



# Finance Committee Memorandum

*City of Arts & Innovation*

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**TO: FINANCE COMMITTEE MEMBERS** **DATE: SEPTEMBER 14, 2016**  
**FROM: FINANCE DEPARTMENT** **WARDS: ALL**  
**SUBJECT: GENERAL OVERVIEW OF THE CITY'S PURCHASING CARD (P-CARD) PROGRAM**

## **ISSUE:**

Receive a general overview of the City's Purchasing Card Program and related policies.

## **RECOMMENDATIONS:**

That the Finance Committee receive and provide input on the City's Purchasing Card Program and related policies.

## **BACKGROUND:**

Before Program Cards ("P-Cards") were available, traditional purchase orders and direct payments were used to pay for low value items of all kinds. These traditional payment methods were both inefficient and very costly – incurring \$79.00 in labor costs per purchase order ("PO") to pay for items that cost \$10.00, \$20.00 or \$30.00. In recognizing this inefficiency, the State of California and the Federal Government invented Program Cards. While the State and Federal Governments were one of the first public sector adopters of Program Cards, the private sector had been using a similar program for years before this.

In 2007 the State of California made their P-Card program available to others. The program was known as the "Cal Card" Program and it was provided by a joint effort between the California Department of General Services (DGS) and Union Bank.

Instead of going with the State Program, the City elected to go out to market with a Request for Proposals. As a result, Bank of America was selected based on superior features, rebate maximization and the ePayables payment feature. ePayables is an electronic payment method which consolidates invoices to various payees and augments the volume to the P-Card expenditures to maximize the rebate to the City.

Because the City went out on its own, the City of Riverside is now the anchor/sponsor to the Bank of America P-Card program, marketed as the California Public Sector Group (CAPSG). CAPSG continues to gain momentum and membership and is now rivaling the Cal Card.

The City P-Card program, which is administered by the Finance Department's Purchasing Services Division, is an expedited and cost-effective method for end-users to procure a variety of low-value/high-volume goods and services through the use of a "credit" card. The P-Card program is designed to augment other existing methods of purchasing that are available, such as requisitions, purchase orders and requests for payment/direct payments.

The City's Administrative Policy Number 07.017.00 and P-Card Program User's Manual provide guidance for the approval, issuance and use of P-cards. Periodically, the Finance Department reviews these items and recommends changes to the City Council, as appropriate. The City's Internal Audit Division last audited the program on August 8, 2014.

## **DISCUSSION:**

### **A. Program Objective**

The primary objective of the P-Card program is to simplify the procurement process and to provide a more efficient, cost-effective method of purchasing and paying for low-value/high-volume goods and services. The card enables employees to make purchases of commodities and certain allowable off-site services where the single purchase transaction is up to \$2,500 and required for City operations, while simultaneously providing the necessary financial controls to safeguard the City's assets and prevent abuse.

The P-Card is not a traditional credit card, but has several features that are similar. The credit card is issued to the City with the individual's name; however, the City is responsible for all payments. Authorized users may use P-Cards for the procurement and payment of non-contracted/non-biddable goods and services where it is efficient, economical and operationally feasible to do so. The P-Card program is not intended to avoid or circumvent existing City of Riverside procurement guidelines and procedures set by City Council Purchasing Resolution Number 22576, which regulates the purchasing of materials, supplies and services. The card is not allowed for any personal use.

The P-Card program reduces the City's reliance on petty cash funds, employee advances, speedy POs, some annual POs, reduces administrative costs and eliminates the need to use personal funds for business purposes. The program increases turn-around time in the fulfillment of orders, provides greater flexibility and reduced paperwork. Certain items, as defined by the P-Card Administrative Policy 07.017.00, are restricted from being purchased with the P-Card.

### **B. Administrative Policy**

The City's Administrative Policy Number 07.017.00 was last revised in February 2014 and is scheduled for review in February 2017. This policy provides the guidelines and procedures for the use of the City's P-Card and specifies the authority and responsibility of authorized personnel who use the card to make purchases. Cardholders, approving officials, P-Card administrators, department directors and internal auditors must ensure that purchasing card transactions comply with the City's aforementioned Administrative Policy. This policy specifies the procedures and responsibilities of program participants and illustrates the P-Card application process, cardholder agreement and a table of items restricted from being purchased with the P-Card.

## **C. Program Participants and Responsibilities**

### *P-Card Program Administrator*

The City's Purchasing Division is responsible for the implementation and the day-to-day maintenance of the P-Card program. The Program Administrator's role is held by the Finance Department's Purchasing Services Manager or designated individual who coordinates the Purchasing Card program for the City of Riverside. The Program Administrator is responsible for the following:

- Reviews and approves Purchasing Card Applications;
- Provides P-Card training for the Cardholders and Approving Officials;
- Updates and distribution of the P-Card Program User's Manual;
- Issues, replaces, and cancels all P-cards;
- Increases/decreases Cardholder's single transaction limit/monthly credit limits in the Bank of America Web Portal or "WORKS" system;
- Reviews and updates the Administrative Policy and table of restricted items; and
- Safeguards P-Card information.

### *Accounting Division*

The Accounting Division within the City's Finance Department is responsible for handling the internal accounting and payment functions of the program, including the following:

- Runs a monthly report to confirm approval of Cardholder transactions;
- Batches and posts monthly transactions to the General Ledger System; and
- Reconciles monthly payment to Bank of America.

### *Department Directors/Management*

Department Directors and/or Division Managers are required to review P-Card applications and specify credit limits and single transaction limits for Cardholders. Other responsibilities are as follows:

- Determines and authorizes employees to be provided with a P-Card;
- Reviews P-Card Program User's Manual;
- Completes P-Card application and routes to P-Card Program Administrator;
- Submits single transaction spending limits and/or aggregate monthly transaction limit change requests to P-Card Program Administrator;
- Designates Approving Official; and
- Notifies P-Card Administrator of Cardholder transfer or separation of City employment;
- Collects P-Card from employee and returns it to the P-Card Program Administrator.

### *Approving Official*

Approving Officials are individuals designated by Department Directors and/or Division Managers to approve and monitor a Cardholder's transactions. This individual may also be a Cardholder. Approving Officials are responsible for reviewing all Cardholder transactions to ensure that all purchases are appropriate and in compliance with current policies and procedures. Approving Officials are responsible for the following:

- Attends P-Card training class;
- Reviews online transactions, edits default accounting codes as needed, and approves the transaction within ten days of statement closing date;
- Reviews all monthly bank statements and supporting documents, signs approved bank statement;
- Responsible for ensuring that all original bank statements, invoices, receipts and back up documentation are kept on file in the Department for a period of five years;
- Ensures purchases have been charged/allocated to the correct General Ledger account(s) within the established time frame; and
- Submits a JE at month end to Accounting for any necessary accounting corrections.

### *Cardholder*

A Cardholder is an Employee who is approved by their Department Director and/or Division Manager to use the P-Card to execute purchase transactions on behalf of the City of Riverside. Any personal purchases or delegating the use of the P-Card to another City employee or individual is strictly prohibited. The cardholder is responsible for ensuring that all purchases are made in compliance with the P-Card Administrative Policy. Some of the Cardholder's responsibilities are as follows:

- Completes P-Card training, required for all new Cardholders prior to receipt of P-Card;
- Responsible for safe keeping of the P-Card, must be safely secured when not in use;
- Reviews online transactions, edits default accounting codes as needed, and signs off on the transactions within five days of the statement closing date;
- Retains original receipts (purchases and returns/refunds);
- Reviews/reconciles all receipts against bank statement, affixes original receipts to monthly bank statement in transaction date order;
- If a receipt is lost, completes and attaches Lost Receipt Form;
- Signs and dates bank statement, acknowledging accuracy and legitimacy of purchases;
- Submits signed bank statement and attaches original receipts/invoices to Approving Official for review and approval.
- Within WORKS, allocates purchases to the correct City account code (GL, JL, Object, Work order) if the pre-established default account is not correct;
- Within WORKS, selects the appropriate tax status for the purchase (Sales Tax included, Subject to Use Tax, or Non-taxable); and
- Within WORKS, enters mandatory comment describing purchase; and
- Within WORKS, signs-off/approves all transactions.

## **D. Process of Obtaining**

Approving Officials or Department Directors must review, set limits and submit the Cardholder P-Card application to the Program Administrator in the Purchasing Division. The new Cardholder will be scheduled for a mandatory training class and must satisfactorily complete the training before receiving the P-Card.

The following are required steps to obtaining a P-Card:

1. User completes P-Card application and submits to Approving Official/Department Director for approval and signature. Completed application is submitted to the P-Card Administrator in the Purchasing Division.
2. Purchasing reviews application and orders P-Card from Bank of America.
3. Applicant reviews P-Card Program User's Manual.
4. Applicant completes P-Card training scheduled and provided by Purchasing.
5. Applicant and Approving Official complete and sign the P-Card Program Cardholder agreement; this form must be submitted to Purchasing.
6. Applicant is issued his/her P-Card by purchasing.
7. Cardholder activates card; activation code is provided after completion of P-Card training.
8. Bank of America (WORKD Web Portal) sends an email to the applicant during the card issuance process. Cardholder must follow the instructions to establish a username and password for Bank of America's Works web portal.
9. All revisions and changes must be approved by Department Management and submitted in writing to the P-Card Administrator in Purchasing.

All P-Cards are set up with the following:

- *Transaction Dollar Limits* – All P-Cards have a single transaction dollar limit. This is the amount available on the P-Card for a single purchase. The maximum limit allowed is \$2,500. The City Manager or designee may authorize a different limit, assuming sufficient justification is provided and mitigating controls are established to monitor appropriate usage with approval of Department Manager and CFO.
- *Monthly Cumulative Dollar Limits* - All P-Cards have monthly Cardholder spending limits. Limits may vary for each Cardholder and are established by the Department Director. The maximum limit allowed is \$10,000.00 per month. The City Manager or designee may authorize a different limit, assuming sufficient justification is provided and mitigating controls are established to monitor appropriate usage.

## **E. Spending Limits**

Each P-Card issued has a single transaction spending limit and monthly credit limit established within the WORKS system. The City currently has 357 P-Cards issued to employees; the majority has a limit of \$2,500 per transaction and monthly credit limit of \$25,000.

## **F. Restricted Purchases**

The P-Card MUST NOT be used for the following:

- Personal or private use;
- Goods and services that are included in existing City of Riverside annual contracts;
- Any on-site services, including repair and technical services;
- Computer hardware and software;
- Travel and entertainment;
- Fuel and oil;
- Personal items and gifts, including gift certificates and gift cards for employees;
- Alcoholic beverages, controlled substances; and
- Professional services.

### G. Rebate program

The Bank of America P-card program includes a quarterly rebate based on dollars spent. The rebate is recorded by Treasury in the General Fund as Miscellaneous Receipts. The following table reflects the amounts spent and rebates received annually since Fiscal Year (FY) 2008/2009. The City's P-Card spending and corresponding rebate have gradually increased over the years, as noted below.

	FY 08/09 Volume	FY 09/10 Volume	FY 10/11 Volume	FY 11/12 Volume	FY 12/13 Volume	FY 13/14 Volume	FY 14/15 Volume	FY 15/16 Volume
<b>P-Card Purchase</b>	\$3,517,314	\$4,046,698	\$4,119,043	\$4,941,743	\$5,942,707	\$6,266,451	\$6,486,330	\$6,628,482
<b>ePayables</b>	\$5,778,932	\$6,820,679	\$6,608,980	\$6,038,819	\$5,893,615	\$6,247,880	\$5,965,749	\$6,496,720
<b>Total Rebate</b>	\$112,484	\$124,384	\$137,463	\$139,738	\$212,194	\$217,683	\$197,753	\$221,083

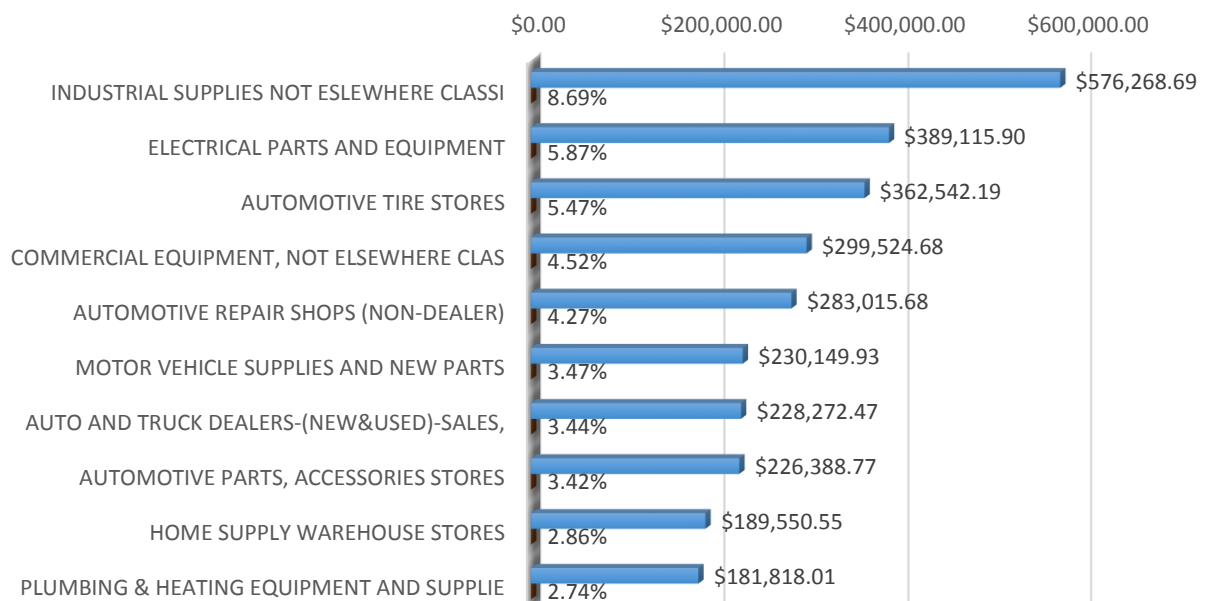
### H. Current Data as of June 30, 2016

The Purchasing Card continues to be a valuable tool for City employees to purchase commercial goods and services. The following table provides an overview of total spending by City Departments during FY 2015/2016.

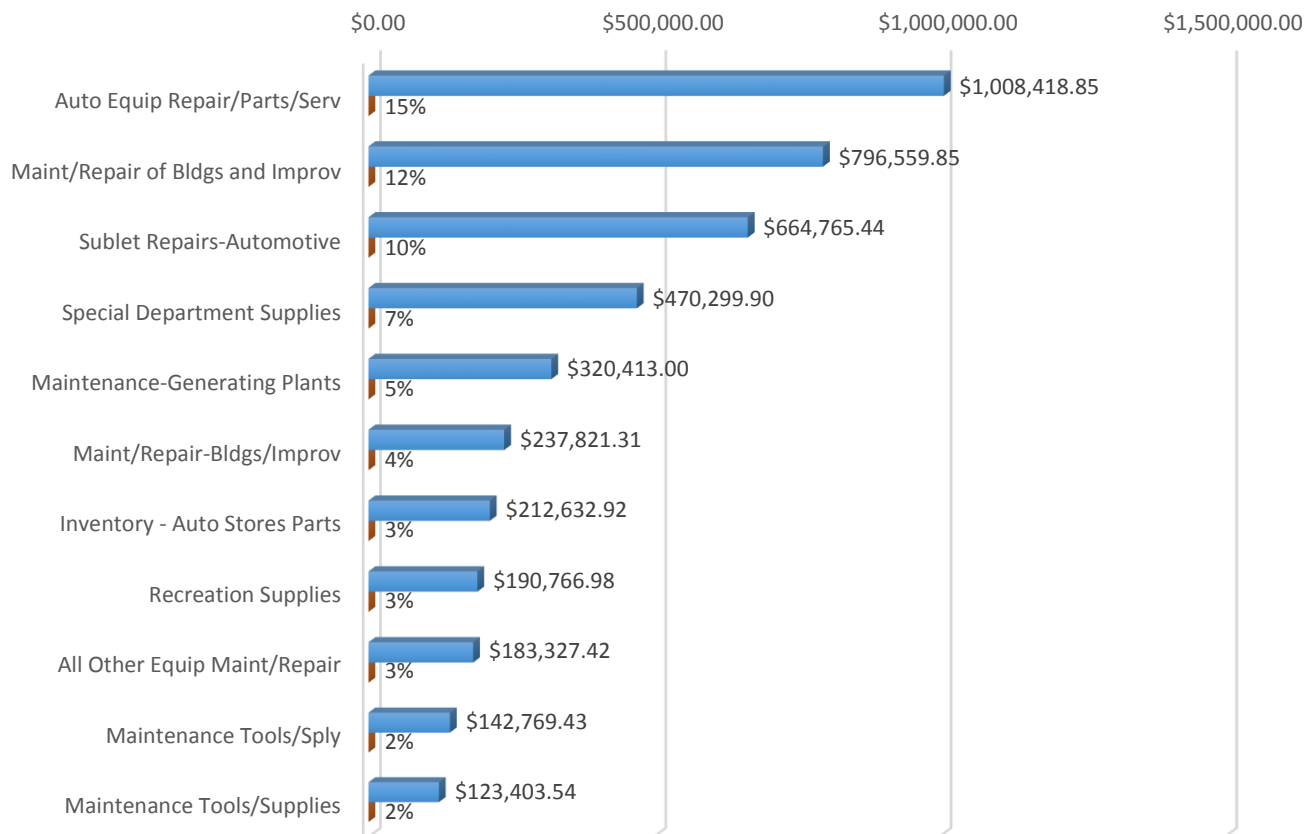
Department	Total Amount Spent	% of Total Amount	Number of P-Cards
General Services	\$1,973,061	29.77%	39
Public Utilities	\$1,442,143	21.76%	95
Police	\$753,405	11.37%	9
Parks & Recreation	\$678,585	10.24%	70
Public Works	\$502,534	7.58%	33
Finance	\$501,106	7.56%	6

Department	Total Amount Spent	% of Total Amount	Number of P-Cards
Fire	\$275,512	4.16%	77
City Manager	\$124,828	1.88%	6
Museum	\$85,436	1.29%	3
Library	\$82,067	1.24%	2
Community Development	\$79,426	1.20%	5
Human Resources	\$56,180	0.85%	5
IT	\$52,663	0.79%	3
Mayor	\$15,479	0.23%	1
City Clerk	\$4,144	0.06%	2
Office of the City Attorney	\$1,907	0.03%	1
<b>Totals</b>	<b>\$6,628,482</b>	<b>100.00%</b>	<b>357</b>

### TOP 10 Types of Purchases by Merchant Category



## TOP 10 Types of Purchases by Merchant Category



### **FISCAL IMPACT:**

There is no fiscal impact associated with this report.

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Attachment: Presentation