



## *Agenda Commentary*

**Item Title/ Subject:** Purchasing Card Program

**Staff Source:** Debra Blanchard, City Treasurer

**History/Background Information:** Purchasing Card Program (credit cards) to replace the Purchase order procedure we have now for most purchases. Mark Skiles had a similar program in place at his previous city and has recommended this since his arrival. JP Morgan Chase offers a program through their Oklahoma Purchasing Card Consortium, with no annual fees or transaction fees assessed to the City. This program is already a competitively bid contract, with communities such as Edmond, Chandler, and Enid participating to name a few. The City would receive a rebate back annually from JP Morgan, based on our dollar level of purchases. The rate of return on the rebate is based on total Consortium Combined Spend level. Rate quoted to us in presentation of last year's rebate rate was 1.72%

**Item/Subject Summary:** The p-card program would place credit cards in the hands of department heads, supervisors, and others to be determined for the daily purchases of supplies, materials, services, and capital items. The employees would be able to go into any vendor that will accept a credit card and use a City P-card for their purchases. Each individual card would have set limits and controls in place, determined by administration. Purchases would be made; employees would be responsible for maintaining all receipts and documentation. Every two weeks individual cardholders would login to SmartData site to review all their card purchases, reconcile with their receipts, correct City account line items for each purchase to be charged to, and approve their statement of purchases. They would then print their statement, attach all documents, and provide to their department head for review. Once department head review is complete, those documents are turned into Finance for review. Finance department will reconcile all card reports with the master City P-card account. Finance will then download all the purchase information into the City financial software, which will post all information to each vendor on our system automatically and set up payments due, with payment being set to JP Morgan Chase for the pcard total to be paid. Vendors are receiving their payments within 24-48 hours of purchase, just like any credit card transaction would work. JP Morgan Chase will be paid twice a month by the City for the P-card statement.

**Price/Cost: -0-**

**Recommendation:** I recommend moving forward with the activation of this program. We have developed the policies and documents based on samples from Chandler, Enid, and Edmond. There are still fine details that administration will need to work out. We will also be bringing changes to our Purchasing Policy for your approval soon, to adjust to this type of program, if you see fit to move forward.

Overall, this process will decentralize the purchasing process and automate a large portion of manual entry currently taking place. The duties and responsibilities to follow proper purchasing procedures, maintain required documentation, and monitor proper posting to department line item budgets will be on the individual cardholders and their supervisors. Department budgets will be continued to be monitored by each individual supervisor and department head, with the Finance department monitoring each month for compliance to budget law. All transactions that can be paid with a p-card will become automated, but there will still be purchases that will continue to be made through the P.O. process, either due to type of large purchase or vendor credit card non-acceptance.

JP Morgan Chase is currently sending all our information to the underwriters and getting our credit approved. Once that is complete they will send out an Original Participation Agreement for the City to execute. This is a Participation agreement due to this being a large Consortium, originally contracted with the Independent School District Number 1 of Tulsa County.

**RESOLUTION #**

WHEREAS, City of Clinton organized under the laws of the State of Oklahoma (the "Customer") desires to obtain financial accommodations from JPMorgan Chase Bank, N.A. (the "Bank") pursuant to the use of a number of commercial card account numbers, the related accounts and cards bearing such account numbers (collectively, the "Cards"); and

WHEREAS, this Customer intends to authorize its employees and agents to use such Cards for and in connection with corporate business on behalf of this Customer; and

WHEREAS, the Bank will not issue such Cards unless the Customer agrees to obligate itself for the prompt payment of credit extended pursuant to the use of such Cards, including credit extended pursuant to the use of a credit card for either purchases or cash advance transactions, whether such use or indebtedness was authorized or unauthorized by the Customer.

NOW, THEREFORE, be it resolved that the Customer shall apply to the Bank for the issuance of Cards in the names of such employees and agents of the Customer as may be designated to the Bank;

BE IT FURTHER RESOLVED that the Mayor or City Manager of this Customer, any one of them acting singly, is hereby authorized, directed and empowered, in the name of the Customer, to execute a Commercial Card Agreement in the form approved by such individual and take such actions as are contemplated thereby and further confirm any such action which may have been taken prior to the date hereof;

BE IT FURTHER RESOLVED that the Bank is authorized to act upon these resolutions until written notice of their revocation is delivered to Bank.

The undersigned certifies that: I am an official of, and authorized to certify on behalf of, the above named organization, which is duly organized and existing under the laws of the State indicated, ("Organization"); the preceding is a complete, true and correct copy of certain resolutions of the Organization, which resolutions were duly adopted and are in conformity with the laws of the State where organized and the organizational documents ("Resolutions"); and the Resolutions have not been rescinded or modified and are in full force and effect on the date hereof. I further that the specimen signatures appearing below are the signatures of the individuals authorized to sign for this Customer by virtue of these resolutions.

Specimen Signature	Name (Print)	Title
_____	<u>Seth Adams</u>	<u>Mayor</u>
_____	<u>Mark Skiles</u>	<u>City Manager</u>

**PASSED AND APPROVED** by the City of Clinton City Council on this \_\_\_ day of \_\_\_\_\_, 2015.

BY: \_\_\_\_\_  
Seth Adams  
Mayor

ATTEST:  
  
\_\_\_\_\_  
Lisa Anders  
City Clerk

# City of Clinton Purchasing Cards Program Cardholder Agreement

**I agree to the following regarding the use of the City of Clinton Purchasing Card assigned to me for official City of Clinton business only:**

- 1) I understand that under no circumstances will I use the Purchasing Card to make personal purchases, either for others or for myself. Willful intent to use the purchasing card for personal gain or unauthorized use may result in disciplinary actions up to and including termination of employment and prosecution to the extent permitted by law.
- 2) I will follow the City of Clinton Purchasing Manual, and the established guidelines for using the Purchasing Card. Failure to do so may result in either revocation of my card privileges or other disciplinary action.
- 3) I am aware the sharing and/or lending of a card is absolutely prohibited.
- 4) I understand that this Purchasing Card has pre-set spending limits which may not be exceeded under any circumstance, and that I can charge materials and selected services costing up to that pre-set limit per transaction and total pre-set limit per month. "Invoice splitting" is strictly prohibited. My pre-set per transaction limit is \_\_\_\_\_. My pre-set monthly card limit is \_\_\_\_\_.
- 5) I understand that for every purchase, I will review and **initial** the receipt to assure that no sales tax was charged. If sales tax was charged, I will immediately request a credit for the amount of sales tax that was charged, but under no circumstance will I accept cash back from the vendor.
- 6) I agree to review and reconcile transactions timely, maintain all applicable information, and forward receipts on a monthly basis to the Finance Dept. I also understand that a signed JPMorgan Chase Expense Report and receipts must be delivered to Finance Dept. by the specified period end.
- 7) I understand that if my card gets lost or stolen, I should immediately call JPMorgan Chase at 1-800-316-6056 (24 hour customer service) and notify the Finance Dept.
- 8) I am aware that this card remains the property of the City of Clinton; therefore, the City of Clinton Finance Department may suspend or cancel it at any time for any reason, and I shall surrender the purchasing card upon request.
- 9) I understand that using the purchasing card or account after notice of its cancellation may be fraudulent and cause the City of Clinton to take legal action.
- 10) I have been provided the card. A copy of the purchasing card program cardholder agreement is available on the employee portal.
- 11) I have been given an opportunity to ask any questions to further my understanding of this agreement and attended training on \_\_\_\_/\_\_\_\_/\_\_\_\_.

\_\_\_\_\_  
Cardholder Printed Name

\_\_\_\_\_  
Last 4 digits of Card

\_\_\_\_\_  
Cardholder Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Department Head Signature

\_\_\_\_\_  
Date

## Contact Information

<https://smartdata.jpmorgan.com>

JPMorgan Chase (24 hour customer service)

1-800-316-6056

Lost or stolen cards (report immediately and tell them it's a corporate card) also notify Finance.

### Purchasing Cards Program Administrators

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**INTRODUCTION**

The City of Clinton is providing an alternate approach to purchasing products by offering a purchasing card program to select City employees, administered by JPMorgan Chase Bank.

Purchasing cards are designed to consolidate many small transactions onto a single monthly invoice. This program will expedite the accounts payable function for any department that makes multiple supply purchases in a given month. The purchasing cards will not replace the normal purchasing procedures established by the Accounts Payable Department, but will be used in instances where it is not advantageous or cost effective to issue a Purchase Order.

These policies and procedures are intended to provide guidelines to cardholders in utilizing their purchasing cards, and all cardholders should carefully read this document. A cardholder's signature on the Cardholder Agreement Form indicates that the cardholder understands the intent of the program and agrees to adhere to these guidelines.

The following information is intended to clarify how the purchasing card is to be used and how the cardholder's transactions are invoiced.

**ETHICS**

The City strives to maintain and practice the highest possible standards of business ethics, professionalism, and competence in all purchases and business transactions. It is cardholder's responsibility to purchase only those goods that are necessary for City purposes.

Suppliers/vendors, their products, personnel and services are a natural extension of our own resources. It is the responsibility of all employees in the City to develop and maintain professional relationships between the City and its vendors and to keep in mind that personal contacts form much of the basis for the vendor's opinion of the City. In this regard, the following should be observed when dealing with vendors and their representatives:

1. Assure the confidentiality of all specifications and price quotations made by vendors.
2. Decline to take advantage of vendor's errors and show consideration for vendor difficulties by cooperating with the vendor whenever possible to resolve problems.

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**PURPOSE**

The purpose of the purchasing card is to provide the City with an alternate method of purchasing low-dollar goods. The purchasing card enables employees to order and receive products directly from any MasterCard vendor, it gives employees the authority and flexibility to purchase supplies when the City needs them at competitive prices, and it helps employees get faster delivery on low-cost items.

**PROGRAM ADMINISTRATION**

The City's purchasing card program is administered through JPMorgan Chase Bank, under a statewide purchasing card program designed especially for Cities. The City's purchasing card program administrators are Mark Skiles, City Manager; Debra Blanchard, City Treasurer; Amy Jones, Deputy Treasurer; Anita Fransen, Deputy Treasurer.

**GENERAL POLICES**

The City issues purchasing cards to designated employees. No person other than the person to whom the purchasing card is issued is authorized to use the assigned purchasing card. The card is to be used for City business only.

The purchasing cards are issued to the City and assigned to specific users. Personal information of cardholders is NOT provided to JPMorgan Chase when cards are issued. JPMorgan Chase is provided with a cardholder's date of birth and the last four digits of his/her Social Security number for verification purposes only. Card activity is not reported on a cardholder's personal credit report, and, likewise, activity on the card is not used to compute a cardholder's credit score with reporting agencies. Activity on the purchasing card program is reported on the City's credit report.

The purchasing card is as easy to use as any credit card and is just as widely accepted. The only difference between a credit card and a purchasing card is that the latter is a corporate liability charge card with certain restrictions and limitations imposed on the cardholder. Card privileges may be rescinded at any time at the discretion of the Purchasing Card Administrator if polices and/or procedures are not followed by the cardholder. The Accounts Payable Department and/or the Purchasing Card Administrator will audit card usage and the cardholder will be personally liable for any unauthorized use that occurs with the purchasing card.

Purchasing cards must be kept in a secure place. Although the purchasing card is issued in the cardholder's name, the card remains the property of JPMorgan Chase Bank, and is only to be used for City purchases as allowed by the City's policies. Cardholders are committing City funds each time the purchasing card is used.

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All charges made on all City purchasing cards are billed directly to the City on a monthly summary invoice. This process minimizes paperwork and streamlines the payment process. Each purchasing card is assigned to a default accounting code, using a City account number. Other account numbers may be assigned to a transaction by purchasing cardholders when reconciling their monthly transactions using JPMorgan Chase's Smart Data Online web-based program.

The cardholder will only be able to use the purchasing card for specific Merchant Category Codes (MCC) assigned for each user, based on necessity specific to each cardholder. Each card will be issued with a group of MCC's based on the probable use of the card by each user. If the cardholder attempts to use the purchasing card for a Merchant category not set up, the transaction will be denied. The City's program administrator can adjust the MCC's assigned to each user.

Each user will be required to review their purchasing card transactions on a monthly basis using the JPMorgan Chase Smart Data Online Internet application.

The following types of purchases are prohibited on the purchasing card:

- Personal use
- Cash advances
- Gasoline (except in emergency situations or out of area travel conditions)
- Entertainment

## **PURCHASING PROCESS**

Making purchases for goods and services is easy with the purchasing card.

### **A. Making a Purchase**

1. Only the cardholder named on the purchasing card can authorize a purchase on his/her card.
2. The cardholder will present the card at the cash register, sign, and take the **itemized** charge receipt and cash register tape for filing and leave with the purchases.
3. The cardholder may also place an order over the telephone. When a telephone order is placed, the cardholder should request an **itemized** receipt from the vendor documenting the sale. In many cases, a receipt is included with shipping documents for purchases made over the phone. The receipt and shipping documents shall be submitted to the Accounts

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Payable Department according to the "Cardholder Recordkeeping Requirements" section below.

4. The cardholder may also place an order over the Internet. When an online purchase is made, the cardholder should print out the **itemized** invoice from the online vendor as verification of the purchase. In many cases, a receipt is included with shipping documents for online purchases. The receipt and shipping documents shall be submitted to the Accounts Payable Department according to the "Cardholder Recordkeeping Requirements" section below.
5. If the purchasing card is used to register for a workshop or conference, and the "credit card" information is entered on a registration form, a copy of the registration form showing the amount charged for the registration along with any registration confirmation shall be submitted to the Accounts Payable Department according to the "Cardholder Recordkeeping Requirements" section below.
6. When the merchant/vendor processes a purchasing card sale, the merchant/vendor authorizes the transaction by swiping the card or calling in the sale. The authorization process sends a request to the JPMorgan Chase credit card processor to approve the amount, the type of merchant used (merchant code), and the number of transactions for that month and day. Transactions are approved within seconds. The merchant then deposits the transaction receipts with his/her merchant bank, and the charge is secured on the purchasing card by the authorization process. Once the merchant sends transactions to his/her bank, the data is uploaded to the JPMorgan Chase credit card processor. Every day, the processor formats purchase card account transactions and posts them to the City's company data in Smart Data.
7. Cardholders shall keep all receipts/invoices and any related shipping documents in a safe place for submission to the Accounts Payable Department as part of the monthly reconciliation process outlined in the "Cardholder Recordkeeping Requirements" section below.
8. The City is exempt from paying sales tax on purchases made for goods and services. Each card has the federal identification number of the City imprinted on it, located just below the name of the cardholder. Most vendors accept this number as the "tax exempt number" when purchasing transactions are made. Occasionally, vendors or merchants may request that a sales tax exemption certificate be provided before they remove the sales tax from a transaction. Please contact the Accounts Payable Department to obtain a sales tax exemption certificate.

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9. A purchasing card may be declined at the point of sale. Purchasing cards can be declined for many reasons, as follows:
- Transaction amount exceeds a single purchase limit
  - Transaction amount exceeds the maximum billing cycle limit, when added with other transactions in the billing cycle.
  - Transaction is attempted at a merchant with an unauthorized merchant code (MCC)
  - Transaction exceeds the maximum number of daily transactions
  - Transaction exceeds the maximum number of billing cycle transactions

If a transaction is declined at the point of sale, the cardholder must cancel the transaction and contact program administrator as soon as possible to determine the cause of the declined transaction. Adjustments may be necessary to the cardholder's account (i.e. adding merchant codes, increasing transaction amounts, etc.), depending on the reason for the declined transaction.

**B. Shipping and Receiving Information**

The cardholder must provide the vendor/merchant with appropriate shipping information or a delay in the delivery of the shipment may occur. All goods must be shipped to the City of Clinton business address. All shipping documents received from vendors/merchants must be submitted with the credit card receipt/invoice to the Accounts Payable Department, as described in the "Cardholder Recordkeeping Requirements" section below.

**C. Incorrect Shipments or Returns**

If a shipment is incorrect, or if there are product quality or service issues, the cardholder should contact the vendor/merchant to arrange for a return, exchange, or credit. If the vendor agrees to issue a credit, the cardholder must get a receipt noting the credit from the vendor/merchant, and the cardholder shall verify that the credit is properly reflected in the next monthly reconciliation statement.

It is the cardholder's responsibility to know and adhere to the vendor/merchant's return policy.

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**CARDHOLDER RECORDKEEPING REQUIREMENTS**

Cardholders must keep all original sales documents (itemized/detailed receipts, packing slips, cash register tape, credit card slips) from purchases made on their JPMorgan Chase purchasing card. These documents will be required to be submitted to the Accounts Payable Department with the cardholder's monthly Expense Report printed from the Smart Data Online application, as described in this section.

The City's monthly billing cycle runs through the ??? day of each month, or the Monday following, if the ??? falls on a weekend. At the end of each billing cycle, each cardholder will receive a reminder email notification from JPMorgan Chase Bank to review his/her posted transactions for that billing period.

Each cardholder will be required to login to the Smart Data Online application via Internet connection and review all transactions for the billing period. The review process includes providing an expense description, checking whether or not sales documents (receipts, credit card slips, etc.) are attached, and assigning a City accounting code to each transaction.

Once the review process has been completed, each cardholder shall print a monthly Expense Report, sign and date the report, and attach all original sales documents. The Expense Report packet will then be sent to the Accounts Payable Department for review by the ??? of the month.

Purchases made on the purchasing card will be entered into the City's accounting system in a batch form, based on the accounting codes provided by cardholders in Smart Data Online.

Please refer to the Account Reconciliation procedures for step-by-step instructions on the monthly account review and reporting process.

**DISCREPANCIES OR UNAUTHORIZED ACCOUNT USAGE**

If there are any discrepancies on the cardholder's monthly reconciliation statement, contact the vendor immediately to try to resolve the issue(s) in question. If the discrepancies cannot be resolved with the vendor, please contact the Accounts Payable Department.

The cardholder is responsible for keeping track of how the card is used and for its safekeeping. Just like any credit card, the cardholder should protect against fraudulent use of the Card.

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Examples of discrepancies include incorrect transaction amounts, unauthorized purchases that show up on the monthly reconciliation statement that were not made by the cardholder.

### **CARD DEACTIVATION**

Upon transfer or termination of employment of a cardholder, the purchasing card must be turned in to the cardholder's Supervisor and forwarded to the Accounts Payable Department, as part of the exit interview process. The purchasing card will be deactivated immediately.

Whenever a purchasing card is misused or these policies and procedures are violated, appropriate disciplinary action will be determined by the City Manager.

### **REPORTING LOST, STOLEN, OR DAMAGED CARDS**

If a purchasing card is lost or stolen, the cardholder must immediately inform the Accounts Payable Department. The purchasing card will be immediately deactivated and an acknowledgement will be sent to the cardholder and the City informing them of this action.

If a card becomes damaged and needs to be replaced, the cardholder must make a written request for a new card to the Accounts Payable Department. The damaged card must be turned into the Accounts Payable Department, and a replacement card will be requested from JPMorgan Chase Bank. The cardholder will be asked to complete a new Cardholder Agreement when a new card is issued. The cardholder will be responsible for review and reconciliation of transactions made on the account associated with the deactivated purchasing card as well as that of the new purchasing card.

### **OTHER INFORMATION**

Policies and procedures related to the JPMorgan Chase purchasing card program will be updated periodically. Cardholders will be provided with updates, as they become available.

Any questions not specifically addressed in these guidelines can be directed to the Finance Department or City Treasurer, at 580-323-0297.