasing card **may not be divided** into components by using multiple single purchases to achieve the purchase of a "whole" item. It is a violation of the Purchasing Card Program policy to violate the authorized dollar limits by making multiple single purchases or splitting charges on one or more cards.

Splitting purchases may result in suspension or loss of card privileges and disciplinary action.

EXCEPTION: The P-Card may be used for multiple purchases for contract items. The contract number must be referenced in the reconciliation.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- **P-Card Suspension**
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Purchasing Card Suspension

Noncompliance with the policies governing card use, audit incidents and/or repeated requests for manual adjustments may result in card suspension.

Suspension: The cardholder's account will be suspended for a period of 3 to 6 months or as determined by the Administrator after audit adjustments are completed.

Cancellation: The cardholder's account will be cancelled it there are two suspensions during a twelve-month period. Once the account is cancelled, the cardholder must wait one year before a new account is opened. Prior to the cardholder receiving a new account, the cardholder must retake mandatory training.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- **P-Card Security**
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- Inadvertent Use
- Disputed Items

C-15

Purchasing Card Security

Sharing the Purchasing Card: The only person entitled to use the purchasing card is the person whose name appears on the face of the card. Do not lend a card to another person for use.

Storage of the Purchasing Card: Keep the purchasing card in a secure location. Do not leave the P-Card in an area accessible by others.

Account Number: Guard the purchasing card account number carefully. Do not post it, store it with any online vendor, or write it in any other place that is easily accessible by others.

Interoffice Envelopes: Do not send purchasing card documentation through the interoffice mail system. Hand carry requested documents to Accounts Payable.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- **Termination or Transfer of Employee**
- Extended Leave
- Compromised P-Card
- Inadvertent Use
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Termination/Transfer of Employee

If a cardholder is transferring to a different division, the Administrator must be notified immediately. The Administrator will determine whether a new card is necessary, or if the current card can be used for the new division.

Within 2 days of an employees' notification of resignation, the card must be surrendered to the Administrator. Within 5 days, the employee must submit all reconciled P-Card Statements to Accounts Payable, to include all activity leading up to the employees' card deactivation.

If an employee separates before completing the final reconciliation, the Department Head or Delegated Signer will be responsible for reconciling all purchases and obtaining all outstanding receipts and documents.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
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- **Extended Leave**
- Compromised P-Card
- Inadvertent Use
- Disputed Items

Extended Leave

If an employee is going to be out on extended leave the Administrator must be notified by the cardholder's supervisor so that the P-Card can be temporarily deactivated.

This procedure helps to ensure the security of the P-Card account during a period of inactivity and reduced monitoring.

The P-Card will be reactivated once the supervisor informs the Administrator that the employee has returned.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- **Compromised P-Card**
- Inadvertent Use
- Disputed Items

Compromised Purchasing Card

A P-Card is considered compromised if the physical card has been lost or stolen, or if the P-Card number has been otherwise exposed in a way that could result in fraudulent use.

The cardholder should notify JPMorgan Chase <u>immediately</u> if a purchasing card is compromised. Representatives are available 24-hours a day, 7 days a week at **1-800-316-6056.**

When reporting a lost or stolen card, the cardholder should tell the representative the call is regarding a commercial card.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
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- Inadvertent Use
- Disputed Items

Compromised Purchasing Card

After reporting a compromised card to JPMorgan Chase, the cardholder must also immediately phone and report a the compromised card to the Administrator.

The Administrator will also require that the information regarding the compromised card be put in written form, and e-mailed within 48 hours of being reported. The written notification should include the following information:

- Cardholders name and account number
- Card was lost, stolen, or otherwise compromised (state which is the case)
- Date and time the compromised card was reported to JPMorgan Chase
- Location where the loss or theft occurred (if known)
- The purchases that the cardholder made prior to the loss or theft

In general the City is liable for any charges made on the card up until the time it is reported as compromised. Therefore it is very important that the card holders safeguard the card in the same manner they handle their own personal credit cards.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
- Termination or Transfer of Employee
- Extended Leave
- Compromised P-Card
- **Inadvertent Use**
- Disputed Items

Inadvertent Use

If an employee inadvertently uses the City purchase card for a personal purchase the employee must immediately notify their Director, the Director of Finance and the Program Administrator via e-mail of the error.

The employee will be instructed on the procedure to reimburse the City.

- Spending Limits
- P-Card Restrictions
- Travel and Related Expenses
- Placing an Order
- Reconciliation Process
- Auditing
- Dividing Purchases
- P-Card Suspension
- P-Card Security
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- Extended Leave
- Compromised P-Card
- Inadvertent Use
- **Disputed Items**

Disputed Items

In instances where a dispute with a merchant regarding a charge cannot be resolved, a Cardholders Dispute Form (City P-Card Manual Appendix D) should be completed.

All disputed items must be reported within 60 days of the cycle date when the item originally posted.

Upon completion of an investigation, the cardholder will be notified of the resolution.

Examples of disputed items:

- Merchant refuses to replace damaged shipment (FOB-Destination)
- Card charge totals more than the receipt and merchant refuses to issue a credit
- Vendor refuses to provide a credit for returned merchandise
- Invalid charges (i.e. - a charge that is not recognized)

CITY CONTACTS

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