

# The City of Port St. Lucie

## Procurement Card Policy & Procedures Manual



Revised April 2015

## Table of Contents

<b>TABLE OF CONTENTS</b>	<b>1</b>
<b>PROCUREMENT CARDS</b>	<b>4</b>
<b>Introduction</b>	<b>4</b>
<b>Purpose</b>	<b>4</b>
<b>How It Works</b>	<b>5</b>
<b>Who Does What?</b>	<b>5</b>
Director	<b>5</b>
Cardholder	<b>6</b>
Department Representative	<b>6</b>
Procurement Management Department (PMD)	Error! Bookmark not defined.
Procurement Management Department/ VISA Account Administrator	<b>7</b>
Accounts Payable/Finance Department	<b>8</b>
External Auditor	<b>8</b>
<b>POLICIES AND PROCEDURES</b>	<b>8</b>
<b>Request for and Issuance of Procurement Card</b>	<b>9</b>
<b>Lost or Stolen Procurement Cards</b>	<b>9</b>
<b>Termination or Transfer of Cardholder</b>	<b>10</b>
<b>Limitations on Use of Procurement Card</b>	<b>10</b>
<b>Dollar Limitations</b>	<b>10</b>
<b>Other conditions</b>	<b>11</b>
<b>Prohibited uses of procurement cards</b>	<b>11</b>
<b>Violations</b>	<b>12</b>
<b>PROCEDURES FOR MAKING AND PAYING FOR PURCHASES</b>	<b>13</b>

<b>A. General Information</b>	<b>13</b>
<b>B. Documentation of Over the Counter Purchases.</b>	<b>13</b>
<b>C. Telephone Orders</b>	<b>13</b>
<b>D. Missing Documentation</b>	<b>14</b>
<b>E. Payment and Invoice Procedures</b>	<b>14</b>
<b>DISPUTES</b>	<b>15</b>
<b>Review of Purchases by Departments</b>	<b>16</b>
<b>CONSTRUCTION PAYMENT</b>	<b>17</b>

## **Procurement Cards**

### **Introduction**

The City of Port St. Lucie Procurement Card Program is designed to improve budget control and efficiency in processing purchases from any vendor that accepts the VISA credit card. Card is the City's preferred method of payment. Many of our current suppliers, now being paid by the Blanket Purchase Order system, will accept the VISA credit card.

This program will allow the cardholder to purchase approved commodities and services directly from our vendors. Each procurement card is issued to a named individual with The City of Port St. Lucie clearly shown on the card as the Government buyer of goods and services. The card will also contain the City's logo and the Sales Tax Exemption Number.

The Procurement Management Department (PMD) will monitor the performance of the program. All questions or concerns should be directed to:

Cheryl Shanaberger	871-7390
Robyn Holder	344-4293
Karen Rodgers	344-4384
Gina Jolly	344-4055
Karen Chambers-Cuffy	871-5224
Brenda Leo	871-5222
Sherri Hawes	871-5221

### **Purpose**

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

- A. To provide an efficient method of purchasing and paying for goods and services not exceeding a predetermined amount per item purchased, per total invoice purchase or per total per month per vendor.
- B. To eliminate the use of Blanket Purchase Orders, reduce the use of purchase orders, and petty cash.
- C. To ensure procurement card purchases are in accordance with City of Port St. Lucie Purchasing Policies and Procedures.
- D. To reduce the time spent processing low dollar transactions by Secretary/Bookkeepers, Buyers, PMD and the Finance Department.

E. To provide procedures and policies for disciplinary action if the procurement cards are misused.

F. To ensure that The City of Port St. Lucie bears no legal liability for inappropriate use of procurement cards.

G. Provide budget, commodity, and vendor control over purchases.

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

### ***How It Works***

The procurement card system simplifies the procurement/disbursement process. Procurement responsibility is delegated to the ordering department enabling an authorized cardholder to place an order directly with the vendor.

When a purchase authorization is requested by the supplier at the point of sale, the VISA procurement card system validates the transaction against preset limits established by the Cost Center Director. All transactions are approved or declined electronically based on the procurement card authorization criteria established. 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 purchase limit
- 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 under the Hillsborough Consortium Contract with Bank of America.

### ***Who Does What?***

The following is a summation of the responsibilities of the individuals and organizations involved in the procurement card system.

#### Department Director

- ◆ Request procurement cards for designated employees

- ◆ Set departmental spending limits within established guidelines by PMD and the Finance Department
- ◆ Set transaction limits, commodities, and vendors
- ◆ Responsible for authorizing charges or designate representative
- ◆ Collect card from cardholders who end employment
- ◆ Notify and send PMD terminated cards
- ◆ Request additional procurement cards as needed from PMD
- ◆ Comply with all purchasing and procurement card policies and procedures.
- ◆ Reviews, Approves and Initials either, or the Receipts, Card Holder Statement or Department Summary.
- ◆ Sends Cardholder Statement and Department Summary to PMD two (2) days after receipt
- ◆ Receive reports and use for tracking, forecasting and management tool

### Cardholder

- ◆ Hold and secure procurement card
- ◆ Ensure sales tax is not charged
- ◆ Order/receive materials and services
- ◆ Make sure there are no back-orders
- ◆ Compare charge slip with receipts and verify totals are the same
- ◆ Request correct charge slip and credit slip if totals do not agree
- ◆ All charge slips and receipts are to be turned in daily to Dept. representative
- ◆ All charge slips and receipts are to have signature of cardholder, and description of items on receipts
- ◆ Comply with all purchasing and procurement card policies and procedures
- ◆ Notify Director and department representative of lost and stolen card
- ◆ Responsible for all missing documentation

### Department Representative

(Individual(s) designated by Director)

- ◆ Receive daily all receipts, charge slips and credit slips
- ◆ Verify there are no sales tax or back orders
- ◆ Verify receipt total and charge slip total agree
- ◆ Return all unequal charges to card holder for correction
- ◆ Write gl account code on each receipt
- ◆ Have Director or designated representative initial each receipt as a validated charge
- ◆ Reconcile monthly card statement total for agreement with receipts

- ◆ Highlight and identify any differences (do not pursue less than \$5.00 total difference)
- ◆ Over \$5.00 notify PMD
- ◆ Process all cardholder statements in a timely manner (2 days after receiving)
- ◆ Run Department statement report
- ◆ Forward department statement and supporting receipts to PMD with director's initials
- ◆ Comply with all purchasing and procurement card policies and procedures
- ◆ File and use reports for tracking, managing, and forecasting

#### Procurement Management Department (PMD)

- ◆ Monitor charges for proper account codes and fund availability
- ◆ Receive approved cardholder statements, receipts, and Department Summary
- ◆ Confirm that all Department Summaries are authorized by Department Directors
- ◆ Confirm that all charges/receipts are authorized by department representatives or Directors
- ◆ Check individual receipts for account coding accuracy
- ◆ Notify departments when approved monthly department statements are not received
- ◆ Notify VISA of any disputes and follow dispute procedures
- ◆ Document all disputes
- ◆ Receive Copies of Visa Statement from Bank. Reconcile all department statements to the Visa Statement. Provide totals to be paid to Bank to the Finance Department
- ◆ Initial and give all documents to Finance Department

#### Procurement Management Department/ VISA Account Administrator

- ◆ Coordinate program policy issues
- ◆ Issue list of commodity codes to department representative
- ◆ Initiate all procurement cards
- ◆ Block commodity codes for procurement card program
- ◆ Initiate required training program for all cardholders
- ◆ Request issuance and cancellation of cards
- ◆ Target new cardholders and expanded use of card
- ◆ Maintain policy and cardholder guides/manuals
- ◆ Evaluate procurement card feedback from vendors and from departments
- ◆ Coordinate and maintain internal controls

- ◆ Handle billing disputes
- ◆ Participate in ongoing program reviews
- ◆ Pursue supplier discount opportunities
- ◆ Establish and monitor bench marking objectives
- ◆ Conduct semi-annual inventory of procurement cards
- ◆ Terminate cards

Accounts Payable/Finance Department

- ◆ Receive monthly City Statements from VISA
- ◆ Receive approved cardholder statements, receipts, and summary Reconcile statements to City Total Summary
- ◆ Pay all non-disputed monthly charges from consolidated statement
- ◆ Process accounting data and issue warrant
- ◆ File and store statements, receipts, etc. with monthly warrant
- ◆ Monitor missing documentation from City Total Summary and notify PMD
- ◆ Notify PMD of any violations or discrepancies on the City Total Summary
- ◆ Verify VISA has sent 1099's
- ◆ Receives report listing all 1099's sent and date mailed

External Auditor

- ◆ Include Procurement Card payments in annual audit
- ◆ Report to Finance Director or Designated Employee
- ◆ Notify PMD of any changes required.

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## **Policies and Procedures**

### **Assignment and Control of the Procurement Card**

#### ***Request for and Issuance of Procurement Card***

- A. Procurement cards will be issued to individual employees who frequently purchase goods and services in single item purchase amounts of a pre-approved amount by Department and PMD. Generally, these will be the employees who, before the procurement card program, often used blanket Purchase Orders.
- B. The Procurement card will have the employee's name, the City's tax exempt number, City Logo, The City of Port St. Lucie and the expiration date embossed on the face of the card. The procurement card issuing company will not have individual cardholder's information. No credit records, social security numbers, etc. of the cardholder are maintained.
- C. All requests for new cardholders, changes to current cardholders, or changes to authorization must be made by the department director by submitting a request form to PMD.
- D. When PMD receives a new procurement card from the issuing card company, the cardholder will be required to attend mandatory training, where they will receive a copy of the procurement card Policies and Procedures with an oral review of such Policies and Procedures. The cardholder will personally take receipt of the card and sign the Certification and Receipt form. Human Resources will retain each original signed certification.
- E. When PMD receives a replacement card for a cardholder when their original card has expired, the cardholder must take a mandatory Visa test through our City's Web site before receiving the new card.
- F. PMD will notify the Director of the issuance of all procurement cards.
- G. At the Director's discretion, a department may require that all procurement cards be turned in daily or weekly
- H. The City Council will not be issued personal cards.

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

- A. If a procurement card is lost or stolen, the cardholder or department representative must immediately notify PMD and the department Director.

B. The cardholder will be responsible for reporting all information necessary to reduce the liability to the City for a lost or stolen card.

C. Disciplinary action will be taken in the event that PMD is not notified.

D. The cardholder will make payment to the City for any unauthorized charges if s/he 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.

### ***Termination or Transfer of Cardholder***

A. When an employee ends his or her employment or is transferred to another department, the Director must immediately notify PMD. PMD will ensure that the card is canceled.

B. The Director is to collect the card from the employee and send to PMD for termination.

### ***Limitations on Use of Procurement Card***

#### **A. Cardholder Use Only**

Only the employee whose name is embossed on the card may use the procurement card. No other person is authorized to use the card.

#### **B. City of Port St. Lucie Purchases Only**

The procurement card is to be used for City authorized purchases only. The procurement card cannot be used for any personal use. Any such use will require immediate reimbursement and will result in disciplinary action, which may include dismissal.

### ***Dollar Limitations***

A. The Department Director 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 PMD. Requests for spending limit changes must be initiated and authorized by Director and approved by PMD.

B. 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***

A. All items purchased over-the-counter must be immediately available. No back ordering is allowed.

B. All items purchased by telephone transaction must be confirmed by fax. 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.

C. 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.

D. All telephone transactions must be confirmed by faxing the VISA order Fax Form. A faxed proposal from the vendor initialed by the cardholder will be given to the department representative at time of order.

***Prohibited uses of procurement cards***

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

- A. Food when traveling
- B. Entertainment during travel
- C. Cash Advances
- D. Sport or Recreation Tickets
- E. Cruise Tickets
- F. Personal Items
- G. Telephone Calls
- H. Any additional goods or services specifically restricted by the Department Director, PMD or Finance Department

- I. Any item that would be an unlawful expenditure in accordance with the City's Code of Ordinances adopted Resolutions and adopted Policies.

### ***Violations***

A. Attempting to make single item purchases that exceed 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 procurement card transaction is made. A vendor's willingness to honor a procurement card transaction exceeding the limit does not authorize department to make such purchases.

B. Purchases from vendors that create conflicts of interest, i.e.: companies owned by any City employee, etc.

C. Multiple procurement card transactions to circumvent the pre-determined limits.

D. Procurement card transactions referenced as items prohibited for purchase with card.

E. Failure to produce proper documentation receipts, to Department Representative daily.

F. Failure to report lost or stolen procurement card to PMD for termination.

G. Purchase of any item, which would be an unlawful expenditure in accordance with the City's Code of Ordinances, adopted Resolutions and adopted Policies.

Any abuse or misuse of the procurement card will result in the privilege being suspended or revoked.

PMD will refer violations and discrepancies to Administrative Services for disciplinary or other appropriate action.

## **Procedures for Making and Paying for Purchases**

### ***A. General Information***

1. When using the procurement card, the department or buyer will make the purchase at the best possible price. If buyer is unsure of appropriate vendor, they should contact immediate Supervisor.
2. Department Director after review of the prepared statement of charges for his/her department should make sure that there are sufficient funds in the general ledger to support those figures.

### ***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 detailed 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 discount has been given, i.e., State Negotiated Agreement Price Schedule, or bids. If receipt is incorrect the buyer will request a Credit charge slip plus a correct charge slip. All transaction receipts are 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 until forwarded to PMD with the monthly statement.
3. The City is exempt from sales tax. The cardholder must ensure that the vendor is aware and does not charge sales tax. The cardholder will provide the tax exempt number whenever asked. 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 tax ID # will be provided.
3. Absolutely no back-orders will be allowed after billing cycle. All telephone orders are to be confirmed by fax.
4. A telephone order will be confirmed by fax. The fax will be initialed and given to Department Representative.

***D. Missing Documentation***

1. If for some reason the cardholder does not have documentation of the transaction to send with the statement, the cardholder must try to obtain a copy and if this is not possible, details of the purchase must be attached. The information will include a description of each item, the number of items purchased, the unit cost, the date of purchase, the vendors 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. The procurement card company will mail an individual billing statement to the department representative at their office and one consolidated statement for all cardholders to the Finance Department /Accounts Payable. This statement of account will list all transactions processed during the billing cycle. No statement of account will be generated unless adjustments for previously billed transactions have been processed during that cycle.
2. The Department Representative must review the cardholder statements and note any errors. The Department Representative gives receipts with errors for tax, or discounts that total over \$5.00 to cardholder. The cardholder returns to the vendor for Credit slip and new corrected receipt, and gives to Department Representative. Notify PMD of all differences not corrected. All receipts for all items listed on the statement should be attached to each individual cardholder statement. Account numbers are to be written on each receipt. All documents will then be reviewed and the Summary form signed by the Director or his designated representative. By signing the Summary form, the Director is certifying that all charges are appropriate, funds are available, and payment is authorized based on the attached receipts. Once the Director or department representative has reviewed all statements for which they are responsible, all documents are forwarded to PMD. All documents will be forwarded to PMD within three

(3) working days after receipt. All cardholder statements are to be received by the Department Representative within 2 days after end of cycle period. Notify PMD immediately if all cardholder statements are not received within this designated time period.

3. PMD will ensure that the 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. Directors will be notified when individual statements are not received in the allotted time. Continued failure to meet the three- (3) working day deadlines may result in the revocation of procurement cards at the discretion of PMD.

## **Disputes**

A. If items purchased with the procurement card are defective, the cardholder must return the items(s) to the vendor for replacement or credit. If the service paid for with 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.

B. It is essential that the time frames and documentation requirements established by the procurement card issuer (Bank of America) be followed to protect the cardholder's rights in dispute. Dispute policies and procedures issued by PMD will be provided at the time procurement cards are issued to cardholders.

C. PMD must be notified of all disputed items. All documentation concerning the disputed items will be turned into PMD as soon as possible. PMD will contact VISA and follow dispute procedures. PMD will complete the Dispute section for each Department Summary.

D. PMD contacts the Merchant about the transaction and supplies the necessary information to begin the resolution process, AND; PMD completes the Bank of America VISA Dispute Form and faxes it to Bank of America explaining the reason(s) for the dispute as well as a copy of the statement if the item has posted. Bank of America will then place the transaction into a dispute status.

E. If the problem is resolved between the Merchant and PMD, PMD will write the solution agreed upon on the bottom of the Dispute Form that was previously faxed to Bank of America, and fax it to Bank of America as soon as possible. If an agreement cannot be reached the following steps will be completed:

1. After the item has been entered as a dispute, Bank of America must determine who is responsible by researching the transaction including requesting a copy of the sales draft when necessary. When responsibility

for the transaction is determined, the dispute will be settled on the current account cycle.

2. When an account is in dispute status, the disputed amount is still included in calculating the available money for authorization (monthly limit). At the time the item is placed in dispute, it is removed from all finance charges, late charges; past due amounts, and 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.**

3. If the cardholder is actually responsible for the transaction, the dispute is settled in favor for Bank of America and no further actions are required. If the cardholder is not responsible for the transaction, the dispute is settled for the cardholder and the charge back process may be initiated against the Merchant.

4. If there continues to be a problem with a particular merchant, the cardholder should notify PMD of the problems.

5. PMD will be responsible to keep all documentation, complete status reports, and forward reports to the Department Director and City Manager on all disputed items.

6. Any item or amount the Director or the Director's designated representative considers as an inappropriate or incorrect charge and the vendor will not credit will be a disputed item or amount.

### ***Review of Purchases by Departments***

A. Because of their knowledge of the job responsibilities and requirements, the Director or designated representative are required to review each procurement card expenditure (item purchased, amount, and vendor) to ensure the goods or services were necessary, and for official use.

B. When purchases are questioned, the Director or designated department representative will be responsible for resolving the issue with the cardholder. If the Director or department 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 items cannot be returned, then a payment will be made in cash to the City by the employee/cardholder. The City reserves the right to take disciplinary action, up to and including termination. The



City may also pursue all legal avenues available for collection. If cardholder misuses or attempts to use card for unauthorized purchases a second time the VISA card will be terminated for their use.

C. All misuse must be documented and filed with PMD. PMD will report all disputes and misuse to the Director and City Manager.

D. To help the Department with the reviews, management reports will be available from the procurement Card Company. These reports will be monthly, quarterly, and yearly. The Director from PMD can request unscheduled reports.

### **Construction Payments**

1. A ghost account with Bank of America (BOA) will be established for the project. The account dollar limit will be established by the engineer's estimate of monthly expense. The account will also have limits as per the MCC code. Reasonable total invoice amounts will also be established. The ghost account will be entered with the proper expense codes.
2. A purchase order to the VENDOR/BOA may be issued based on length of project.
3. The contractor will send the CEI engineering firm or project manager by the 1<sup>st</sup> of each month an estimate of work and materials that will be accomplished by the 25<sup>th</sup> of the same month.
4. The CEI engineering firm or project manager will approve the estimated work and materials request by the 5<sup>th</sup> of the same month. The CEI engineering firm or project manager is signing and agreeing that the labor and material estimates are reasonable and feasible as to being completed by the 25<sup>th</sup> of the same month.
5. The CEI engineering firm or project manager (PM) will prepare a letter to the Contractor stating that the estimated work and materials request (pay estimate) is appropriate as to expected completion by the 25<sup>th</sup> of the same month. This memo will be copied to the City Engineer for the project, contract specialist for the project and the contractor.
6. The contractor after receipt of the memo will then place the estimated payment request on the ghost account established for the project. The contractor may not place the charge on the ghost account until the 5<sup>th</sup> of each month. Under no circumstances will the account be used between the 1<sup>st</sup> and 4<sup>th</sup> of the month.
7. The contractor will send the standard pay application with all required documents as per the contract to the CEI engineer or PM by the 25<sup>th</sup> of each month. The pay application number should match the previously submitted pay estimate number for the same work period.

8. The CEI engineer or PM will audit to determine that work and materials that are being billed have been completed and installed as per contract specifications. The CEI engineer or PM will sign documents that state the payment is correct and payment by the City is authorized. This is the payment request that will authorize the City to pay the bank provider-BOA. The CEI engineer or PM will breakout the pay items and assign to purchase order subsections as part of the letter to the City Engineer.
9. The CEI or PM will have the signed payment request documents to the City Engineer no later than the 8<sup>th</sup> of each month.
10. The City Engineer (when required) will review the payment request and sign as approval to authorize the City to make payment. The signed payment request will then be sent to the contract specialist for processing. The signed payment request will be sent no later than the 13<sup>th</sup> of each month to Procurement Management Department (PMD).
11. The PM will mark any pay estimate that should not be paid and provide explanation. All approved pay estimates by the Engineer or PM that are charged to Visa must equal the pay request. All adjustments must be made on following pay estimate.
12. PMD will balance statement and issue all dispute items.
13. PMD will produce summary sheet and send all documentation to Finance for payment.

### **Pay Estimate does not Equal Actual Work Completed**

The City will allow up to 15% of the estimated work not to be completed by the 25<sup>th</sup> of the month and still approve the pay request. However, the contractor on the 5<sup>th</sup> of the following month must indicate the adjustment amount as a credit on a same invoice included in the estimated pay request. The City cannot pay credits.

Over estimates of 15% for three (3) consecutive months will be considered abuse. The CEI or PM will be responsible for establishing the correct estimated amounts in the following months.

If there is an act of God or extenuating circumstances that the contractor has no control over, the CEI or PM will approve the overpayment. However, the contractor on the 5<sup>th</sup> of the following month must indicate the adjustment amount as a credit on a same invoice included in the estimated pay request.

If during the month the CEI, PM or City engineer determine that the estimated pay request amount can not be reached by more than 15% and it is due to the performance of the contractor, a credit must be issued on Visa by the contractor as soon as possible for

the entire amount of work and materials that will not be completed. This credit will be issued on the ghost account for the full amount charged. A transaction for the correct amount that equals the value of the work and material that will be completed will be charged to the account.