4.20 PROCUREMENT CARDS

A. Background

Procurement cards are designed to make purchases in a manner that reduces paperwork and processing time. This program is an alternative to the traditional purchasing process and can significantly reduce the number of purchase orders and payments processed. The program can also help minimize or eliminate the need for the use of personal funds reimbursed by expense report.

Benefits include an expanded list of merchants from whom purchases can be made, accelerated payment to the vendor, expedited delivery of goods, reduced paperwork, lower overall transaction processing costs per purchase, and the ability to set and control purchasing dollar limits.

B. Authority

Ohio Revised Code (ORC) Section 301.29 permits counties to use procurement cards. The Board of County Commissioners of Stark County ("Board"), with the advice of the Stark County Auditor ("Auditor"), shall formulate the policy for the use of the cards. The policy, which will be adopted by the Board through resolution, shall set limits for, among other things, spending, card activity and allowable expenditures. It shall also establish administrative controls that the Board determines, after consulting with the County Auditor, will be sufficient for use of a procurement card. The County Auditor shall develop internal accounting controls in consultation with the Auditor of State.

C. Policy Statement

The procurement card program is not intended to, and, pursuant to ORC 301.29(E)(3), shall not be used to, avoid or bypass the competitive bid requirements of ORC 307.86. Further, the procurement card program is not intended to avoid or bypass the appropriation of funds process, approval process (including Data Board approval, as applicable), or payment process. Rather, the program complements the established and existing processes. Expenditures may not exceed appropriations under any circumstances. Billings for authorized purchases made within the limits of appropriated amounts will be paid using County funds.

Items and/or services purchased through the procurement card program are only for the official use of Stark County. The card can be used for in-store purchases as well as mail, e-mail, Internet, telephone and fax orders. It is not, and under no circumstances is to be used as, an ATM (automated teller machine) card, a debit card, or for cash advances. The card is not to be used for personal or non-work-related purchases.

The card program carries corporate (County) liability, not individual liability; however, **individual liability is imposed for inappropriate use.** Pursuant to the procedure established in ORC 301.29(G)(4), if the Auditor determines that the cardholder has used the procurement card beyond the appropriated or authorized amount or for an inappropriate or unlawful purpose, the Auditor shall immediately notify the Board. When the Board determines that the County Treasury should be reimbursed for procurement card expenditures beyond the appropriated or authorized amount as provided in this policy or ORC 301.29, it shall give written notice to the Auditor, the appointing authority who authorized the card, and the cardholder. If within thirty (30) days after issuance of this written notice the County Treasury is not reimbursed for the full amount shown on the written notice, a referral will be made to local law enforcement to recover that amount from the cardholder by civil action in a court of competent jurisdiction.

The cardholder's personal credit history is not impacted in any way by participating in the program; however, the cardholder's personal credit shall be examined by the Auditor in advance of issuing the card. Any derogatory findings, as determined by the Auditor and Board including, but not limited to, previous collections, delinquencies, or material outstanding balances, may preclude the issuance of a procurement card.

D. Definitions

1. **Agency**
   Pursuant to ORC 301.29(F)(2), an Agency shall be any County elected official, the Board of a County Agency, or any agency that utilizes the County Auditor as its fiscal agent. The Agency may apply to the Board of County Commissioners for authorization to have an employee under its authority use a procurement card held by that Agency to pay for specific classes of work-related expenses or to use a specific procurement card for any work-related expenses, as further defined herein, without submitting a monthly estimate of the employee's work-related expenses. The Agency must first adopt a formal policy concerning use of the procurement card that is specific to its needs. Copies of such policies shall be provided to the Board and the Auditor.

2. **Coordinator**
   Each Agency that participates in the procurement card program will name a program coordinator. The Coordinator will be responsible for resolving disputes with merchants and reviewing and reconciling card activity for the agency's card(s). The Coordinator will be designated when the application for the card is approved by the Board. If the Coordinator is also a cardholder, another employee must serve as an alternate coordinator to approve any transactions involving the Coordinator's card.

   The Auditor's Fiscal Office will be the primary point of contact for the procurement card program. The Auditor's office will be responsible for the certification of funds, the ordering and distributing of cards, processing cardholder applications, limit adjustments, suspensions, cancellations, program compliance, troubleshooting problems encountered with card use or vendor authorization and following up on lost or stolen cards. The Auditor's office will provide training for department coordinators and cardholders.

E. Card Limits

The maximum limit of credit exposure at any given time will not exceed $200,000.

Individual procurement cards are subject to the following maximum limits, as determined by the Board upon initial approval of the card:

		Range
1.	Card Limit	$500 to 10,000
2.	Daily spending per card:	$500 to 10,000
3.	Monthly spending per card:	$500 to 10,000
4.	Single transaction limit:	$10,000
5.	Daily number of transactions per card:	10
6.	Monthly number of transactions per card:	50

Exception: Pre-approval by the County Administrator and County Auditor, or their respective designee, is required for any purchase or use in excess of an established limit.

Purchases may not be split to bypass the single transaction limit.

Through the cardholder application process, Agencies will define limits for specific cardholders, not to exceed the limits established above.

F. Designation of Allowed/Prohibited Transactions and Additional Rules Regarding Use

1. Allowed Transactions

The card may be appropriately used to purchase the following**:**

- **a.** Office Supplies, furniture and equipment
- **b.** Meals, including reasonable gratuity not to exceed 20%.
- **c.** Computer supplies,
- **d.** Building maintenance materials and supplies
- **e.** Authorized travel expenses including sales tax for dine in meals and lodging tax, if hotel will not accept the county's sales tax exemption.
- **f.** Room Service (requires an itemized breakdown/billing)
- **g.** Fuel purchases approved as part of travel expenses
- **h.** Capital equipment with express written permission provided by the Board of County Commissioners
- **i.** Information Technology hardware, software, and technical support as permitted by the Data Board and its policies
- **j.** Postage
- **k.** Items related to wards in the care of the State of Ohio

2. Prohibited Transactions

The card may not be used to pay for the following**:**

- **a.** Services that are 1099 eligible
- **b.** Entertainment/recreation
- **c.** Adult publications/entertainment
- **d.** Alcoholic beverages
- **e.** Any merchant, product, or service normally deemed not consistent with county policy or the Ohio Revised Code
- **f.** ATM, cash advances, and all other cash-related transactions are strictly prohibited

3. Additional Rules Regarding Use

- **a.** No late charges or finance charges shall be permitted as allowable expenses.
- **b.** Purchases cannot be used in any manner to circumvent competitive bidding requirements for purchases and contracts as determined by the Ohio Revised Code.

c. In the event an Agency does not have its own procurement card, either the Commissioners' Office or Auditor's Office may make a purchase on its procurement card on behalf of another Agency. The Agency must have a purchase order opened prior to any purchase being made. Additionally, this arrangement must be approved by the County Administrator and County Auditor prior to any purchase being made.
d. Any use of a procurement card outside of, or inconsistent with, the above defined appropriate uses will be considered an unauthorized use of the card unless the procedures outlined in ORC 301.29 are followed (ie: nature and estimate of amount of purchase are submitted and pre-approved by the Board).

G. Sales and Use Tax

Except as otherwise noted elsewhere in this policy, purchases made with the County procurement card are tax-exempt. The name of the County and the words "tax-exempt" will be on each card.

If tax is charged inappropriately, the Agency should present a tax exemption certificate to the vendor, and receive a credit for the unnecessary tax.

H. Application for Procurement Card and Subsequent Profile Changes

The Coordinator will prepare the application, obtain written approval of the proposed cardholder, approval from the Agency head or board, and forward it to the County Administrator for his pre-approval. Consistent with sections 4 and 5 above, the application will specify and new or modified monetary and transaction limits, as well as approved merchant commodity codes for the individual cardholder.

After the application is pre-approved by the County Administrator (or designee), the Auditor's office will review the application for compliance with program limits, inquire the cardholder's credit, and recommend either approval or denial to the Board.

The Board will then act by resolution approving any new cards or modifications to existing cards. Upon approval by the Board, the Auditor's office will have a new card issued or act on any modifications.

I. Cardholder Acknowledgment and Responsibilities

The cardholder is responsible for the physical custody of the card, and for maintaining confidentiality of all information relating to the card such as the account number and expiration date.

A cardholder is responsible for any and all improper, fraudulent, or inappropriate use of the card. Use of a county procurement card for any use other than an authorized or permitted use allowed under ORC 309.29(B) is a violation of law for purposes of ORC 2913.21.

No late charges or finance charges shall be permitted as allowable expenses**.**

After the card is issued, the cardholder and the Coordinator will meet with the Auditor's office to acknowledge receipt of the card, to assure that the cardholder understands the intent of the program, and to agree to adhere to the policy and guidelines established by the Board as well as those established by the cardholder's Agency. The cardholder will be required to sign a written acknowledgment of receipt of the card and understanding of the applicable policies. The Auditor's office will retain the signed acknowledgment and will forward a copy to the Agency.

J. Making Purchases and Record-Keeping

1. Purchase Orders

An encumbrance must be established for each card through a purchase order. The purchase order amount should be set based on the monetary and transaction limits established for the card and projected spending. This helps ensure that expenditures do not exceed available appropriations.

2. Original Receipts

When making a purchase, the cardholder shall obtain and forward to the Auditor the original receipt. Every effort should be made to ensure that the receipt contains the vendor's name, date of purchase, itemized description of purchase, per unit price and extended price. The cardholder will match and attach receipts to billing statements as part of the account reconciliation. **A cardholder will be held personally liable for missing receipts and may be required to reimburse the County for those billed purchases for which a receipt is not present or cannot be produced**.

3. Email, Internet, Telephone and Fax Purchases

Procurement cards may be used to purchase goods over email, the internet, telephone, or fax. These purchases must be evidenced by written order confirmation along with an original itemized receipt or invoice.

a. Internet Purchases

When using the Internet, the cardholder must make sure the web site where the card information is being placed is secure and that all account numbers are encrypted while being passed electronically. A cardholder can determine if the web site address is secure in two ways:

- **i.** An Internet web site is secure when the address changes from http://www to https://www. The "s" stands for secure.
- **ii.** The symbol resembling a "lock" will appear at the bottom of the browser. The "lock" symbol signifies that the web site is secure and that all card numbers will be encrypted when passed.

Cardholders will be held responsible for all orders placed, even those with vendors that turn out not to be legitimate businesses.

The cardholder should inform the vendor that the purchase will be paid through the County procurement card and that the purchase is tax exempt. The cardholder should also ensure the vendor will comply with the requirements of items 3. (above), and 5. and 6. (below).

4. **Declined Attempts**
   The procurement card will be declined if one of the embedded limits is exceeded, if the merchant commodity code is blocked, if the card issuer has a security concern because of a spending pattern, or, sometimes if the "bill to" address does not match the "ship to" address. The Coordinator and Auditor's office should be notified if a purchase is denied.

5. **Agent, Acceptance or Service Fees**
   Some companies charge an agent, acceptance or service fee in order to process a credit card charge. If the fee is disclosed upfront, the allowable dollar limit on the fee is five percent of the total bill, not to exceed $25.00. If the fee is **<u>not</u>** disclosed upfront, the fee needs to be disputed immediately, regardless of the fee amount. If the purchase is being made on state term or countywide contract, the vendor is prohibited from charging additional fees for use of a procurement card. The Coordinator <u>and</u> Auditor's office should be notified immediately of this breach of contract.

6. **Vendor Invoices**
   The card issuer will pay the vendor and the Auditor's office will pay the card issuer. Vendors should not invoice the cardholder for purchases made with the procurement card; however, the cardholder must always receive an itemized receipt or order confirmation.

7. **Purchasing Log**
   Each cardholder will maintain a purchasing log. The log records the transaction date, vendor name, the merchandise purchased, dollar value of sale, how the order was placed (via email, internet, phone, fax, mail or in person). A separate line is required for each purchase. The receipt for each purchase must be stapled to the log to expedite reconciliation with the billing statement. The log must be reviewed and signed by a supervisor or someone designated by the appointing authority. Cardholders cannot review and authorize their own purchasing logs.

8. **Monitoring Card Activity**
   The Auditor's Fiscal Office shall serve as administrator for the procurement card program with the County Administrator (or designee) having similar access and approval rights. Elected officials, department heads, Coordinators, and cardholders shall have viewing access for their respective area and cards.

K. Account Reconciliation and Payment of Procurement Card Billing

Each cardholder or Coordinator will receive a statement identifying all transactions made during the billing cycle. The cardholder will reconcile the statement's accuracy against the purchasing log and receipts. Payment cannot be made until the cardholder confirms receipt of the goods or services. A quote or backorder notice is not substantive evidence of the occurrence of the transaction.

The Agency head or its designee is responsible for reviewing the log for the appropriateness of purchases made with the card and for approving each statement for each cardholder under their supervision. The approval must be evidenced by the approver's signature. Once approved for payment, the Agency must submit the original statement, purchasing log and supporting receipts to the Auditor's office. The County will issue payment, either by warrant or electronically, to the card issuer.

Timely completion of the reconciliation by the coordinator is imperative to avoid interest charges and late fees. The reconciliation process must be completed within five business days of receiving the cardholder statement. If this time frame cannot be met for any reason, the Coordinator must notify the Auditor's office.

L. Returns, Credits and Dispute Resolution

Sometimes, there is a problem with a purchased item or service. Examples include, but are not limited to, broken merchandise, the billed amount does not match the quote, the billed amount includes sales tax, the statement contains a charge not recognized by the cardholder, or the statement contains duplicate charges from a vendor. In these instances, the Coordinator or cardholder should try to resolve the dispute with the supplier or merchant. If the purchased item needs to be returned to the supplier for any reason, a credit should be given to the procurement card account. The Coordinator should be notified so they can verify that the credit appears on a subsequent statement. The cardholder <u>cannot</u> accept cash, rain check or house credit; credit must be returned to the card.

If the dispute cannot be resolved, the cardholder should contact the Auditor's office, who will work with the card issuer to resolve the dispute.

M. Late Fees or Finance Charges

No late fees or finance charges shall be paid unless authorized by the Board.

N. Lost or Stolen Cards

If the card is lost or stolen, the cardholder must notify the card issuer immediately. Upon receipt of the phone call, further use of the card will be blocked. Prompt action will reduce the liability for fraudulent charges. The cardholder must confirm the phone call by written notification to the card issuer via mail or fax, with copies to the Coordinator and the Auditor's office. The date and time of the phone report of the lost or stolen card should be included in the written notification. The Auditor's office will initiate issuance of a replacement card.

O. Suspension or Cancellation of Card

The Commissioners' office reserves the right to cancel a cardholder account at any time. Cardholders who terminate their employment or whose job duties change and no longer include purchasing must surrender the card immediately. The Coordinator must obtain the cards and forward them to the Auditor's Office for cancellation. Cardholders on extended leave or reassignment may have their card suspended. Intentional use of the card for personal purchases or for purchases made in violation of County policy will result in immediate card cancellation and may result in departmental disciplinary action. When and if necessary, the Auditor's office will initiate suspension or cancellation of the card, and will notify the Board and Agency coordinator.

P. Penalties for Improper Use of Card

The card is to be used by the cardholder to pay for authorized, work-related expenses. The card may not be used to pay for personal transactions. Improper use of the card can be considered misappropriation of County funds. This may result in disciplinary action up to and including termination of employment. Improper use can result in immediate cancellation of the cardholder's account. In addition, the cardholder is personally liable for payment of improper purchases and subject to criminal prosecution. ORC 309.12, 301.29(G)(4), 2913.21

Q. On-going Training and Acknowledgement
Annually, the Auditor will distribute the policies and procedures to all cardholders and coordinators. The cardholders and coordinators shall sign and acknowledge receipt of the same. The Auditor may conduct training sessions from time-to-time for both cardholders and coordinators.