

MUNICIPALITY of COLCHESTER
PURCHASING CARD POLICY

January 2006

Purpose:

Purchasing card programs are designed to provide an efficient and lowcost method of purchasing and paying for small dollar and high volume purchases. Purchase cards provide municipalities with an alternative approach to the traditional purchasing process, and it can result in a significant reduction in purchase orders, invoices, and cheques processed.

Background:

Purchasing cards are credit cards assigned to specific employees who are given authority to purchase certain items. Purchasing cards would be mainly used for purchasing supplies and materials. Purchasing cards have recently increased in popularity because of the benefits compared to the traditional method of purchasing. Purchase cards eliminate a significant amount of administration associated with traditional purchasing programs, and they have been successful in reducing administration costs.

Considerations for Policy Development:

When a municipality is considering implementing a new purchasing program involving purchasing cards, certain factors should be taken into consideration. Municipalities should look at the positive aspects, as well as the incentives, to implementing a purchasing card program. In addition to examining the positive aspects of a purchasing card program, it is important for municipalities to take measures to curb any possible threats by implementing internal controls to prevent the potential abuse of a purchasing card program. There are a number of internal controls that municipalities should consider when implementing a purchasing card program:

1. Restrictions Placed on Purchasing Certain Items

Restrictions are to be placed on different areas, such as merchant restrictions or selected items. These restrictions will vary between employees based on the intended purpose of the purchasing card. For instance, public works supervisors will be only able to purchase supplies relative to public works projects. A separate list is to be maintained for approval by the CAO annually.

2. Restrictions Placed on the Number of Transactions or Dollar Amounts

Limits are to be placed on daily or monthly purchases. Limits are also to be placed on cash advance access. Limits will be established according to the level of responsibility in the

organization. If employees wish to have a higher spending limit, they are required to submit a written request to the Director of Corporate Services. The Director will make a recommendation to the CAO. A list of employees and authorized limits will be reviewed annually by the CAO.

3. Card Eligibility

Senior management will consider who will receive the purchasing cards. Employees will be fully trained on the responsibilities associated with the purchasing cards, as well as the repercussions if they abuse the card. These employees will also sign documents acknowledging that they are aware of both their responsibilities and repercussions associated with the card. It is expected that cards will be made available to Senior Managers, front line Managers and Supervisors.

4. Written Procedures for Cardholders

All internal controls are to be made available for the cardholders so there is no confusion as the guidelines and rules concerning the use of the purchasing card. Procedures will include employee's boundaries for purchases online and over the phone. They will also include the repercussions involved with card issuance and cancellation, lost or stolen cards, unauthorized purchases, and employee termination. Employees are required to sign a document stating they understand the responsibility associated with the purchasing card.

5. Communication to Cardholders

In addition to providing the employees with written procedures associated with the purchasing card program, cardholders must understand the authority associated with a purchase card. The municipality and the banking institution will hold information sessions, seminars, and distribute literature regarding the new purchasing system.

6. Internal Monitoring Mechanisms

Managers of each area or department are to monitor cardholder's purchases to ensure that they are adhering to the guidelines established by the municipality. The Director of Corporate Services will verify that this mechanism is working.

7. Internet Access to Expense Management Data

The bank and credit card company will provide the municipality with access to monthly statements and to more detailed information on request.

8. Customized Reporting Tools

Customized reporting tools can allow managers to be aware and in control of employee's purchasing activities. Managers can be provided with easier access to this data to make monitoring the purchases more effective.

9. Historical Data Tracking

Historical data tracking will allow managers to track program performance and ensure cost control targets are reached.

10. Employees Maintain a Log of Transactions

Cardholders are required to maintain a log of all of the purchases and transactions they have completed. This list of transactions will then be compared to the monthly statements provided by the purchase card company. Cardholders can maintain the log on a spreadsheet and submit the spreadsheet monthly, together with any receipts.

11. Monthly Billing

Through our banking service, the Accounting Office will receive a consolidated monthly invoice. This makes it easier for managers to monitor all purchases by the various cardholders in a single statement. Individual billing can also be provided.

12. Bank Monitoring

As issues arise, the municipality will consult with our banking provider.

13. Statement Reconciliation

Initially, the municipality will do its own statement reconciliation. The service that the bank provides will receive future consideration.

14. Written Agreement with the Bank

The municipality will receive fee schedules from the bank. Processing procedures are to be provided by the bank for communication and training of employees.

15. Random Audits

Municipality of the County of Colchester
Purchasing Card Agreement

Name:

Department:

Credit Card Number:

Enclosed is your new Purchasing Card. Although this card is issued in your name, it is the property of the Municipality of the County of Colchester (the “Municipality”) and must be used in accordance with the Municipality’s policies and procedures.

By signing this Agreement you acknowledge that you have received the card indicated above and agree to comply with the following terms and conditions:

- I. This card is provided to you based upon your need to purchase business related goods and services in the course of your employment with the Municipality. This card may be revoked at any time based on a change of assignment or location. This card is not an entitlement nor is it reflective of your title or position.
- II. This card is for business related purchases only. Any use of this card for purchases of a personal nature is strictly prohibited.
- III. You are the only person entitled to use this card and you are responsible for all charges made against it.
- IV. Any unauthorized use of this card will be considered an improper use of municipal funds and will be subject to appropriate disciplinary action.
- V. This card must be used in accordance with all government policies, procedures and guidelines respecting government purchasing and the use of cards as such policies, procedures and guidelines may from time to time be issued and amended.
- VI. This card must be returned to your departmental coordinator immediately upon request and, in any event, upon your resignation, retirement or dismissal, at which time, no further use of this card will be authorized.

As the holder of this card, you are responsible for its protection and safekeeping. If this card is lost or stolen, you are required to contact your immediate supervisor at the earliest opportunity.

Signature of Cardholder

Signature of Witness

Date