



**City of Arlington, Texas**

**PROCUREMENT CARD  
POLICY**

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**PROCUREMENT CARD POLICY  
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## COA PROCUREMENT CARD POLICY

### 1.0 PURPOSE AND SCOPE

The Procurement Card (P-Card) Policy is governed by the City of Arlington Procurement Policy and applicable Texas statutes and applies to the use of a city-issued bank card for purchases as specified herein. The purpose of the P-Card Policy is to establish a methodology for use and to define the limits of use related to city issued Procurement Cards issued to select personnel in order to make purchases of small dollar goods and/or services.

### 2.0 GENERAL ADMINISTRATION

The Purchasing Manager oversees the Procurement Card Program. The P-Card Administrator (PA) handles the ordering, issuing, overriding, cancellation, and destruction of procurement cards. The PA also oversees system reports and hierarchy and allocation approval set-ups within the SDOL System. All issued procurement cards have preset purchasing limits and MCC blocks in accordance with department director or designee authorizations.

#### 2.1 ABBREVIATIONS

2.1.1.	<b>SDOL:</b>	Smart Data Online	<b>MCC:</b>	Merchant Category Code
	<b>JPMC:</b>	JP Morgan Chase	<b>ACH:</b>	Automated Clearing House
	<b>PA:</b>	P-Card Administrator	<b>P-Card:</b>	Procurement Card

#### 2.2 DEFINITIONS

- 2.2.1 **Vendor:** A company (partnership, sole proprietorship, or corporation) from which a Cardholder is purchasing materials and/or equipment or services under the provisions of this procedure.
- 2.2.2 **Cardholder:** Personnel who have been issued Procurement Cards and who are authorized to make purchases in accordance with these procedures.
- 2.2.3 **Account Group Manager:** Personnel who review and approve a cardholder's monthly statement reconciliation.
- 2.2.4 **P-Card Administrator:** The person responsible for program set-up and function, including assisting cardholders and account group managers with inquiries.
- 2.2.5 **Monthly Statement:** This is the monthly listing of all transactions by the Cardholder, issued by the bank directly to the Cardholder via USPS mail or online access through SDOL.
- 2.2.6 **Single Purchase Limit:** A dollar amount limitation of purchasing authority delegated to a Cardholder. This dollar limit may vary from Cardholder to Cardholder.
- 2.2.7 **Bank Customer Service:** Managing representative of the issuing bank.
- 2.2.8 **Reconciliation:** Preparation of transactions for approval, to include account codes, received dates, descriptions in SDOL as well as printing the approved log or expense report to attach to receipts and store for audit.

### 3.0 PROGRAM OBJECTIVES

This program is being established in order to provide a more rapid turnaround of requisitions for low-dollar value goods, and to reduce paperwork and handling costs. By using the procurement card, a requisitioner can dramatically shorten the payment cycle from the traditional requisition process. Traditional purchase order processing includes pricing inquiry, order placement, delivery of goods, invoice and voucher review. City employees who have been issued procurement cards retain the option to initiate transactions in person, via the internet, or by telephone, and receive their goods, within the limits of this policy. Payments to vendors are made by JPMC via the MasterCard settlement system. The City's Treasury Division pays JPMC monthly via an ACH transaction.

#### 3.1 Receiving a Procurement Card:

3.1.1 Department heads/managers may propose personnel to be issued a card by filling out and signing the Employee Agreement and Enrollment Request Form and forwarding the forms to the PA. The forms and P-Card Policy are available on the Purchasing Portal which resides on the City's intranet. Personnel authorized to receive a procurement card must be approved by the appropriate department head or designee responsible for the department in which the employee works.

3.1.2 The proposed Cardholder shall be issued a copy of this procedure, sign an Enrollment Request Form and an Employee Agreement, and shall be required to attend a procurement card training session. The Employee Agreement (*Attachment A*) indicates that the Cardholder understands the policy and accepts the responsibilities of a cardholder. The Enrollment Request Form (*Attachment B*) contains all information required to properly enter the Cardholder in the procurement card system. On the Enrollment Request Form, the Department Head or Approving Supervisor will designate a *single purchase limit* and a *30-day (cycle) limit*.

The maximum single purchase limit shall be **\$2,999.99**. The maximum cycle limit shall be **\$10,000**. The billing cycle limit can be increased with separate written permission from the department head or designee. The single purchase limit may only be raised in emergency situations with appropriate documentation and authorization.

3.1.3 The PA shall maintain all records of procurement card requests, limits, cardholder transfers, and lost/stolen/destroyed card information as well as routine updates in the SDOL system. Additionally, individual training by the department's assigned Purchasing Agent is available by request.

3.1.4 When a cardholder transfers to another department, a new Enrollment Request Form shall be submitted with authorization from the new department head or designee. The old procurement card shall be submitted to Finance for destruction and a new card issued.

### 4.0 AUTHORIZED PROCUREMENT CARD USE

The unique Procurement Card that the Cardholder receives will have his/her name embossed on it and shall **only** be used by the Cardholder. **NO OTHER PERSON IS AUTHORIZED** to use that card. The Cardholder may make transactions on behalf of others in their department with the approval of a supervisor authorized to approve such purchases. However, the Cardholder is responsible for all use of his/her card.

#### 4.1 Conditional Limits:

- a. The total value of any transaction shall not exceed a Cardholder's single purchase limit. Payment for a purchase **WILL NOT** be split into multiple transactions to stay within the single purchase limit. The cards will cease to work if the limits are breached.
- b. All items purchased "over the counter" must be immediately available at time of Procurement Card use. **No backordering of merchandise is allowed.**
- c. Cardholder must track and adhere to spending limits.

#### 4.2 Unauthorized Uses:

The Procurement Card **SHALL NOT BE USED** for the following:

- a. Personal purchases or purchases for family members or friends or for identification;
- b. A single purchase that exceeds the limit of **\$2,999.99** or the Cardholder's pre-set single purchase limit; unless a critical situation exists in which a higher limit has been agreed in writing with the departmental department head or designee and appropriate quotes have been obtained with the approval of the P-Card Administrator;
- c. Eating places, restaurants (i.e. Fast Food), meals, travel or entertainment expense; unless this restriction has been lifted in writing by the CMO, Director, or designee and coordinated as a special group through the P-Card Administrator;
  - i. Food purchases shall only be made for City functions and purchased at the best value possible for the City.
- d. On site Transportation Services (i.e Taxi, Shuttle);
- e. Cash Advances;
- f. Telephone calls/monthly service, unless this restriction has been lifted in writing by the CMO, Director, or designee and coordinated as a special group through the P-Card Administrator;
- g. Gasoline or oil, unless this restriction has been lifted in writing by the CMO, Director, or designee and coordinated as a special group through the P-Card Administrator;
- h. Alcohol;
- i. Airlines or travel, hotels, etc, unless this restriction has been lifted in writing by the CMO, Director, or designee and coordinated as a special group through the Program Administrator. Travel arrangements shall not be made by the individual traveling; rather by an employee with permission and approval to book the travel for the person traveling.
- j. Hotel incidentals;
- k. Items on annual contracts, except for identified exceptions as identified by the Purchasing Division;
- l. Gift Cards;
- m. International Purchases;
- n. Any additional items/services as may be restricted by City policy.

#### 4.3 Penalties:

A Cardholder who makes unauthorized purchases or carelessly uses the Procurement Card will be liable for the total dollar amount of such unauthorized purchases plus any administrative

fees charged by the Bank in connection with the misuse. The Cardholder will also be subject to formal disciplinary action which can include the removal of their p-card privileges.

## 5.0 BUYING WITH THE PROCUREMENT CARD

Procurement procedures and Texas statute permit a purchase of goods or services without competitive sealed bid or quotations if their value is \$3,000 or less. This implies the possibility of not comparing sources or competition between vendors. However, from a fiduciary standpoint, City staff is also encouraged to seek competition and lowest price within the parameters of expediency, quality, and delivery.

### 5.1 Making a Purchase:

- a. When making a purchase with the p-card, the Cardholder will check as many sources of supply as reasonable to the situation to assure best price and delivery;
- b. Where possible, the Purchasing Division will establish pricing agreements and identify the preferred suppliers;

### 5.2 Cardholder Checklist:

- a. Cardholders will **check the annual contracts list** (ACL) provided by Purchasing, to determine if the goods and prices have already been established with a contracted vendor. The p-card is not to be used to purchase goods or services already on established contract unless directed to do so by the Purchasing Division.
- b. **Review Minority/Women Business Enterprise (MWBE)** listing to determine if such a firm supplies the goods or services sought.
  - i. A list of suppliers by commodity code taken directly from the City's in-house IonWave Procurement Portal is available on the Purchasing intranet page under *Search Suppliers*.
  - ii. Staff can also contact the MWBE Coordinator for assistance in locating MWBEs for p-card use.
  - iii. Staff can also search the State of Texas Centralized Master Bidders List (CMBL) (<http://www.window.state.tx.us/procurement/prog/cmb/>).
- c. **Confirm that any vendor to be used does accept MasterCard.**
- d. Confirm on direct ship, that the vendor includes the Cardholder Name, Delivery Address, Order #, and **indicates that the invoice has been paid via procurement card.**
- e. Cardholders must check all receipts to **ensure that sales tax has not been added** to the purchase and immediately obtain a corrected receipt, if necessary.
- f. Cardholders must ensure that all ordered and **shipped items are delivered directly to the cardholder's business address** as listed on the procurement card. This ensures all records are complete with the cardholder. Drop-shipments are prohibited.
  - i. If necessary, the cardholder should advise any individuals who could receive their merchandise of the vendor's name and order number, anticipated delivery date, number of boxes expected, carrier (UPS, FedEx, etc.).
  - ii. The receiver should notify the actual Cardholder in writing when delivery is made so that proper documentation is recorded and attached during reconciliation.

## 6.0 CARDHOLDER RECORD-KEEPING

Whenever a P-Card purchase is made, either over the counter, online, or by phone, documentation shall be retained as proof of the purchase and attached to a reconciled statement. Such documentation will be used to verify the purchases listed on the cardholder's monthly statement.

All documents related to a purchase shall be filed with a cardholder and supervisor approved account statement (log or expense report) for no less than the end of the fiscal year in which the purchase was made plus three fiscal years (FYE + 3 FY).

### 6.1 Document Requirements:

#### a. *Over-the-Counter Purchases:*

When the purchase is made over the counter, the Cardholder shall retain the "customer copy" of the charge receipt and any available invoices. Prior to signing this merchant's copy, the Cardholder is responsible for making sure that the vendor lists the quantity, fully describes the item(s) on the charge slip and assures that sales tax is not added to the transaction. The transaction details to include all documentation from the purchase shall also be attached to the reconciliation containing the transaction.

#### b. *Online Purchases:*

When making a purchase by telephone or via the internet, the Cardholder shall also print any order, pricing, and purchase verification pages that verify the purchase. When the items arrive, all shipping and invoice documents must also be maintained with the reconciled statement.

#### c. *Purchase Overrides:*

In certain instances, a card may be declined related to blocked MCCs or purchase threshold limits. Whenever possible, the cardholder shall attempt to find someone within their department with special permission to purchase within that category. If no one is available within the department to make such purchase, after approval from the Department head or designee, the employee may contact the P-Card Administrator for assistance. If the override occurs, the PA will send a confirming email to the cardholder detailing the conditions and approval. Cardholders are required to maintain and attach to the reconciled statement any confirming emails or additional information related to overrides.

#### d. *Missing Documentation:*

If the Cardholder does not have documentation of a transaction listed on the monthly statement, he/she shall reconcile the transaction online and with the printed log attach a signed explanation that includes a description of the item(s) purchased, date of purchase, Vendor's name and **reason** for the lack of supporting documentation. When the supervisor approves the log, he/she is also approving the accuracy of the information listed in the memo.

#### e. *P-Card Log:*

The p-card log refers to a transaction listing designed to allow Cardholders to maintain reliable information when making card purchases and preparing for monthly reconciliations. All information entered into a p-card log will eventually be downloaded into the City's financial system. It is critical that cardholders and account group managers provide correct information for all payments.



- i. Monthly statements are reconciled in the SDOL system. Instructions for reconciliation are available on the Purchasing Portal under *P-Card*.
- ii. After reconciliation and approval is completed, the *Account Approval* screen that shows all transactions, descriptions, account codes, received dates and other information entered by the cardholder can be printed by screen and attached to the transaction documents to form a complete reconciliation package.
- iii. Alternately, the report titled *Expense Report* can also be used, as it will also show the transaction information along with cardholder and supervisor approval codes.
- iv. A hard copy log in excel format is available on the Purchasing Portal which can be printed and used to replace an online printout from the SDOL system. The hard copy log should be reserved for emergency situations, requires pen-and ink signatures of both, and **does not relieve the cardholder from performing online reconciliations** and approvals by the required deadlines.

## 6.2 Recommended Filing Method:

A complete reconciliation package is required for each cycle containing purchases. The original sales documents for all items listed on the monthly statement should be neatly attached to the monthly statement printout which shows cardholder and account group manager approvals. When numerous receipts are involved, a manila envelope clearly marked with the billing cycle dates should be used. A complete reconciliation package is critical to enable audit substantiation.

Reconciliation packets will be audited at random by the Program Administrators throughout the year to ensure policy compliance and standards are met.

## 7.0 MONTHLY STATEMENT RECONCILIATION

At the end of each billing cycle, the Cardholder shall review his/her monthly statement of account in the SDOL system which lists all Cardholder transactions for that period. Each cardholder will reconcile all transactions in the SDOL system by the required due date. This ensures that the Finance Department can download and validate all p-card transactions into the financial system and pay the bank prior to month end.

### 7.1 Basic Reconciliation Requirements:

- a. Billing cycles generally end on or around the 5<sup>th</sup> day of each month. All reconciliations shall be **allocated and approved in SDOL by both cardholder and account group manager no later than 5pm on the 18<sup>th</sup> of that same month.**
- b. Cardholder shall check each listed transaction in SDOL against his/her receipts, printouts, shipping and other applicable documents to verify the monthly statement.
- c. The approver's signature of a Cardholder's Monthly Statement indicates that the Cardholder was authorized to make those purchases and those purchases were made in accordance with the applicable procedures. In accordance with section 6.0, the approved document package showing all approvals and transaction documentation must be retained by the responsible department and be available for audit.

### 7.2 Online Cost Allocation:

- a. Refer to the *SDOL Online Cost Allocation Instructions* located on the Purchasing Portal for a step-by-step guide on entering allocation data such as descriptions, account codes, and receipt dates into the SDOL system.
- b. After entering cost allocation data into the SDOL system, the Cardholder shall confirm that the information is accurate and complete and shall “lock down” his/her procurement card log by placing a checkmark in the *Cardholder Approved* field. In doing this, the Cardholder, verifies that all purchases were authorized and made in accordance with applicable policies.
- c. The cardholder’s account group manager shall then log into the SDOL system and verify that all purchases, receipts, account numbers and dates are correct and electronically locking the reconciled log. (Refer to section 7.3)
- d. The Cardholder shall ensure that after online reconciliation is complete, the log verification is printed and attached to the receipts and applicable transaction documents. All records and logs shall be maintained for the required length of time (FYE + 3 FY).

### **7.3 Account Group Manager Requirements:**

- a. Department heads/managers may propose personnel be set up as an Account Group Manager in SDOL by completing the Account Group Manager Agreement Form (Attachment C). This agreement indicates that the Approver understands the policy and accepts the roles and responsibilities of an approver. All Approvers must also attend the Approver training session before receiving access to the system. The account group managers shall check the Cardholder's monthly statement in SDOL and confirm with the Cardholder the following items as a minimum:
  - 1. Receipts and shipping documents exist for each purchase listed on the Procurement Card Log.
  - 2. The goods were received, or the services were performed.
  - 3. The online allocation in SDOL total matches that of the Monthly Statement and is properly coded.
  - 4. The Cardholder complied with applicable procedures listed in this policy.
- b. The Account Group Manager verifies the completeness of the log by placing a checkmark in the *Supervisor Approved* field. This locks the transaction and indicates to the Program Administrator that the transactions are ready to download into the financial system.
- c. The Account Group Manager’s electronic approval indicates that the Cardholder was authorized to make all listed purchases and those purchases were made in accordance with the applicable procedures.
- d. In accordance with the timeline detailed in 7.2.d, the approved document package must be retained by the Account Group Manager or his/her designee and be available for audit. All Cardholder and Account Group Manager approvals must be completed no later than the 18<sup>th</sup> of each month.
- e. In the event of emergency system outage and lack of internet access to the SDOL system and use of the manually-filled hard copy log, the same requirements exist,

including submission deadlines and document retention. (Section 7.5)

#### **7.4 Reconciling Returns or Credits:**

If the wrong item is received, is not satisfactory, or damaged and/or defective, duplicate order, etc., immediate action is critical. The Cardholder shall first contact the supplier in an effort to resolve the issue through return policies or the normal crediting process. If that does not correct the issue:

- a. The Cardholder shall call the number located on the back of their card immediately. If the card is lost or stolen, then contact the PA.
- b. If an item has been returned and a credit voucher received, the Cardholder shall allocate the credit to the same account number as the original debit so that the financial system shows both postings. **Under no circumstances shall Cardholders accept a cash refund** or gift certificate.
- c. If purchased items or credits are not listed on the Monthly Statement, the appropriate transaction documentation shall be RETAINED by the Cardholder until the next Monthly Statement. If the purchase or credit does not appear on the Statement within 30 days after the date of purchase, the Cardholder or Account Group Manager shall notify the P-Card Administrator.
- d. If items purchased by the use of the Procurement Card are found to be unacceptable, the Cardholder is responsible for obtaining replacement or correction of the item as soon as possible. If the Vendor has not replaced or corrected the item by the date the Cardholder receives his/her Monthly Statement, then the purchase of that item will be considered in dispute.

#### **7.5 Emergency System Outage**

Emergencies or extended internet outage: In the event that the SDOL system is unavailable or the City's own computers are unable to access the system, cardholders shall revert to the manual procurement card log (*Attachment C*) and include cardholder and supervisor wet signatures as verification. Documents shall be approved and submitted to finance by the required deadlines and maintained as outlined in section 7.2.

#### **7.6 Delinquent or Unreconciled Accounts:**

The matching of complete support documents to the fully allocated, approved, and printed log or expense report is vital to the successful use of this program.

Account Group Managers are required to actively use the SDOL system to track their cardholder's activities during the billing cycle. The P-Card Administrator shall be responsible for tracking cardholder and approvers in order to ready the transactions for download into the financial system.

The P-Card Administrator is required to report all non-compliance and missed deadlines to the Procurement Manager and CFO.

The Procurement Manager or his designee is required to notify in writing any department head with delinquent or non-compliant cardholders or approvers. More than two (2) delinquent or non-compliant notifications to a cardholder's department head may be grounds for revoking a procurement card. It is the sole discretion of the Procurement Manager if cardholder/approver privileges are revoked.

## **8.0 CARD SECURITY**

It is the Cardholder's responsibility to safeguard the Procurement Card and account number to the same degree that a Cardholder safeguards his/her personal credit information.

Cardholder must not allow anyone to use his/her account number. A violation of this trust will result in that Cardholder having his/her card withdrawn and disciplinary action may occur.

If the card is lost or stolen the Cardholder shall immediately notify the issuing bank at 1-800-890-0669. Representatives are available 24 hours a day. Cardholder must advise the representative that the call is regarding a Master Card Procurement Card for the City of Arlington, Texas, and provide the cardholder's assigned 4-digit activation code, which was issued with the card during training.

After the card is cancelled, the Cardholder must notify the P-Card Administrator so that records and account information can be promptly updated. The bank will immediately issue a new card and send it to the P-Card Administrator for subsequent issue to the cardholder. A card that is subsequently found by the Cardholder after being reported lost shall be destroyed.

## **9.0 CARDHOLDER SEPARATION**

Prior to separation from the City or transfer to another department, the Cardholder shall surrender the Procurement Card P-Card and current Procurement Card Log to his/her Approving Supervisor Approver. The card is required to be immediately delivered to the P-Card Administrator for destruction and closing of the account. The approver must then ensure that the final statement(s) is/are reconciled by the required due dates.

If an employee leaves the City unexpectedly and the card is not returned or a supervisor leaves and card is on-hand, it is critical to notify the P-Card Administrator so that the account can be closed. In some instances, the department may be directed in writing to destroy a card and send a verification email to the P-Card Administrator.

In all cases, the responsibility of the voided card remains with the Cardholder/Department Head until it has been received by the P-Card Administrator or destruction has been verified and approved by the same.

## **10.0 ATTACHMENTS**

- A. Employee Card Agreement
- B. Enrollment Request Form
- C. Account Group Manager Agreement Form
- D. Procurement Card Log (Manual/Emergency)

