CITY OF KIRKLAND
Department of Finance and Administration
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Tracey Dunlap, Deputy City Manager
Barry Scott, Purchasing Agent

Date: February 19, 2015

Subject: ADMINISTRATION OF THE CITY'S CREDIT CARD PROGRAMS

RECOMMENDATION:

As a housekeeping matter, it is recommended that the City Council passes a resolution authorizing the Director of Finance and Administration, or his or her designee, to oversee the administration of the City's credit card programs.

BACKGROUND DISCUSSION:

It is required by RCW 43.09.2855(3) that a local government's legislative body adopt a system for the distribution of credit cards and the control of their use.

In January of 1996, the City Council passed resolution R-3988 which authorized the "Director of Administration and Finance to contract with financial institutions for the issuance of credit cards, and adopt a policy governing the distribution and use of credit cards." The resolution referred to two sections of the Revised Code of Washington (RCW) that have since been superseded. The resolution referred to RCW sections 39.58.180(1) and 39.58.180(2) which have been replaced by RCW sections 43.09.2855(1) and 43.09.2855(2), respectively.

RCW 43.09.2855 authorizes the use of credit cards by local governments and sections 43.09.2855(1) and 43.09.2855(2) read as follows:

RCW 43.09.2855(1) - Local governments, including counties, cities, towns, special purpose districts, municipal and quasi-municipal corporations, and political subdivisions, are authorized to use credit cards for official government purchases and acquisitions.

RCW 43.09.2855(2) - A local government may contract for issuance of the credit cards.

The City currently contracts with Bank of America for its Visa purchasing card program and 84 credit cards are in use at this time. Purchasing card expenditures for 2014 totaled $1,727,408.27. Rebates from Bank of America to the City for 2014 totaled $25,317.30.

The City also has 46 active Costco Business credit cards. Expenditures for these cards in 2014 totaled $12,318.76.

The City's Credit Card Policies and Procedures are found in the City's Administrative Policy Manual as Finance Policy 3-1. The current version of Policy 3-1 is attached to this memo for reference (Attachment A).

Attachment A

Credit Card Policy and Procedures
Chapter 3
Policy 3-1
Effective Date: September 9, 2011 (revision date)

PURPOSE:
To provide information to City elected and appointed officials, department directors and employees on the various credit card programs and the applicable guidelines on the use of credit cards.

GOAL:
To provide an alternative purchasing method through credit cards that increases efficiencies in City spending while maintaining necessary control of City assets.

SCOPE:
This policy applies to all City elected and appointed officials, department directors and employees.

POLICY:
A City credit card is intended to provide City elected and appointed officials, department directors and employees with an efficient method to conduct City business when traveling, and to provide for the purchase of goods and services.

A credit card merely provides a method of payment. While a credit card may be used to make payments on an existing contract, the credit card cannot be used in lieu of a contract (e.g. Professional Services Agreement, General Services Contract) and is subject to all applicable purchasing rules and approval authorities.

GUIDELINES:

1. **Purchasing Card Administration**

   a. Card Custodians will be designated by Directors as needed. Card Custodians are responsible for ensuring that department credit cards are secured, checking out credit cards to department personnel for their use, ensuring that required paperwork is completed by card users, monitoring transactions, obtaining the required receipts to support transactions and reconciling the accounts associated with the department's cards.

   b. The Purchasing Agent and the Buyer will serve as the Purchasing Card Administrators for the City's program.

   c. The Purchasing Card Administrators are responsible for issuing purchasing cards, providing required training to cardholders and Card Custodians, reviewing purchasing card transactions and supporting paperwork, assisting staff with resolving issues arising from the use of purchasing cards and serving as the primary contacts with the City's purchasing card provider.

d. The Purchasing Card Administrators will be provided with written approval of the appropriate department director prior to issuing any purchasing card or changing the dollar limits associated with a purchasing card.

e. The Purchasing Card Administrators will provide cardholders and card custodians with policies and procedures required to manage and reconcile their accounts with the City's purchasing card provider.

f. The Purchasing Card Administrators are responsible for downloading transaction data from the card provider's system into the City's financial management system prior to forwarding purchasing card statements and supporting documents to Accounts Payable.

g. The Purchasing Card Administrators will produce requested reports on purchasing card usage as needed.

2. **Special Purpose Cards**

   a. Special purpose cards are credit cards to be used at specific locations and/or for a specific purpose (e.g. Costco cards, fuel cards). Special purpose cards with restrictions may be authorized by the Finance Director when necessary.

   b. Limitations, procedural controls and the card custodian are to be determined by the Finance Director in advance of issuance.

   c. The custodian will keep the credit card under lock and key within the department when not in use.

   d. The custodian will maintain a log that documents date of use, employee using card, description of use, authorization and date of return. This log will be audited periodically by internal and/or external auditors.

   e. Documentation for the purchases made with the special purpose card will be submitted to Accounts Payable no later than the second working day after purchase.

   f. All general credit card policies apply to the special purpose cards.

3. **Accounting**

   a. For all credit card transactions, the statements and supporting documentation are to be sent to Finance for payment processing. Payment for charges will not be made without valid supporting documentation. Valid supporting documentation will be the credit card charge slip and a detailed item listing, if the detail is not included on the slip. The documentation must be approved by the appropriate authority.

   b. For purchases to be made by an employee who checks out a Costco Card or a Purchasing Card assigned to Purchasing Services, a completed Purchase Request form or other documentation must be submitted at the time the card is checked

out. This documentation must include the account number to be charged, the public purpose for the expenditure of City funds and it must be approved by the appropriate authority. The employee will return the checked out card to Purchasing Services with the credit card charge slip and detailed item listing. Purchasing Services will submit all the documentation to Accounts Payable for payment.

c. In the event that the credit card slip or other valid documentation are lost, the employee who made the purchase is responsible for requesting a copy of a detailed credit card slip or invoice showing what was purchased from the vendor. If the employee is unable to obtain a detailed credit card slip or invoice, the employee must complete a Certification of Expenditure form and have it signed by their Department Director. The Certification of Expenditure form will then be sent to Accounts Payable as supporting documentation.

d. All of the requirements and restrictions set forth in Reimbursable Expense Policy 3-2 also apply to the use of City credit cards.

4. **Responsibility for charges**

a. Should any credit card statement include unauthorized, unsubstantiated or improper charges, a personal check from the responsible employee must be submitted to Accounts Payable. The check shall be made payable to the "City of Kirkland." If the required payment is not provided by the employee, the City may deduct the amount of the expenditure from the employee's pay as allowed under the provisions of RCW 42.24. This will also include any interest, penalties or additional charges levied by the credit card company in relation to the charges.

5. **Restrictions on Use**

a. City credit cards are to be used only for City business. The use of City credit cards for the payment of personal expenses is strictly prohibited.

b. The use of "Cash Advances" with the City credit cards is strictly prohibited.

c. Failure to comply with the provisions of this policy could result in the Director of Finance and Administration revoking credit card privileges and subject the violator to disciplinary action as described in the Kirkland Municipal Code Section 3.80.055. Unauthorized use of a Purchasing Card may also be grounds for criminal prosecution.

RESOLUTION R-5112

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF KIRKLAND AUTHORIZING THE DIRECTOR OF FINANCE AND ADMINISTRATION, OR HIS OR HER DESIGNEE, TO CONTRACT WITH FINANCIAL INSTITUTIONS FOR THE ISSUANCE OF CREDIT CARDS AND TO ADOPT A POLICY AND ESTABLISH A SYSTEM GOVERNING THE DISTRIBUTION AND USE OF CREDIT CARDS.

WHEREAS, the City of Kirkland is authorized to use credit cards for official government purchases and acquisitions under RCW 43.09.2855(1); and

WHEREAS, the City of Kirkland may contract with financial institutions for the issuance of credit cards under RCW 43.09.2855(2).

NOW, THEREFORE, be it resolved by the City Council of the City of Kirkland as follows:

Section 1. The Director of Finance and Administration, or his or her designee, is authorized to contract with financial institutions for the issuance of credit cards.

Section 2. The Director of Finance and Administration, or his or her designee, is authorized to set a policy and establish a system governing: (a) the distribution of credit cards; (b) the authorization and control of the use of credit card funds; (c) the credit limits available on credit cards; (d) payment of the bills; and (e) any other rule necessary to implement or administer the credit card system.

Passed by majority vote of the Kirkland City Council in open meeting this ____ day of _____, 2015.

Signed in authentication thereof this ____ day of _____, 2015.

_____
MAYOR

Attest:

_____
City Clerk