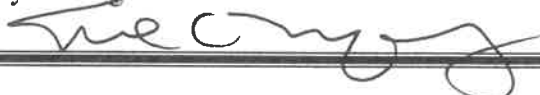


**CITY OF CHARLOTTESVILLE
STANDARD OPERATING PROCEDURE**



Type of Procedure: FISCAL	Number: 200-08
Subject: CREDIT CARD USE	
Authorization: Michael C. Murphy, Interim City Manager	Date: July 21, 2008 Revised Date: 1/30/15 Revised Date: 12/20/18
Signature of City Manager: 	Effective Date: 12/20/18

I. PURPOSE

To establish procedures under which the City Manager and all departments, offices and agencies shall control the use of credit cards assigned to and utilized by selected individuals or departments to purchase goods and services and to pay for authorized travel expenses on behalf of the City. These procedures are intended to accomplish the following:

- To ensure that procurement of goods and services with credit cards is accomplished in accordance with the City's Purchasing Policy and procedures established by the City Manager.
- To ensure that payment of travel expenses with credit cards is accomplished in accordance with the City's Travel Policy and procedures established by the City Manager.
- To ensure that appropriate internal controls are established within each department, office, or agency using credit cards so that the cards are used only for authorized purposes.
- To ensure that the City bears no legal liability from inappropriate use of credit cards.
- To provide a convenient method for small purchases and to facilitate e-commerce, including Internet purchases and/or payments.
- To facilitate the payment of travel expenses, such as airfare, car rental, hotel charges, meals, and registrations, for training and education and while conducting City business.

- Finally, it is intended that the procedures established herein be viewed as minimum standards; departments, offices, and agencies may establish additional controls beyond those required by these procedures.

II. ENABLING ORDINANCES/LEGISLATION

Chapter 22 of the Charlottesville City Code

III. DEPARTMENTS/DIVISIONS AFFECTED

These procedures are applicable to any Decentralized Buyer, individual or department issued or authorized to use a City credit card (Cardholder) to purchase goods, services, or for specific expenditures incurred under conditions approved by these procedures. The decision of when a credit card is issued, and to whom, will be made by the Finance Director upon the recommendation of the Department Head.

IV. REGULATIONS AND PROCEDURES

A. APPLICABILITY: This Procedure applies to all Cardholders.

B. GENERAL INFORMATION

1. The Credit Card

- a. Cards are issued to departments and divisions under the care of a specific person, e.g. the designated Decentralized Buyer. Each card displays the City Seal, Department/Division name, the City's tax-exempt number, the Employer Identification Number, the City's account number, and card expiration date. The credit card issuer will have no individual Cardholder information other than the Cardholder's name. No credit records, social security numbers, etc. are maintained except the last 4 digits of the social security numbers for activation purposes.
- b. In certain cases, cards will be issued to an individual. The City Manager, Assistant City Managers, Chief Financial Officer/Chief Executive Officer, and Directors are authorized to have credit cards issued in an individual name. All other cards issued in an individuals name must be approved by the Chief Financial Officer and the Finance Director. Each card contains the same information as cards issued in the department/divisions name except the individuals name is included as well.

2. Cardholder Spending Limits for Small Purchases

- a. The Delegation of Authority that has been provided to each Cardholder sets the maximum dollar amount for each single purchase (Single Purchase Limit) and a total for all purchases made with a credit card within a given billing cycle (30-Day Limit). The City's limits are as follows:

Single Purchase Limit for the City (non-travel)- \$5,000.

Single Purchase Limit for Charlottesville Area Transit (non-travel)- \$10,000.

Single Purchase Limit (travel) -- Not applicable.

30-Day Limit -- \$20,000.

3. Use of Credit Card

a. THE CREDIT CARD IS TO BE USED ONLY FOR CITY PURCHASES AND TRAVEL EXPENSES THAT MEET A PUBLIC PURPOSE.

b. Cardholder Responsibility: The credit card is generally issued in the name of the department/division. The Decentralized Buyer must maintain a list of all individuals authorized to make purchases using the credit card. When a credit card is issued in an individual's name, only that individual is authorized to use the card. When a credit card is issued in a department/division name, only those individuals indicated on the list of authorized individuals may use the card unless prior written permission has been provided by the individual's supervisor.

c. Conditions For Use: Use of the card must meet the following conditions:

1) The total of a single purchase using the card may be composed of multiple items and cannot exceed the authorized single invoice limit. Purchases cannot be processed if the authorized single purchase limit is exceeded.

2) Payments for purchases shall not be split in order to stay within the single purchase limit.

3) Telephone orders may be placed using the credit card. See section 4.a. for special requirements for documentation of telephone orders.

4) Any meals charged to the credit card must be for a particular public purpose and only include appropriate attendees.

5) If a travel advance is provided, meals may not be charged to the card.

d. Documentation, Reconciliation and Payment Procedures

1) Documentation

General - Any time a purchase is made that will be paid using the card, the Cardholder must obtain a customer copy of the charge slip and the detailed receipt, which will become the accountable documents. Make sure all carbons of the charge slip are destroyed.

Telephone Orders -- When a detailed charge receipt is not provided with the order, the Cardholder shall request the vendor to fax or email a copy of a receipt or confirmation for the purchase, otherwise

the Cardholder shall prepare a written explanation that it was a telephone purchase and provide a description of the item(s), date of purchase, and merchant name.

Internet Orders - Most sites provide order confirmations/receipts either on-line or via e-mail. These receipts should be printed as the documentation. If such a receipt is not provided, the Cardholder shall prepare a written explanation that it was an Internet purchase and provide a description of the item(s), date of purchase, and merchant name.

Meals - Detailed receipts are required for all meals. The business purpose and attendees must be listed on all business meal receipts. Non-travel related business meals must be documented in accordance with Internal Revenue Service Publication 463 (available at <http://www.irs.gov/pub/irs-pdf/p463.pdf>); IRS regulations require that meals be ordinary (common and accepted in your field of business) and necessary (helpful and appropriate, although not necessarily required, for your business) in addition to meeting the test of being directly related to a business matter. Directly related means that it takes place in a clear business setting and is for the business or work. Additionally, the IRS requires that a written record be kept as evidence, including the business purpose, restaurant name and location, person(s) served and the date and amount of the expense.

2) **Missing Documentation**

If for some reason (other than for telephone and Internet orders as described above) the Cardholder does not have detailed documentation of the transaction the Cardholder must attempt to obtain the receipt from the merchant. In most instances a duplicate of the receipt is available. In the event a receipt cannot be obtained the Cardholder must prepare a written explanation. The explanation must include a description of the item(s), date of purchase, merchant's name, and why there is no supporting documentation. Instances of frequent abuse of this provision (as determined by the Chief Financial Officer) may result in cancellation of the credit card.

4. **Cash Advances Prohibited:** Cash advances through cash back, bank tellers or automated teller machines are prohibited.
5. **Taxes:** Cardholders are responsible for knowing the City's tax exempt status, which is explained below, and must make every attempt to avoid paying unnecessary taxes.

The City is exempt from **Virginia Sales and Use Tax**. The City is typically exempt from other states' sales tax when the order is placed by telephone or Internet. However, the City is not exempt from other states' sales tax when the purchase is made in that state.

The City is also exempt from some federal excise taxes, such as the excise tax on tires, fuel, and firearms.

The City is **not** exempt from all taxes. The City is subject to Meals and Lodging taxes, for example.

6. Payment and Invoice Procedures:

- a. Accountability of Monthly Charges: The Department of Finance will pay for all authorized purchases made by Cardholders at the end of each billing cycle upon receipt of the reconciliation/payment package provided by the Decentralized Buyer.

The reconciliation packet includes: the billing statement (Statement), which lists all items processed in the previous billing period, a receipt for each purchase, the credit card log and the purchase order. Note: A purchase requisition issued and maintained during the credit card cycle may be used as the credit card log in lieu of keeping a manual log. In this case the purchase requisition would not be printed and accompany the reconciliation packet. It would be maintained electronically in SAP.

- b. If the card is issued to an individual or primarily used by one individual, the Cardholder must review the Statement and note any billing errors. The Cardholder must provide all detailed receipt(s) (sales drafts) received at the time of purchase in addition to written documentation of any telephone orders or other purchases for which detailed receipts were not provided. The Cardholder must approve the Statement certifying items purchased and forward to the Decentralized Buyer. Receipts must be submitted to the Decentralized Buyer the first working day following the purchase. Noncompliance may mean denial of future use of credit cards. If unauthorized charges are made, reimbursement to the City may become a future payroll deduction. Certification of all purchases is required by each Cardholder or by the Decentralized Buyer.
- c. The Decentralized Buyer reviews Statements from Cardholders, assigns account codes to each item, and verifies approval of purchases. Department Head or designee approves the Statement.
- d. It is the Cardholder's responsibility to provide the Decentralized Buyer with the detailed receipt(s) for that month if travel or extended leave is scheduled

at the time the Statement is due and the Cardholder will not be able to complete the Statement.

- e. Should the Decentralized Buyer not receive all of the Statements or detailed receipts, it will be his/her responsibility to contact Cardholders and have the Statements and detailed receipts furnished at once.

Approval: Approval of the transactions that Cardholders have made using the credit cards will not be totally defined in this procedure. Department Head or designees, because of their knowledge of the job responsibilities of Cardholders, are required to look at each Cardholder's purchases, and at the merchant who made the sale in order to determine if these items were for *Official Use* and if they were items allowed to be purchased in accordance with the instructions provided. If for any reason the Department Head or designee questions the purchase(s), it is his/her responsibility to resolve the issue with the Cardholder. If s/he cannot be satisfied that the purchase was necessary and for *Official Use*, then the Cardholder must provide either a Credit Voucher proving that the items have been returned for credit, or a personal check for the full amount of that purchase. Using the City credit card for purchases for other than *Official Use* is considered misuse, even when the expense is reimbursed under this section.

- 7.A. Directors with their names on credit cards must have their purchases approved by the CFO/COO. The City Managers will be approved by the Finance Director and the Assistant City Manager must be approved the City Manager or Finance Director. The Council Clerk will approve the Mayor's card. The CFO/COO will receive approval of purchases by the City Manager or Finance Director in the City Managers absence.

Improper use of the credit card may result in prosecution for embezzlement under section 18.2-112 of the *Code of Virginia*. Initiation of disciplinary action, pursuant to Section 12.0: Discipline of the City's Personnel Policy, shall be the responsibility of the Department Head or designee. However, the Comptroller and the Department Head or designee will report violations to the City Manager and the City's Finance Director. Any suspected fraudulent use of a credit card involving funds under the control of the City Treasurer shall also be reported to the State Auditor, pursuant to Virginia Code.

- 7. Disputes: If items purchased with the credit card are found defective or the repair or services faulty, the Cardholder has the responsibility to return item(s) to the merchant for replacement or to receive a credit on the purchase. CASH REFUNDS WILL NOT BE PERMITTED. If the merchant refuses to replace or correct the faulty item, then the purchase of this item will be considered to be in DISPUTE. Disputed charges should be handled by the Decentralized Buyer in accordance with credit card issuer's instructions. The Department of Finance may be contacted for the necessary information as required by the credit card

issuer to properly dispute charges. A "Cardholder's Statement of Questioned Item" form (Attachment A) must be completed by the Cardholder with the required documentation that was sent to credit card issuer attached and forwarded to the Department of Finance through the Decentralized Buyer. The Department of Finance will monitor outstanding disputed items to ensure Cardholders are obtaining appropriate resolution. The credit card issuer will notify the Cardholder of the action taken on disputed items. It is essential that the time frames and documentation requirements established by the credit card issuer be followed to protect the Cardholder's rights in dispute.

8. Failure to Comply with Policies and Procedures: If a Cardholder fails to comply with the applicable policies and these procedures, the card will be immediately and permanently canceled. Misuse of the card may result in disciplinary and other actions, as allowed by law. The Comptroller and the Department Head or designee will report all instances of noncompliance and misuse to the Chief Financial Officer and the Finance Director.

Noncompliance includes:

- a. Repeated failure to provide required documentation.
- b. Any intentional violation of a provision of this policy.

Misuse includes:

- a. Charging or allowing another person to charge personal purchases or expenses to the City credit card, whether or not the expense is repaid.
- b. Using the card to receive cash advances.
- c. Splitting purchases to circumvent the Single Purchase Limit.

9. Requests for Initial, Additional or Changes to Credit Cards

- a. All requests for new Cardholders or changes to current Cardholders shall be made electronically or by submitting a "Request for Credit Card Issuance or Change" form (Attachment B). The request will be processed through the Department of Finance who will forward the request to the credit card issuer.
- b. All requests for credit cards and credit card limit increases must be approved by the Department Head or his/her designated representative and by the Director of Finance.
- c. When the Department of Finance receives the credit card from the credit card issuer, it will require the Cardholder to personally sign the City credit card agreement (Attachment C).

10. Annual Inventory of Credit Cards: On an annual basis, the Department of Finance will provide a list of credit cards issued to departments/divisions and

individuals for each department. Departments shall conduct a physical inventory of credit cards and provide a report to the Department of Finance of the results of the inventory.

11. Lost or Stolen Credit Cards: Should any Cardholder lose or have their credit card stolen, it is the responsibility of the Cardholder to immediately notify the credit card issuer and the Department of Finance of the loss. The telephone number of the credit card issuer is available from the Department of Finance and on the reverse side of the Statement. In addition to notifying the credit card issuer, the Cardholder must notify their Department Head or designee and Decentralized Buyer of the lost or stolen credit card WITHIN ONE WORKDAY after discovery of the loss or theft of the card. The Department Head or designee or their designee will be required to make a written report to the Department of Finance WITHIN 5 WORKDAYS, that will include the complete information on the loss, the date the loss was discovered, the location where the loss occurred, if known, the purchases that the Cardholder had made prior to the loss, and any other necessary information.

12. Terminating Individual:

- a. For credit cards that are issued to individuals, if that individual leaves the City, his/her card must be collected and returned to the Department of Finance. The Decentralized Buyer in the department will be responsible to collect cards and forward them to the Department of Finance. The Department of Finance will notify the credit card issuer to cancel the card.
- b. Should a Cardholder be transferred within the City, the credit card shall be returned to the Department of Finance. The new department must then request another card for the individual if desired.
- c. In the event the Decentralized Buyer is not able to collect the credit card when an individual leaves, the Decentralized Buyer shall notify the Department of Finance immediately by telephone and follow-up with a memo to take action to ensure the credit card is voided. The Department of Finance will notify the card issuer to cancel the credit card to prevent any purchases after the individual leaves.

V. CONSEQUENCES OF VIOLATION OF POLICY

VI. RELATED FORMS AND SCHEDULES (attachments)

- A. Cardholder's Statement of Questioned Item
- B. Request for Credit Card Issuance or Change
- C. Credit Card Agreement
- D. Summary of Roles and Responsibilities

ATTACHMENT B Request for Credit Card Issuance or Change

TO: Finance Department
FROM: (Department Head/Department)
SUBJECT: **REQUEST FOR CREDIT CARD ISSUANCE OR CHANGE**

I hereby request that the following department/division or individual be issued a City Credit Card:

Department/Division: _____

Individual: _____

Ship To Address: _____

Bill To Address: _____

Phone #: _____

Fax #: _____

I hereby request that the following individual's 30-Day credit limit be Increased / Decreased to the limit listed below.

Full Name: (Print) _____

Sample Individual Signature: _____

Title: _____

Department Director: _____ Chief Financial Officer _____

\$ _____ Single Purchase Limit (Not to exceed \$2,500)

\$ _____ Monthly Limit

Approved By: _____
(Finance Director)

*Approved By: _____
(Chief Financial Officer)

Copy to: Each Authorized Individual
Department Head or designee

*Per Section IV, B, b. Cards issued under an individuals name other than those listed in this section require the approval of the Chief Financial Officer and Finance Director.

Attachment C

EMPLOYEE ACKNOWLEDGEMENT CONCERNING
USE OF CITY CREDIT CARD

I, _____, an employee of the City of Charlottesville, Virginia, acknowledge that I have been provided with a City of Charlottesville credit card, on which I am an authorized signatory. I understand that I am to use this credit card in accordance with the City Manager's Credit Card Procedures and only for the purchase of goods, materials, and/or services for the direct use of the City. Any use of this card for the purchase of any goods or services for my personal use or for the use of any person or entity other than the City of Charlottesville is strictly prohibited. I further understand that a violation of these conditions may result in disciplinary proceedings, including dismissal and/or institution of criminal proceedings against me. Improper use of the credit card may result in prosecution for embezzlement under section 18.2-112 of the *Code of Virginia*. Initiation of disciplinary action, pursuant to Section 12.0: Discipline of the City's Personnel Policy, shall be the responsibility of the Approving Authority.

Employee Signature

WITNESS:

Name of Witness (**please print**)

Employee's Title or Position

Signature of Witness

Date

Decentralized Buyer

- Maintain a list of all individuals authorized to make purchasing using credit card.
- Reviews Statements from Cardholders, assigns account codes to each item, and verifies approval of purchases.
- Submit Statements electronically in SAP via Purchase Order. Completes monthly credit card reconciliation and submits payment package to Department of Finance/Accounts Payable.
- If all of the Statements or detailed receipts are not provided by Cardholders, contact Cardholders and have the Statements and detailed receipts furnished at once.
- Forward a copy of the required dispute information sent to credit card issuer to the Department of Finance.
- Collect cards from individuals when leaving the department or the City and forward them to Department of Finance. If unable to collect the card, notify Department Head and Department of Finance immediately by telephone and follow-up with a memo to take action to ensure the credit card is voided.
- Make a written report of a lost or stolen card to Department of Finance WITHIN 5 WORKDAYS.
-
- Handle disputed charges in accordance with credit card issuer's instructions on reverse of Statement.
- Conduct a physical inventory of credit cards and provide a report to Procurement & Risk Management Services of the results of the inventory.

Department Head or designee (PR Approver)

- Requesting credit cards for a department/division and individuals within the department.
- Establish lower limits for their employees, if desired.
- Verify Cardholder purchases and Approves Statements via release of the Purchase Requisition.
- Resolve all questionable items with the Cardholder. If not satisfied that the purchase was necessary and for *Official Use*, require Cardholder to provide either a Credit Voucher proving that the items have been returned for credit, or a personal check for the full amount of the purchase.
- Initiation of disciplinary action for improper use of credit cards, Initiation of disciplinary action, pursuant to Section 12.0: Discipline of the City's Personnel Policy.

Cardholder

- Personally sign for the City credit card.
- Certification of all purchases is required by each Cardholder and the Department Head or designee or by the Department Head or designee and the Department Head or designee's Supervisor.
- Do not allow others to use the individual credit card without prior written authorization.
- Ensure that the total of a single purchase using the card, which may be composed of multiple items, does not exceed the authorized single purchase limit.

- Ensure that payments for purchases are not split in order to stay within the single purchase limit.
- Provide proper documentation for all orders, including telephone and Internet orders.
- Ensure that any meals charged to the credit card are for a particular public purpose and include only appropriate attendees.
- Ensure that restricted items are not charged to the credit card.
- Ensure that if a travel advance is provided, that meals are not charged to the card.
- Obtain and maintain the customer copy of the charge slip and the detailed receipt for all charges against the card and make sure that all carbons of the charge slip are destroyed.
- Know the City's tax exempt status and make every attempt to avoid paying unnecessary taxes.
- Review Statement and note any billing errors.
- Return defective or incorrect item(s) to the merchant for replacement or to receive a credit on the purchase. CASH REFUNDS ARE NOT PERMITTED. If the merchant refuses to replace or correct the faulty item, then the purchase of this item will be considered to be in DISPUTE.
- Note disputed charges and report to decentralized buyer.
- Immediately notify the credit card issuer and Department of Finance of the lost or stolen card. The telephone number of the credit card issuer is available from the Department of Finance and on the reverse side of the statement.
- Notify Department Head or designee and Decentralized Buyer of the lost or stolen credit card within one workday after discovery of the loss or theft of the card.
- When leaving the department or the City, return card to the Department Head or designee.

Department of Finance

- Pays for authorized purchases made by Cardholders upon the receipt of the payment package.
- Report violations to the Chief Financial Officer and the Finance Director.
- Makes the decision of when a credit card is issued, and to who based upon the recommendation of the Department Head.
- Notify credit card issuer to cancel card when an individual leaves the department or City.
- Report violations to the Chief Financial Officer and the Finance Director.
- Provide a list of credit cards issued to departments/divisions and individuals for each department on an annual basis.