



PROCUREMENT CARD POLICIES AND PROCEDURES

CITY OF JOHNSON CITY

TENNESSEE

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PROCUREMENT CARD POLICIES AND PROCEDURES

CITY OF JOHNSON CITY, TENNESSEE

The City of Johnson City Purchasing Department recognizes the need to identify methods of savings through research and resultant actions and therefore establishes a procurement card program through which smaller dollar purchases are managed in an efficient and effective manner. Through the use of procurement cards, the procurement and disbursement processes are simplified to save the City time, money and resources while providing the City with financial and cash management control over the small dollar value, high volume procurements. They can serve as an efficient and cost effective tool that provides expedited payments for the goods and services provided.

PURPOSE

The purpose of these policies and procedures is to describe and control the use of procurement cards by City employees while conducting business on behalf of the City of Johnson City. This document describes the minimum standards for Departments/Divisions who may establish additional controls as deemed necessary.

The Purchasing Department hereby delegates procurement responsibility and purchase authority to each participating Department/Division and enables designated employees to purchase goods and services and use for travel related expenses within these guidelines.

PARTICIPANT IDENTIFICATION

Card Issuer: Banking institution representing Procurement card related services.

Cardholder: Individual employee authorized to make purchases on behalf of the City of Johnson City

Department/Division Representative: Person within each department that has the responsibility and authority to assign charge codes and reconcile Cardholder's statements

Department/Division Head: The person or designated representative having approval authority of all charges incurred by individual Cardholders within that department

Program Administrator: The Purchasing Department

Finance: Finance Department employees responsible for Accounts Payable functions, reconciliation and program compliance monitoring.

Procurement Card Committee: Employee representatives from major departments formed to develop the program and conduct reviews of operation as needed

Auditor: Internal or external personnel responsible for examining the audit trail established by the use of the Procurement Card

RESPONSIBILITY

The following describes the responsibilities of the person/group associated with the Procurement Card program.

Cardholder

- Attend required training sessions (card issuance & renewal) with Program Administrator (Purchasing)
- Complete Cardholder Procurement Card Agreement Form (annually)
- Maintain card security
- Purchase materials and services for City business purposes only within these guidelines
- Obtain itemized sales receipt and forward to Department/Division Representative daily
- Sign receipt and code, if authorized
- Identify sales tax exemption status to vendor and obtain credit if tax is charged
- Respond to disputed charges
- Report Lost/Stolen card status

Department/Division Representative

- Receive Cardholder monthly statements
- Accumulate all Procurement card documents filed and categorized by Cardholder
- Verify charge codes as purchases are made
- Review all documents for correctness and compliance with policy and report findings to Department/Division Head
- Review and reconcile disputed charges or discrepancies with Cardholder
- Reconcile monthly statement, complete reconciliation statement and forward with all documentation to Department/Division Head for payment approval. Submit for payment to Finance Rep within an established timeframe.
- Report Lost/Stolen cards to Program Administrator

- Administer & forward annual Cardholder Procurement Card Agreement form to Program Administrator (Purchasing Dept.)

Department/Division Head

- Review monthly statements for unauthorized purchases and policy compliance
- Authorize payment
- Forward approved Payment Authorization Form to Department/Division Representative and ensure that payment is submitted to Finance within the established timeframe.
- Monitor expenditures relative to budget
- Establish monthly spending levels for individual cards
- Designate eligible employees to receive card and request new card issue in writing
- Collect cards from employees upon termination, transfer or employment separation and notify Program Administrator
- Provide infraction report responses to Finance, and take appropriate disciplinary action.

Procurement Card Program Administrator (Purchasing)

- Coordinate program policy issues
- Participate in ongoing program reviews
- Participate in resolving billing disputes
- Resolve Supplier/Vendor issues
- Update policy guides/manuals
- Coordinate and maintain internal controls
- Order/distribute new or replacement cards
- Collect terminated cards and report to card issuer
- Maintain master Cardholder record
- Facilitate/provide training to card users upon issuance and renewal.
- Issue & maintain annual Cardholder Procurement Card Agreement forms
- Suspend or terminate cards in violation of policy, as appropriate.

Finance

- Review monthly consolidated statement from Purchasing
- Receive Payment Authorization Forms along with all procurement card documents from Department/Division Representatives, verify charges and merge with statement

- Review for policy compliance and if applicable create and forward a monthly infraction report to Department/Division Heads and the Program Administrator
- Pay monthly charges from consolidated statement before penalty date
- Process account data into financial system
- Administer 1099 reporting

Procurement Card Committee

- Review and make recommendations relative to procurement card program
- Recommend and implement system enhancement to program

Auditor

- Conduct required operational and compliance audits

GENERAL INFORMATION

Delegation of Authority

The procurement function for the City of Johnson City is centralized and managed by the Purchasing Department. The authority to make small dollar purchases has been granted to the using departments under these conditions.

The Procurement Card

The Procurement Card will only be issued after the user completes Procurement Card training and agrees to the terms of use by signing the Cardholder Procurement Card Agreement form. The Procurement Card Policy and Procedures Manual can also be found online at: <http://Insite.johnsoncitytn.org/uploads/files/Procurementcardpoliciesprocedures.pdf>.

The Procurement Card is easily identified with the City logo as well as the name of the employee, their department and tax-exempt status.

The card is valid only to conduct business on behalf of the City of Johnson City. Business shall mean the purchase of such materials and/or services as is necessary to maintain continuous operation of the City and any expenses related to travel as per the Travel Policy. Any unauthorized use, including personal use, will require immediate reimbursement and will result in disciplinary action that may include but not be limited to dismissal and/or criminal charges.

The Card is not transferable and may be used only by the assigned employee whose name is embossed on the Card. The Cardholder is responsible and accountable for all transactions that occur on that Card. For travel only p-cards that are issued to specific Departmental reps, The

representative is responsible for keeping a log of us and obtaining a signed Cardholder Procurement Card Agreement form before allowing use of that Departments p-card for travel.

Training

Before a Procurement Card will be issued the user must complete an initial training session with the Program Administrator (Purchasing Department) and complete the Cardholder Procurement Card Agreement form. A training session will also be required at time of card renewal. Cardholder may also be required to participate in additional training sessions if deemed necessary by Program Administrator. Failure to sign the Cardholder Procurement Card Agreement form will result in card being cancelled.

Spending Limits

Cards will have a maximum dollar amount established for a single purchase transaction and a total for all purchase transactions made within any given 30-day billing cycle. The maximum amount for a single purchase transaction is two thousand dollars (\$2,000). In specific cases the City Manager can make exceptions to this limit, and notify the Purchasing Director in writing. The Department/Division Head will set the maximum amount for each Cardholder during the 30-day billing cycle. A single purchase may consist of multiple items but the total invoice cannot exceed two thousand dollars (\$2,000). Purchases may not be split to stay within that limit. If items to be purchased from a single Vendor on any given date exceed the maximum dollar amount established, the employee must use the requisition/purchase order process. Attempts to purchase more than the maximum dollar amount is considered an abuse of the Procurement Card program and MAY result in cancellation of the Card and/or disciplinary action.

Use of Card

At the time a purchase is made, the Cardholder must get a detailed receipt to turn in at the end of the day to the employee in each department designated to monitor the Card activity (Dept. /Div. Representative)

Restricted Purchases

- Invoice payment
- Dining-in
- Gasoline, diesel fuel or oil for vehicles (non-travel related)
- Vehicle repairs
- Cash advances

- Alcoholic beverages
- Personal items and services
- Prescription drugs and controlled substances (except Jail)
- Items included in term contracts (cellular phones & services)
- Reoccurring charges (need to consider alternate procurement method)
- Any additional goods or services restricted by the Department/Division Head

NOTE: The card issuer's authorization system will check each individual Card at the point of sale to verify the dollar limits set for that Card, whether it is the single transaction or monthly limit. Should the purchase exceed either of these set amounts, the transaction will be rejected and the Cardholder will be refused the right to make the purchase at the point of sale.

Vendor Participation

If a Vendor does not accept the Procurement Card, the City will assist in recruiting the Vendor to take the necessary steps to begin acceptance of the Card or discuss alternate procurement arrangements. Cardholder should contact the Department/Division Representative or the Program Administrator when encountering vendors that do not accept Procurement Cards.

Documentation

Each time a purchase is made using the Procurement Card, a document such as an itemized receipt must be retained as proof of purchase. These documents will then be used to verify the purchases charged on the Cardholder's monthly statement.

If for some reason the Cardholder does not have documentation of the transaction to send with the statement, the Cardholder must complete the Missing Receipt Form (Appendix A, page 15) and present it to the Department/Division Representative to be retained in the Cardholder's file. Cardholders may be responsible for reimbursing the City for any charges that have missing documentation. Continued incidents of missing documentation may result in the cancellation of that employee's Card and possible disciplinary action.

Purchase Methods

- Over the Counter Purchases

The Cardholder must obtain the customer copy of the charge slip and itemized receipt that becomes the accountable document. All items purchased over the counter must be immediately available. No back-orders are allowed when using the Procurement Card.

- Telephone/Internet Purchases

If placing orders via telephone or internet the Cardholder needs to obtain/print-out an itemized receipt/order summary and verify charges are correct and submit (including the packing slip) with payment documentation. If ordering multiple items, the Cardholder must ensure that the Vendor will ship all items at the same time to prevent back-orders. Cardholder shall ensure that all purchases are tax exempt.

For telephone orders the Cardholder should ensure the call is made from a secured (land line or digital cellular) phone line. Calls made from portable or analog cellular phones are unsecured and may be monitored. A Cardholder may authorize another employee to pick up items ordered by phone providing the employee picking up the item signs the receipt with his/her name as "picked up by." They must then return the item and receipt to the Cardholder who must sign his/her name to the receipt and turn it in to the Department/Division Representative.

For internet orders it is important to verify that the site is secure before placing an order.

Website security:

- ❖ Look for the letter "S" at the end of the standard http in the address line in either Internet Explorer or Firefox. A secure web address looks like https, where the "S" represents secure. This indicates the site is using SSL on the server you are going to use. Some commercial companies use a non-secure website for you to browse their products. When you go to pay for something, they then switch over to a secure website.
- ❖ Check for a yellow padlock or key icon on the web page. This also indicates the website is using SSL. In Internet Explorer, the padlock or key appears to the right of the address box while in Firefox the padlock or key appears in the address line. Firefox also indicates secure transactions by adding a yellow highlight to secure addresses. Sometimes the padlock or key will also appear in the bottom of the window.
- ❖ Click on the yellow padlock or key icon for an additional check on the level of security. These icons represent a certificate of authenticity for a website. Internet certification authority companies like Verisign and Equifax secure issue certificates to websites that meet industry standards. When you click on the icon, it should display more information about the website's encryption and authentication information. You can click on "View Certificates" to see more information about the website and whether it matches with the address being used.

Payment Procedures

The card issuer will mail and/or make available electronically individual billing statements for each Cardholder to the Department/Division Representative and one consolidated statement to the Program Administrator. Departments are encouraged to access billing electronically. The individual billing statements will list all transactions processed during the billing cycle.

The Department/Division Representative merges all invoices, receipts and supplemental forms with the individual bank statements and then completes the Reconciliation Statement (Appendix B, page 16) listing all codes and associated charges. **Only the forms included with this policy will be accepted (or other defined by Finance).** The Payment Authorization Form (Appendix C, page 17) is then attached and forwarded to the Department/Division Head for review/approval.

The Department/Division Head reviews the statements and documentation. After approval, the Payment Authorization Form shall be completed, signed and returned within two (2) working days of receipt to the Department/Division Representative. By signing this statement, the Department/Division Head certifies that all charges are appropriate, authorized and that receipts verify/validate all charges.

After the Department/Division Representative receives the Payment Authorization Form and supporting documents from the Department/Division Head, the Reconciliation Statement, Payment Authorization Form and original Cardholder statements along with all supporting invoices/receipts shall then be forwarded to the Finance Representative.

Individual receipts will be accepted in one of the following manners:

- Email attachments of image scanned into a pdf file readable in Adobe (or other file format defined by Finance)
- Submit via DocSTAR (or other scanning software defined by Finance). Note: images must be scanned in a manner that is acceptable to Finance and that facilitates easy retrieval of the images by Finance.
- If not submitting electronically, submit legible copies of receipts. Receipts shall be taped to an 8-1/2 x 11 sheet. Several receipts may be taped onto a single sheet, but all sides must be taped down (no hanging edges).

Receipts not meeting these requirements will be returned to the department for re-submission in correct format.

The timeframe for completing this process is as follows:

- Reconcile bank statements by Department/Division Representative within a deadline provided by Finance
- Review and approval by Department/Division Head within two (2) working days from receipt
- Finance will provide a monthly calendar deadlines. Not meeting deadlines is considered an infraction by the Department Head.

Record Retention

The Finance Department shall keep all Cardholder receipts and statements on file for a period of three (3) years. These records shall coincide with the fiscal year of the City.

Disputes and Credits

If items purchased with the Procurement Card are found to be defective, the Cardholder must return the item to the Vendor for replacement or credit. Under no circumstances should a Cardholder accept cash in lieu of a credit to the Card account. If the Vendor refuses to replace the item or issue credit, the purchase is considered to be in DISPUTE. Additionally, if the quantity received is less than the invoice amount, the transaction must be disputed. A disputed item must be explained on the Charge Dispute Form (Appendix D, page 18) and turned in to the Department/Division Representative. After review, the paperwork is forwarded to the Finance Representative who communicates the dispute to the Card issuer. The user department shall not pay a disputed charge. If the Card Issuer credits the charge on a future statement the user department shall not take the credit (it was not paid initially).

Split Transactions

It is prohibited to intentionally divide/split purchases for the purpose of circumventing card limits. A split transaction is multiple transactions at the same merchant at the same location within a short timeframe. Dividing/splitting purchases may result in the suspension/cancellation of the employee's card.

Card Cancellation

A Procurement card may be cancelled if a Cardholder:

- a) Transfers to a different department within the City
- b) Change in employment status

c) Or, for any of the following reasons listed below, which will also subject Cardholder to disciplinary action up to and including termination:

1. Unauthorized use of the card
2. Purchase of alcoholic beverages or any substance, material or service that violates policy, law or regulation pertaining to the City
3. Use of the card by another individual
4. Splitting a purchase or use of another employee's card to circumvent the limitations of the City of Johnson City Procurement Policy
5. Failure to provide Department/Division Representative with required receipts and/or documentation of purchases
6. Failure to provide, when requested, information about specific purchases
7. Failure to adhere to any or all Procurement Card policies and procedures.

To cancel a procurement card the Program Administrator (Purchasing Dept.) must be immediately notified in writing to suspend/cancel the account. **No holding cards.** An active Procurement card shall only be in the hands of the Cardholder; otherwise it shall be cancelled or suspended by the Purchasing Department.

Note: If a Procurement card is essential to the functionality of the Cardholder's job duties and the card is cancelled, that employee is subject to reclassification or termination.

Disciplinary Actions

Violations of the Procurement Card Policy (infractions) are subject to, but not limited to, the following:

1st offense – written warning to Cardholder and Department Head

2nd offense – card may be suspended up to 90 days

3rd offense – card may be permanently cancelled

The seriousness of the infraction will also be considered in determining disciplinary action.

Personal Purchases

Should an employee inadvertently use the Procurement Card for personal purchases and the Department Head determines the incident to be purely accidental, the employee may make restitution in one of the following ways:

- a) Remit the transaction amount in full to Finance, by cash or personal check made payable to the City of Johnson City and get a receipt. Turn the paid receipt into the

Department/Division Representative who will forward with the Payment Authorization Form.

- b) Obtain a credit from the vendor and provide proof of that credit to the Department/Division Representative who will forward the credit slip with the Cardholder's statement and the Payment Authorization Form.

Repeated "accidental" uses will be subject to cancellation of the card and possible disciplinary action.

Purchase Reviews

It shall be the responsibility of the Department/Division Head to review each procurement card expenditure to ensure the goods or services were justified, necessary and for specific use by the City of Johnson City. Questions regarding a purchase shall be discussed and resolved with the Cardholder. If the Department/Division Head is not satisfied that the purchase was appropriate, the Cardholder must provide a credit voucher proving the item(s) were returned for credit or a personal check made payable to the City of Johnson City for the full amount of the purchase. This documentation shall accompany the Payment Authorization Form forwarded to Finance.

Resolution of improper use of the Card will be the responsibility of the Department/Division Head.

Card Management

Annually the Program Administrator (Purchasing) will forward a departmental list of Cardholders to the Department/Division Heads for review. If Department/Division head determines that a card has been underutilized and not beneficial, then a request for cancellation shall be submitted to the Program Administrator (Purchasing Department).

Card Security

Cardholders should treat the Procurement Card with at least the same level of care as one does their own personal credit cards. The Card should be maintained in a secure location and the Card account number should be carefully guarded. The only person entitled to use the Card is the person whose name appears on the face of the Card. The Card may not be loaned to another person for any reason. **No card numbers shall be kept on file with any vendors.**

Purchases on Behalf of Another Department

From time to time a department makes procurement card purchases on behalf of another department, for which they are doing work. For example: Dept. A purchases a part to repair

something for Dept. B. This is allowable if the department making the purchase has written authorization from the department being charged. Authorization may be in the form of a signature beside the line item on the statement or it may be in the form of an email or memorandum. The absence of such written authorization will result in the charge being coded to the department making the charge.

Lost or Stolen Cards

If a Card is lost or stolen, the Cardholder must immediately notify the Card issuer, the Procurement Card Program Administrator (Purchasing) and their Dept./Divn. Representative. The telephone number of the Card issuer is listed on the form enclosed with the new procurement card. The Cardholder will be responsible for reporting all information necessary to reduce the liability to the City for a lost or stolen Card.

MISSING RECEIPT FORM

PURCHASE DATE	VENDOR	DESCRIPTION	UNIT	UNIT COST	TOTAL \$ AMOUNT

Explanation: _____

Cardholder Signature/Date

Printed Name

Department/Division Head Signature

NOTE: This form is to be completed by the Cardholder and turned in to Department/Division Representative.

RECONCILIATION STATEMENT

TO: Department/Division Head

FROM: Department/Division Representative

SUBJECT: Statement Reconciliation for Period of _____, _____.

I have reviewed the Visa statements for _____ Cardholders in the _____

Department and agree the attached paperwork supports the stated charges.

Distribute charges as follows:

Org. Code	Object Code	Project Code	Total \$ Amount

GRAND TOTAL	\$ _____
--------------------	-----------------

_____/_____
Department-Division Representative/Date

PAYMENT AUTHORIZATION FORM

TO: Finance Representative

FROM: Department/Division Head

SUBJECT: Statement Verification for Period of _____, _____.

I have reviewed the Visa statements for the Cardholders in the _____ Department and agree that all charges are appropriate and correct and authorize payment of \$ _____.

I have reviewed the Visa statements for the Cardholders in the _____ Department and find all charges are appropriate and correct with the exception of those listed on the attached Charge Dispute Form. I authorize payment of \$ _____.

Department/Division Head

Date

NOTE: This form is to be completed and returned to the Department/Division Representative including all attachments within two (2) working days of receipt.

CHARGE DISPUTE FORM

The following item(s) listed on account statement is disputed for the following reason(s):

- Unauthorized charge
- Incorrect charge amount
- Multiple billing
- Merchandise returned
- Unrecognized charge
- Other _____

Transaction Number	Date	Vendor	Dollar Amount

Cardholder's Printed Name

Cardholder Signature

Card Number

Date

NOTE: This form is to be completed by the Cardholder and turned in to the Finance Representative.