

## CITY OF SULTAN AGENDA COVER SHEET

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**DATE:** April 26, 2007

**ITEM NO.** Consent C 4

**SUBJECT:** Ordinance 949-07 - Credit Card Use – 2<sup>nd</sup> Reading

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

**SUMMARY:**

The issue before the Council is the second reading of Ordinance 949-07 adopting a system for the issuance, use and control of credit cards by City Officials and employees. Ordinance 949-07 was introduced for a first reading at the April 12, 2007 Council meeting.

The Ordinance provides for the issuance, use and control of credit cards by City Officials and employees. Along with the Ordinance, a Credit Card Use Policy has been prepared. The Council requested that the word "additional" be left in Section 2 B to require that any changes to the adopted policies be approved by the Council. The Council directed staff to ensure consistency between the credit card use and travel policies and to have the Mayor or his/her designee the responsible party for distribution, authorization and control of credit cards. These changes have been made.

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 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.

**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 recommends the adoption of Ordinance 949-07, Credit Card Use

### **MOTION:**

Move to adopt the consent agenda as presented.

Attachments:           A. Ordinance 949-07 – Credit Card Use Ordinance

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 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 Mayor 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 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 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 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 26<sup>th</sup> day of April, 2007.

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Benjamin Tolson, Mayor

Attest:

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Laura J. Koenig, City Clerk

Approved as to form:

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Thom Graafstra, City Attorney