



# **PROCUREMENT CARD PROGRAM (P-Card) USER MANUAL AND POLICIES**



## **PURCHASING CARD PROGRAM ADMINISTRATOR:**

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***POLICY APPROVED & ADOPTED: 3/22/2021***

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## INTRODUCTION

Welcome to the City of Rosenberg Procurement Card Program. This program is designed to help better manage low-dollar purchases and brings many benefits to the City and our suppliers.

The success of the Procurement Card Program and its continuing use depends on your participation and cooperation. Please be sure to read and follow the program guidelines as specified within this manual.

## PURPOSE

The purpose of Procurement Card Program rules and procedures is to accomplish the following:

- ✓ Reduce the cost of high volume, low dollar transactions. This program also helps reduce the use of check requests, and small dollar purchase orders.
- ✓ Provide an efficient method of purchasing and paying for commodities and services not exceeding an approved single purchase limit. **The Procurement Card shall only be used for City business related purchases.**
- ✓ Reduce travel time and paperwork involving purchases.
- ✓ Develop reasonable and enforceable rules, procedures, and audit controls. The program is NOT intended to avoid or bypass appropriate purchasing or payment procedures, but to complement the existing processes.
- ✓ Enable the purchase of non-restricted commodities, by telephone, on the internet, or in person, directly from approved suppliers. **The card is intended to be used for:**
  - ✓ **Emergency and Other purchases** (in accordance with the City's Purchasing and Procurement Policy)
  - ✓ **Registration fees**
  - ✓ **Business travel**
  - ✓ **Training**
- ✓ Increase the number of suppliers immediately accessible to the City.
- ✓ Improve management reporting on low dollar transactions.
- ✓ Provide for disciplinary action if the Procurement Card is misused.
- ✓ Provide training on an ongoing basis for the use, reporting, and market updates of the Procurement Card.
- ✓ Ensure the City bears no legal liability for inappropriate use of the Procurement Card.



## THE PROCUREMENT CARD PROGRAM BRINGS MANY BENEFITS TO...

**Cardholders** - You will be able to register for training/seminars, use for business travel and training, and obtain supplies directly from your suppliers. This streamlines the purchasing process and can help improve turnaround time on receipt of your order while still complying with the City's Purchasing and Procurement Policy. It significantly reduces the workload and processing costs related to the purchase and payment of supplies.

**The City** - The Procurement Card program provides a cost-efficient, alternative method for procurement of low-dollar supplies. Built-in card features make the program easy to control and manage and reduces processing costs at all levels by reducing the number of requisitions, purchase orders, invoices, and checks. The Procurement Card enables all departments to focus on higher value-added activities.

**Suppliers** - The Procurement Card will be welcomed by suppliers who accept **MASTERCARD**. When they accept the card for business purchases, suppliers need not send invoices to the City, and they will receive payment directly from the bank within 48 hours.

## SUMMARY OF PROGRAM

The City has contracted with Citibank for a Procurement Card Program. All cards are issued at the request of the Department Head and approval by the Finance Director and City Manager. Card usage will be monitored, and cards may be suspended or rescinded at any time.

Please read all instructions, rules, and procedures carefully. The signature on the Cardholder Agreement indicates understanding the intent of the program and agrees to adhere to the established rules and procedures. The Program Administrator will issue the Procurement Card after receipt of the signed agreement and completion of the required training provided by Purchasing. The cardholder may begin using the card immediately upon receipt.

Record keeping is essential to ensure the success of the program. Standard payment policies require retention of receipts and other documentation. **As with any card, the cardholder must retain sales slips, cash register receipts, invoices, order forms and receiving documents.**

**Individual transactions, including shipping and handling, may not exceed the approved single purchase limit.** Each Procurement Card has also been assigned a monthly total dollar limit, a single daily transaction limit, and a Merchant Category Code (MCC) Buying Group which will include or exclude designated merchant types specifically customized for each cardholder according to buying requirements needed by their department.

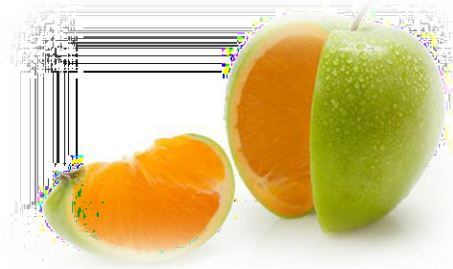
**Purchases must be for the use and benefit of the City of Rosenberg. NO PERSONAL PURCHASES ARE ALLOWED. In the event inadvertent, incidental personal charges appear on a City Procurement Card, the expense must be reimbursed to the City immediately.**

Suppliers are usually paid by the bank within three (3) business days of the transaction. **Please indicate to suppliers that they must not invoice the City because it might result in a duplicate payment. REMIND SUPPLIERS OF THE CITY'S TAX-EXEMPT STATUS before making the purchase.** The cardholder may provide the supplier with a copy of the Texas Sales and Use Tax Exemption Certification that has the City of Rosenberg Tax ID number listed. Cardholders are responsible for the security of the Procurement Card and the transactions made against it. The card is issued in the Cardholder's personal name and under the corporate name of the City of Rosenberg.

The Procurement Card is a City asset and is required to be tracked. It is also a form of payment and therefore subject to the guidelines set by Law, and other City purchasing policies and requirements.

- ✓ **Procurement Cards cannot be used for purchases where any City commodity has already reached the \$50,000 fiscal year purchase limit through a combination of Purchase Orders AND Procurement Card purchases.**
- ✓ **Any City commodity over the \$50,000 fiscal year limit must be competitively bid or found on a Purchasing Co-op or inter local agreement where a competitive bid has already taken place.** Please contact the Program Administrator with any questions before the purchase is made.

## DIFFERENCES BETWEEN THE PROCUREMENT CARD & A PERSONAL CREDIT CARD



**The Procurement Card is used like a personal credit card.** However, as a City Procurement Card, there are differences to be aware of:

- ✓ The City departments are responsible for all charges made on the Procurement Card. Unlike personal credit cards, which have limited liability if lost or stolen, **unless the proper procedures in reporting lost or stolen cards are followed, the City may be liable for all purchases made with a Procurement Card.**
- ✓ **There is no personal liability on the card unless the cardholder violates the terms of the card use** set forth herein or as specified in the Cardholder's Agreement.
- ✓ The transactions charged to a cardholder Procurement Card are billed directly to the City by the bank, even though the name of the cardholder is on the card.

# PROCUREMENT CARD RESPONSIBILITY SUMMARY

## General Responsibility:

The following are general guidelines applying to any City Employee handling the City Procurement Card or associated data:

- ✓ **The Procurement Card must be treated with extra care because it is a City Asset and the Cardholder or anyone who is part of the procurement card process is responsible for its security. The Procurement card, the associated card number and the expense report must be kept in a secure location.**
- ✓ **Only the employee whose name is embossed on the card may use the Procurement Card.** No other individual is authorized to use the card or the card account number.
- ✓ **ALL PERSONAL CHARGES TO THE CITY PROCUREMENT CARD MUST BE AVOIDED. If personal transactions have been found, inform the Cardholder's Department Head.** Personal items are defined as anything that is not purchased for use and ownership by the City. It is a violation of this policy to use the Procurement Card for any personal purchase or personal transaction. Should this policy be violated, the transaction may be investigated, the Procurement Card may be removed from the violator, and the action could result in permanent revocation of the card, termination of employment, and possible criminal prosecution. **In the event inadvertent, incidental personal charges appear on a City Procurement Card, the expense must be reimbursed to the City immediately.**
- ✓ No cash advances, cash refunds - defined as cash, cash in addition to purchase, and cash in lieu of credit for the return or exchange of a purchase. Violation of this policy shall result in revocation of the Procurement Card from the user with investigation that could result in termination and/or criminal prosecution.
- ✓ Any product or service normally considered to be an inappropriate use of City funds is prohibited from being purchased with a procurement card.
  - ✓ **Sales Tax cannot be charged to a City Procurement Card in most instances.** Sales tax will only be allowed in instances where meals are purchased in a restaurant and the process to obtain a sales tax exemption is not realistic in such a setting. This exception does not apply to meals that are preordered and delivered to City facilities for meetings and or banquets.
- ✓ **In any case where sales tax has been incorrectly charged, credit needs to immediately be obtained from the vendor, or it must be reimbursed to the City by the Cardholder.**
- ✓ **Split purchases on a Procurement Card to avoid the existing procurement process (i.e., multiple transactions to the same vendor on the same day when the combined total of the orders exceed the Procurement Card transaction limit) are against State Law and City Procurement Card Policy.** Multiple items may be purchased, but the invoice cannot exceed the cardholder's single purchase limit. **Deliberately splitting a purchase to circumvent these procedures may result in suspension or revocation of the Procurement Card.**
- ✓ **Timely processing of Monthly Expense Reports.**
  - ✓ Expense Reports are monthly billing statements that are downloaded from the bank's website, by the Department Coordinator. **An annual list providing all monthly dates on which Expense Reports must be downloaded, printed, and reconciled will be provided to Department Coordinator's. It is highly recommended that this list of dates be entered into the Department Coordinator's Outlook Calendar to provide monthly reminders of these key dates.**

- ✓ Unauthorized or fraudulent transactions charged to the City must be immediately reported to the Procurement Card Administrator and the Cardholder's Department Head.
- ✓ Attendance of any Procurement Card training required by the Purchasing Department.
- ✓ Compliance with all Laws, Purchasing, Procurement Card, and City Employee policies and procedures.
- ✓ Lost or stolen cards must be reported to the bank immediately by calling 1-800-248-4553 and contacting Program Administrator immediately:

**Cardholder Responsibility:**

A Cardholder is an employee of the City who is approved by his/her Department Head and the City Manager/Finance Director to use the Procurement Card to execute purchase transactions on behalf of the City.

- ✓ Makes certain accounts to be charged have sufficient budgeted funds to cover the charges.
- ✓ Orders/receives materials and services.
- ✓ Obtains three (3) quotes for purchases exceeding \$3,000.
- ✓ Makes certain sales tax is **NOT** charged or that is credited back, if it occurs.
- ✓ Reviews card activity frequently.
- ✓ Retains all Procurement Card **itemized** receipts (not just charge slips), cash register receipts, packing slips, etc. for monthly statement reconciliation.
- ✓ Secures a safe place to organize and keep all receipts.
- ✓ Missing Receipts – If a receipt/invoice is missing, the cardholder will make every effort to obtain a duplicate receipt/invoice from the merchant. However, if obtaining a duplicate receipt is not possible, a Missing Receipt Form may be completed and attached to the Expense Report, and approved by the department head, Finance Director and City Manager. If "Missing Receipt Form is not approved in lieu of missing receipt, cardholder will be personally responsible for reimbursing City. Contact the Program Administrator to obtain the form. A missing receipt may also be grounds to revoke purchasing card.
- ✓ Informs Department Coordinator of location where receipts are kept.
- ✓ **TIP:** When making a purchase via the internet, the supplier will provide a confirmation or email with details of the order. If not provided by the supplier via email or fax, use the key on your computer keypad called PRINT SCREEN before exiting the website. Right click on your computer mouse to PASTE the information to a WORD document. This should be used as the receipt.
- ✓ Reports unrecognized transactions to the bank and the Program Administrator immediately.
- ✓ Handles disputed items by calling the supplier immediately to receive a credit back to the Procurement Card.
- ✓ Calls the 800 number on back of Procurement Card when having problems using the card or the transaction is denied.

## Procurement card pick-up for a new or replacement card:

- ✓ After a card has been issued by the bank it will be sent to the Purchasing Department. The cardholder will be notified by email and asked to attend a 5 to 10-minute orientation. If the cardholder fails to pick up the card within two weeks following the notification email, a second reminder will be sent out. **The card will be destroyed, and the card account will be canceled if the card has not been obtained within 30 days of the second reminder.**
- ✓ The Procurement Card expires after two years. Approximately one month before the expiration of the card the bank will automatically send a new card to the Purchasing Department. The card holder will be notified by email and will have to **return the old card to the Purchasing Department before the new card can be issued.** If the cardholder fails to pick up the card within two weeks following the notification email, a second reminder will be sent out. **The card will be destroyed, and the card account will be canceled if the card has not been obtained within 30 days of the second reminder.**

## Cardholder infractions are a serious issue and may result in disciplinary action including:

- ✓ Suspension of a Procurement Card for **30 days** on the first infraction.
  - ✓ Suspension of a Procurement Card for **60 days** on the second infraction.
  - ✓ Cancellation of Procurement Card privileges on the third infraction.
  - ✓ **Possible disciplinary action up to and including termination of employment due to misconduct, depending on the severity of the infraction.**
- ❖ ***Suspended or cancelled Procurement cards must be returned to Purchasing within 24 hours after receiving a notice.***

## Department Coordinator Responsibility:

An employee in each department designated by the Department Head to be responsible for reviewing transactions of individual Cardholders to make sure the transactions are legitimate business expenses and are classified appropriately.

- ✓ Ensures that all receipts or invoices documenting the detail of items purchased are attached to the Expense Report.
- ✓ Ensures that all original receipts are reviewed on each transaction and charged to the appropriate account codes.
- ✓ Determines that amounts are reasonable for items purchased.
- ✓ Ensures that errors and disputes from the prior month have been corrected and included on the monthly Expense Report.

NOTE: If a cardholder has a receipt, invoice or credit that does not appear on the monthly Expense Report, hold the receipt until the next monthly Expense Reporting period to allow for the transaction to appear due to the fact that the supplier may process the transaction several days after the actual purchase. Notify the Purchasing Program Administrator if the charge is not recorded on the following month for proper investigation by the Bank.

- ✓ Verifies appropriateness of account codes.

- ✓ Department Coordinators must verify that the Expense Report is completed with all receipts, signed with a department approved signature and delivered to Finance within 5 to 7 days from the date that Expense Reports are available to be printed.
- ✓ Handles disputed items that cardholder is unable to resolve.
- ✓ Informs department cardholders of any changes or updates to the Procurement Card User Manual, or other communications from the Program Administrator.
- ✓ Annually reviews all cardholder accounts to determine if card limits are appropriate and if any other changes are needed.
- ✓ Participates in Procurement Card department audits as administered.
- ✓ Monitors declined authorizations for signs of merchant fraud.
- ✓ Monitors disputed transactions.
- ✓ Monitors credit limits based on spending needs.
- ✓ Monitors trailing activity on closed accounts.
- ✓ Notifies the Program Administrators of lost or stolen cards.

**Department Head Responsibility:**

The Department Head is responsible for approving Procurement Card applications for their employees, assigning a Department Coordinator, and submitting applications to the Procurement Card Program Administrator. The Department Head approval delegates transaction authority to the Cardholder.

- ✓ Requests Procurement Cards for designated employees that are permanent employees of the City as verified by the City's Human Resources Department and forwards appropriate request to the Procurement Card Program Administrator along with a completed and signed Cardholder Procurement Card Application attached to the request.
- ✓ Recommends Departmental spending limits, make any subsequent changes in spending limits and all information needed within established guidelines. Requests for limit changes - simply forward the Procurement Card Change form to Purchasing.
- ✓ **Cancels all Procurement Cards of terminated or transferred employees:**
  - ✓ **Request's cancellation of card by emailing Purchasing.**
  - ✓ **Returns card to the Program Administrator for immediate cancellation.**
- ✓ Reviews or delegates review of each cardholder's monthly transactions charged to appropriate account code.
- ✓ Signs Cardholder's Expense Report and forwards to Department Coordinator.

- ✓ Advises the Program administrator by email when a cardholder is transferring to a new department. Procurement Cards will be cancelled upon the transfer of a cardholder to a new department and a new card may be issued at the discretion of the new department by submitting a request for a new card to the Program Administrator. Follow request to cancel procedures as shown above.

### **Finance Responsibility:**

The Finance Department audits and verifies monthly Procurement Card transactions for appropriate usage and pays the City Procurement Card bill. Finance also communicates closely with the Procurement Card Administrator about cardholder infractions and issues.

- ✓ Receives monthly billing statement from the bank.
- ✓ Receives monthly Expense Reports with attached receipts from all Cardholders.
- ✓ Notifies the Program Administrator of any discrepancies or concerns from the bank or Cardholders.
- ✓ Processes monthly payment to the bank **by invoice due date**.
- ✓ Notifies Purchasing and Procurement Card Administrator of any late payments to the bank.
- ✓ Notifies Purchasing and Procurement Card Administrator of all rebate funds received from the bank.
- ✓ Monitors / audits all Procurement Card transactions each month to include the following:
  - Sales tax included on purchases.
  - Detailed invoices or receipts are not included for each purchase.
  - Back-up documentation lacking or not included.
  - Personal purchases made on the City Procurement Card.
- ✓ Provides written documentation with a recommendation to the Program Administrator of any Cardholder infractions, suspensions, or cancellations to be implemented.

### **Program Administrator Responsibility:**

The Program Administrator serves as the primary contact for the City Procurement Card Program. The Program Administrator acts as the intermediary for establishing and maintaining all management reports, procedures, training, card maintenance and monitors the overall performance of the Program.

- ✓ Coordinates the Procurement Card Program procedures and maintains Procurement Card Program User Manual.
- ✓ Processes properly authorized card requests, card changes, card limits and card cancellations, as approved by Department Heads.
- ✓ Assigns merchant codes to particular card types and groups and blocks merchant category codes when appropriate.
- ✓ Administers Procurement Card training programs for all city departments and stakeholders.
- ✓ Administers web based Smart Data Online (SDOL) applications internally and externally.
- ✓ Evaluates Procurement Card feedback from suppliers and departments.

- ✓ Reports non-received cards to the bank immediately.
- ✓ Alerts all cardholders immediately, if merchant fraud is detected or suspected.
- ✓ Works with Finance on any Cardholder infractions, suspensions, or cancellations to be implemented.
- ✓ Reports employee fraud to Department Head, Human Resources, and proper law enforcement.
- ✓ Coordinates and maintains internal controls.
- ✓ Assists in resolving billing disputes.
- ✓ Participates in ongoing program reviews, upgrades, and corporate level training offered.
- ✓ Attends industry driven seminars and conferences to stay current with market trends.
- ✓ Tracks monthly Procurement Card spend, trends and issues.
- ✓ Tracks monthly Procurement Card rebate and ensures timely receipt from the bank.

# PROCUREMENT CARD ESSENTIALS

## Requesting a Procurement Card

### Department Head:

- ✓ Authorizes permanent employees of the City to purchase goods, materials and services on behalf of the Department. Only the Department Head can authorize this responsibility.
- ✓ **All card requests must be sent to Purchasing by a Department Head.** The Department Head will recommend the dollar amount for limits that will be authorized to purchase by the cardholder and sign the application. The Cardholder Procurement Card Application form can be attached to the Procurement Card request.
- ✓

### Purchasing Program Administrator:

- ✓ Obtains final approval from the Finance Director and City Manager.
- ✓ Processes the request.
- ✓ Notifies cardholder when card arrives.

### Applicant:

- ✓ Completes the initial application for a Procurement Card.
- ✓ Completes the required training.
- ✓ Upon receipt of the card from the bank, the cardholder will sign the cardholder agreement.

## Exclusions by Merchant Category Code (MCC)

MCC is a numeric 4-digit code MasterCard assigns to each supplier to identify the supplier's primary product or service.

**Specific MCC's are excluded or included according to use on all City Procurement Cards. These exclusions or inclusions will cause a transaction to be declined at suppliers registered with these codes, i.e. (1) access to cash such as banks, ATM's, casinos and lotteries; (2) personal service providers such as barbers and beauty studios, health spas, and carpet cleaners; and (3) amusement and entertainment suppliers, such as theaters, bowling alleys and arcades.**

**NOTE:** If a supplier accepts MasterCard but the transaction is rejected, and the belief is that the purchase should be allowed, call the Program Administrator to determine the cause. Some suppliers have codes that do not necessarily make sense, e.g. plumbing parts and supply wholesale/retail supplier may register as a "contractor".

## **Returns, Credits & Rejected Merchandise**

The cardholder is responsible for making all arrangements associated with Procurement Card returns. Cardholders are expected to follow up until the appropriate credit is issued against their Procurement Card.

### **To arrange a return:**

- ✓ Notify supplier of items to be returned. (Many suppliers will not accept returns without prior return authorization).
- ✓ Ask the supplier to credit the Procurement Card for the return.
- ✓ **Under no circumstances should you accept cash or store credit in lieu of a credit to the Procurement Card account.**
- ✓ Follow supplier's packaging and labeling instructions.
- ✓ Complete appropriate documentation of shipment.

## **Receiving Materials**

- ✓ Every purchase must be documented with a receipt which will typically be a standard store receipt.
- ✓ If the purchase is shipped, request an invoice (marked paid) in addition to the packing slip in order to have an adequate receipt that includes total costs. Under certain circumstances, such as magazine subscriptions, membership applications and conference registrations, copies of the order forms will be acceptable as receipts. If ordering on the internet, print a copy of the final bill before leaving the website. This can serve as the receipt.
- ✓ The charge slip should be attached to the receipt for each transaction. Keep all receipts for use in reconciliation of Expense Reports.

## **Tax Exempt Information**

### **Purchases made with the Procurement Card are Sales Tax Exempt in most instances.**

- ✓ Cardholders must inform suppliers that the City is tax exempt before any order is purchased or processed.
- ✓ The City is **not tax exempt from hotel and airline excise taxes**, these taxes are permitted for purchases using the procurement card.
- ✓ Sales tax will only be allowed in instances where meals are purchased in a restaurant and the process to obtain a sales tax exemption is not realistic in such a setting. This exception does not apply to meals that are preordered and delivered to City facilities for meetings and or banquets.
- ✓ Users must be careful not to make purchases on the Web from Texas based suppliers that will not honor the tax exemption. **Users should contact the online supplier to make certain that tax will not be charged before the purchase is made.**
- ✓ **The City will require the user to obtain a reversal or credit back to the Procurement Card for errors in charging tax on any and all purchases using the Procurement Card. A receipt for the credit issued to the Procurement Card is required for reporting.**

## TIPS FOR PURCHASING ON THE INTERNET



### **When purchasing a service or product online, the following should occur:**

- ✓ Cardholder should be fully informed as to all charges associated with making a particular online purchase. Shipping and handling, plus other special or hidden fees can greatly increase the cost of the purchase.
- ✓ Note the expected delivery time and determine whether or not the supplier's delivery schedule fits the need for the purchase.
- ✓ Read the online supplier's refund/return and customer privacy policies. Learn the terms of business practiced by a particular online supplier. Beware of online merchants who do not prominently display refund/return or privacy policies.
- ✓ Look for addresses that start with "https://". Never enter a Procurement Card account number on a web page that does not display "https://" at the beginning of the web page address. The "https://" in the URL (web address) means that information provided on an ordering form will be transmitted over an encrypted, secure connection to the supplier.
- ✓ Look for the security alert and the lock icon when making online purchases.
- ✓ Guard personal information. Do not provide non-essential information online.
- ✓ Find out where a company is physically located to check on reliability through other verifying sources, such as the Better Business Bureau. Most reputable companies will offer an alternate means (retail outlets, mail orders, phone orders, etc.) of purchasing their products or services. Beware of online retailers that fail to list detailed contact information.
- ✓ Never reuse the same passwords for multiple e-commerce accounts. If a web browser asks to "remember or save" the password, decline the offer.
- ✓ Do not respond to unsolicited emails. The bank does not send emails to ask for verification of account information. Any questions regarding unsolicited emails contact the Program Administrator.

Look for seals or other symbols that identify a particular supplier as being a member of an online reliability, privacy, or secure site protection group. Organizations that sponsor these types of seals include Verisign, TRUSTe, and Secure Assure. Verify that the supplier is in fact a member of the seal program by visiting the site that issues the seal and looking up the supplier's name and/or Web address.