

CITY OF SULTAN AGENDA COVER SHEET

DATE: April 26, 2007

ITEM NO. Action A 1

SUBJECT: Resolution 07-06 - Credit Card Use Policy

CONTACT PERSON: Laura Koenig, City Clerk

SUMMARY:

The issue before the City Council is approval of Resolution 07-06 to establish a credit card use policy and administrative procedures.

The Council is scheduled to adopt Ordinance 949-07 at the April 26, 2007 Council meeting. Ordinance 949-07 provides for the issuance, use and control of credit cards by City Officials and employees. The ordinance requires the development of administrative guidelines and accounting controls to ensure the proper usage of credit cards and credit card funds by City Officials and employees.

The use of credit cards was addressed as an exit issue during the last City audit. The City has a Travel Policy and it was noted during the audit that credit cards were being used for prohibited purchases (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.

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 recommended policy will ensure that all departments are using the same guidelines and procedures for credit card use.

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 card can be revoked 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 resolution and policies.
- 3. The Council could draft a new policy.

RECOMMENDATIONS

STAFF:

Staff recommends the adoption of Resolution 07-06, approving the credit card use policies.

FINANCE COMMITTEE:

The Finance Committee recommends the adoption of Resolution 07-06, approving the credit card use policies.

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

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 26th day of April, 2007.

Benjamin Tolson, Mayor

Attest:

Laura J. Koenig, City Clerk

**CITY OF SULTAN
POLICY AND PROCEDURE**

TITLE: FINANCIAL POLICY SUBJECT: CREDIT CARD USE POLICY
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EFFECTIVE DATE: April 27, 2007

ADOPTED DATE: April 26, 2007

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, 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 is 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