

## CITY OF SULTAN AGENDA COVER SHEET

---

**ITEM NO.** Action A 4

**DATE:** April 5, 2007

**SUBJECT:** Ordinance 949-07 - Credit Card Use

**CONTACT PERSON:** Laura Koenig, City Clerk

**SUMMARY:**

There are two issues before the Council for consideration. One is the adoption of an Ordinance for the issuance, use and control of credit cards by City Officials and employees and the second issue is approval of a Credit Card Use Policy, based on Ordinance 949-07.

The use of credit cards was addressed as an exit issue during the last City audit. There is currently no ordinance or policy for credit card use. The City has a Travel Policy and it was noted during the audit that credit cards were being used for prohibited purchased (specifically meals) under the adopted travel policy. It was also noted that "expenditures were not consistently supported with adequate documentation in the form of detailed receipts showing the items purchased".

The purpose of Ordinance 949-07 and the Credit Card Use Policy is to comply with the recommendation of the State Auditor. This will also add language to allow for the use of the credit card for meals and the Travel Policy will be amended to be consistent with the Credit Card Use Policy.

Staff recommends the adoption of Ordinance 949-07, Credit Card Use and Resolution 07-07, Credit Card Use Policy.

**BACKGROUND**

The 1995 legislature passed legislation making the following finding:

Findings – 1995 C30: The legislature finds that (1) the use of credit cards is a customary and economical business practice to improve cash management, reduce costs and increase efficiency; and (2) local governments should consider and use credit cards when appropriate.

RCW 43.09.2855 reads as follows:

- (1) Local governments, including counties, cities, towns and special purpose districts, municipal and quasi-municipal corporations, and political subdivisions, are authorized to use credit cards for official government purchases and acquisitions.
- (2) A local government may contract for issuance of the credit cards.
- (3) The legislative body shall adopt a system for:

- a. The distribution of the credit cards
- b. The authorization and control of the use of credit card funds
- c. The credit limits available on the credit cards
- d. Payment of the bills
- e. Any other rule necessary to implement or administer the system under this section.

(4) As used in this section, "credit card" means a card or device issued under an arrangement pursuant to which the issuer gives a card holder the privilege of obtaining credit from the issuer.

(5) any credit card system adopted under this section is subject to examination by the state auditor's officer pursuant to chapter 43.09 RCW.

(6) Cash advances on credit cards are prohibited.

### **ANALYSIS**

The City lacks written policies and procedures and this has become a cause for concern by the State Auditor. Lacking any written procedure, each Department operates under a different set of "rules". This has caused delay in payment of credit card billings as the Finance Department is unable to identify which department made the charge or purchase and therefore can not issue payment on the account. Failure to pay the bill on time has resulted in late fees and the denial of usage by the bank.

The credit card can be used by City Officials and employees for travel purposes, on line purchases and for purchases from vendors that the city does not have an open account with. Staff has recommended five different departments for credit card purposes. Each department will have a credit card assigned to them with a limit of \$2,500. Public Works has requested that their limit be increased to \$5,000 as they have five separate funds that operate under the same card.

Employees and Officials will be required to sign a Credit Card User Agreement which acknowledges that they have received a copy of the Credit Card Use Policy. If a card is misused, the City Administrator can revoke the card and the employee could be held liable for any inappropriate charges. Additional remedies are available under the Personnel Policy Manual for inappropriate actions by employees.

### **ALTERNATIVES:**

1. The Council could continue without adopted policies. This would be a violation of the requirements of state law and will likely result in an audit finding.
2. The Council could adopt the recommended ordinance, resolution and policies.
3. The Council could draft a new ordinance and policy.

### **RECOMMENDATIONS**

#### **STAFF:**

Staff recommends the introduction of Ordinance 949-07 for a first reading on April 12, 2007 and a second adopting reading on April 26, 2007. Staff further recommends the adoption of Resolution 07-06, approving credit card use policies, on April 26, 2007.

#### **FINANCE COMMITTEE:**

The Finance Committee recommends the introduction of Ordinance 949-07 for a first reading on April 12, 2007. A draft copy of the ordinance was provided for review and they have requested

that the language that delegates authority to the City Administrator or Finance Director be changed to have the Mayor or his/her designee the responsible person. (See strikethroughs). The final ordinance will be presented for adoption on April 26, 2007 with the resolutions to adopt the Credit Card Use policy and the Travel Policy.

- Attachments:
- A. Ordinance 949-07 – Credit Card Use Ordinance
  - B. Resolution 07-06 – Credit Card Use Policy
  - C. Credit Card Use Policy
  - D. Employee Agreement

CITY OF SULTAN  
ORDINANCE 949-07

AN ORDINANCE OF THE CITY OF SULTAN, WASHINGTON,  
ADOPTING A SYSTEM FOR THE ISSUANCE, USE AND CONTROL  
OF CREDIT CARDS BY CITY OFFICIALS AND EMPLOYEES

WHEREAS, the City Council of the City of Sultan finds it advantageous for the City to use a credit card for certain official City purchases, and

WHEREAS, the City finds that the use of credit cards is a customary and economical business practice to improve cash management, reduce costs and increase efficiency; and

WHEREAS, the City strives to perform all functions in an efficient and cost effective manner; and

WHEREAS, RCW 39.58.180 and RCW 43.09.2855 requires that any City which contracts for the issuance and use of credit cards adopt policies governing the distribution, authorization, credit limits, payment and control of such credit cards;

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SULTAN AS FOLLOWS:

**Section 1 – Definitions:**

Credit Card: A charge card issued by a local bank for purchases

Open Charge Account: An account established with a vendor that will charge authorized expenses directly to the city.

Personal Purchase: Items that are not intended for by the city or for city purposes

**Section 2 - Credit Card Use**

- A. The City Administrator and Finance Director shall implement and maintain the following system for the distribution, authorization and control of credit cards issued to or for the benefit of the City and used by City officials and employees.

**1. Distribution**: Credit cards may be distributed to those City officials, and employees, who, in the opinion of the City Administrator, Mayor, or his/her designee, have job responsibilities that would benefit or otherwise be facilitated by use of a credit card.

**2. Authorization and Control**: The Finance Director or his/her designee shall develop specific administrative guidelines and accounting controls to ensure the proper usage of credit cards and credit card funds. The credit card is to be used when it is in the best interest of City administrative affairs.

**3. Credit Limits**: The ~~Mayor City Administrator or Finance Director~~ or his/her designee shall set credit limits on each card issued subject to the approval of the City Council. Individual purchases shall not exceed \$1,000 without the pre-approval of the City Administrator. The credit card limit shall not exceed \$2,500 for any individual credit card account except in the Public Works Department which shall not exceed \$5,000 for any individual credit card account.

**4. Credit Card Restrictions:** The following will be considered an unauthorized purchase or use of any City purchasing/credit card:

- A. Cash advances
- B. Payment of invoices or statements
- C. Purchased where an open charge account would be utilized
- D. Personal purchases of any kind;

**5. Disallowed Charges:** Disallowed charges, or charges not properly identified will be paid by the employee before the charge card billing is due. Failure to do so will render the employee personally liable where the City shall have a prior lien against and a right to withhold any and all funds payable or to become payable to the employee up to the unpaid amount, plus interest and /or fees at the rate charged by the bank that issued the cost. Employee shall not use the credit card if any disallowed charges are outstanding or if the card has been revoked.

The act of obtaining a City credit card does not indicate pre-approval of expenses or expenditures.

**6. Return of Credit Card:** The employee shall return all City credit cards at the request of the Mayor City Administrator or his/her designee, or upon separation of employment. Final paycheck will be held until all outstanding City property has been returned.

- B. The City Administrator and Finance Director are authorized to implement any additional policies or administrative procedures necessary to implement the provisions of this section subject to the approval of the City Council.

**Section 3 Severability:** This ordinance is severable and if any portion of it shall be declared invalid or unconstitutional, the remaining portion shall remain valid and enforceable.

**Section 4. Effective Date:** This ordinance shall take effect and be in full force five (5) days after publication as required by law.

REGULARLY adopted this            day of            , 2007.

\_\_\_\_\_  
Benjamin Tolson, Mayor

Attest:

\_\_\_\_\_  
Laura J. Koenig, City Clerk

Approved as to form:

\_\_\_\_\_  
Thom Graafstra, City Attorney

**CITY OF SULTAN**

**RESOLUTION 07- 06**

**A RESOLUTION OF THE CITY OF SULTAN WASHINGTON  
ESTABLISHING CITY CREDIT CARD POLICIES**

WHEREAS, it is beneficial for the City of Sultan to have written and adopted City credit card policies; now therefore,

BE IT REVOLVED BY THE CITY COUNCIL OF THE CITY OF SULTAN WASHINGTON AS FOLLOWS:

The City Council hereby establishes and adopts City credit card policies which are attached hereto as Exhibit A and incorporated herein by this reference.

Passed by the City Council this        day of        , 2007.

\_\_\_\_\_  
Benjamin Tolson, Mayor

Attest:

\_\_\_\_\_  
Laura J. Koenig, City Clerk

**CITY OF SULTAN  
POLICY AND PROCEDURE**

<b>TITLE:</b>	<b>FINANCIAL POLICY</b>
<b>SUBJECT:</b>	<b>CREDIT CARD USE POLICY</b>

**EFFECTIVE DATE:**

**ADOPTED DATE:**

**1.0 PURPOSE:**

To authorize the City's Policy on the use of City credit cards to transact official City business.

**2.0 DEPARTMENTS EFFECTED:**

Mayor, Council, City Administrator, Department Heads and employees

**3.0 REFERENCES:**

Ordinance 949-07, Resolution 07-06 and RCW 43.09.2855

**4.0 POLICY:**

A. The City Council has authorized the City Administrator and Finance Director to implement procedures for the use of City credit cards for the following uses:

- **Travel:** Credit cards may be used by the above assigned individuals (section 2) for official business – related expenditures for hotel, parking, ferry, taxi, meals, gas, airline tickets, emergency city vehicle repairs and other travel related expenses as authorized by the Mayor or City Administrator. In addition the assigned individual may use the City credit card for conference and class registrations. Out of state travel and out of state registration require the Mayor's pre-approval.
- **Purchases:** The assigned credit cards may be used for ordering supplies, including on line purchases, under \$1,000 for City purposes, when pre-approved by the Department Head.
- **Credit Limit:** The credit limit for each assigned City credit card shall be \$2,500 except for Public Works which shall have a credit card limit of \$5,000.
- City credit cards shall not be used for cash advances or personal purchases.

B. Credit Cards may be issued to Departments as follows:

Administration:	Mayor, Council and City Administrator
Finance:	Finance, Legal, Grants and Economic Development
Community Development:	Planning, Building, Engineering
Law Enforcement:	Police Personnel, Code Enforcement
Public Works:	Parks, Streets, Cemetery, Water, Sewer and Garbage

## 5.0 PROCEDURES

- A. Authorization: Payment of all credit card expenditures are contingent upon the City Administrator's or Department Head's approval of the monthly statement of transactions. If an expenditure is deemed inappropriate, the assigned credit card holder will be responsible for reimbursing the City.
- B. Receipts/Verification: Receipts must be obtained for each credit card transaction. The purpose of the charge and the name of the individual involved must be clearly written on the receipt. Receipts or purchase verification for on-line charges are to be saved and retained by the assigned individual or designee. Each assigned department will be provided with a monthly transaction summary (original or copy) by the Finance Department and within five business days, will:
- Verify all credit card expenditures against the monthly transaction summary
  - Complete a purchase order and attach all corresponding credit card receipts
  - Forward all paperwork to the Department Head or City Administrator

## 6.0. CONTROL:

- A. The assigned department is responsible for contacting the vendor when supplies purchased with the credit card are not acceptable (incorrect order, damaged, etc.) and for arranging a return for credit or exchange.
- B. The Finance Director is responsible for administration of the cards to include, but not limited to, selection of the card provider, payment of credit card bills, managing the issuance of cards and ensuring proper use.

The City Administrator will disallow the use of the assigned City credit card for violation or misuse of the credit card in accordance with this policy. The following will be considered an unauthorized purchase or use of any City purchasing/credit card:

1. Cash advances
  2. Payment of invoices or statements
  3. Purchases where an open charge account would be utilized
  4. Personal purchases of any kind;
- C. Any exceptions to this policy must be approved in writing in advance by the City Administrator
- D. Assigned individuals will sign a Credit Card User Agreement (Attachment A) before they are eligible to use the card.
- E. Credit cards are to be returned to the City immediately upon ending employment with the City.
- F. Misuse of a city credit card may result in disciplinary action or termination.

**CREDIT CARD USER AGREEMENT**

I, \_\_\_\_\_, as an employee of the City of Sultan accept personal responsibility for the safeguard and proper use of the City credit card # \_\_\_\_\_ which has been assigned to me for use in the performance of my job, in accordance with the terms outlined below.

Credit cards are to be used solely for travel related business expenses (within and outside the city), and conference/class registrations incurred by the assigned individual only.

Credit cards may be used for purchasing department supplies up to \$ \_\_\_\_\_ only if prior approved by the assigned card holder's Department Head.

I have read and understand the credit card policies and procedures as set out in Ordinance 949-07, Resolution 07-06 – Credit Card Use Policy and Resolution 07-07 – Travel Policy.

I understand the City Administrator will disallow my use of a City credit card for violation or misuse of the credit card and/or credit card policies and procedures and that such violation or misuse may subject me to discipline, including termination, under the City's Personnel Policies.

I understand that each time I use, or authorize the use thereof, that I am adhering to the following statement:

"I hereby certify under penalty of perjury that this is a true and correct claim for necessary expenditures incurred by me and that no payment has been received by me on account thereof."

I understand that I will be held personally liable for inappropriate charges I incur to the City credit card, and payment for any such inappropriate charges is hereby authorized to be withheld from my paycheck.

The undersigned individual has read and understands the above statements.

\_\_\_\_\_  
Employee

\_\_\_\_\_  
Date