



CITY MANAGER'S OFFICE – INTERNAL AUDIT

DATE: November 10, 2014

TO: MICHAEL LIMA, Finance Director/City Controller
GARY WATAHIRA, Purchasing Manager

THROUGH: RENENA SMITH, Assistant City Manager *Renena Smith*

FROM: BOB KOURY, Principal Internal Auditor *Bob Koury*
Budget and Management Studies - Internal Audit

SUBJECT: FINAL AUDIT REPORT - COMPLIANCE AND INTERNAL CONTROL
LIMITED SCOPE AUDIT – CITY'S CAL-CARD PURCHASE PROGRAM

Attached is the Final Audit Report of the Compliance and Internal Control Limited Scope Audit of the City's CAL-Card Purchase Program. This audit was performed in accordance with AO 1-10 and Government Auditing Standards.

Internal Audit will perform a follow-up audit six to twelve months after this report is issued to verify that each recommendation has been implemented or that the issue documented in the finding has been resolved in a manner that addresses the weakness or risk identified.

We wish to thank the Finance Department – Purchasing Division staff for your assistance and cooperation during the course of this limited scope audit. If you have any questions, please do not hesitate to contact Bob Koury, Principal Internal Auditor, at 621-7072.

Attachments

cc: Ashley Swearingin, Mayor
City Council
Bruce Rudd, City Manager
Georganne White, Chief of Staff, Mayor's Office
Douglas T. Sloan, City Attorney
Mary Vera, Senior Secretary, Purchasing Division

Introduction and Background Information

In 1989, the State of California implemented a purchasing card program called the CAL-Card Program. In 2007, the City of Fresno, through a State of California Master Service Agreement with US Bank Government Services, made the purchasing card program available to all City Departments. The current State of California Master Agreement was extended from October 18, 2013 to April 18, 2015.

Administrative Order 3-9 “Purchasing Card (CAL-CARD) Use Policy” was established for the issuance, accounting, monitoring, retrieval and general oversight of the purchasing card (CAL-Card) for the City of Fresno. The most recent revision date for this AO was 7/30/10. In addition to AO 3-9, the more detailed “CAL-Card Purchasing Card Program Policies and Procedures” were developed and implemented in September 2007 to govern its use and to also define the key players in the Program, explains their roles, and outlines the spending controls to manage purchases under this voluntary Program.

As of September 29, 2014, there were a total of **180 citywide CAL-Cards** issued to City employees. The number of CAL-Cards in each City Department is as follows: Fire - 60; DPW - 26; Parks - 28; DPU - 16; FYI – 14; Transportation - 12; Finance – 5; DARM – 6; ISD – 6; Police – 2; Personnel – 3; City Clerk – 1; and Mayor – 1. For the fifteen month period July 2013 through September 2014, the City of Fresno paid US Bank Government Services a total of \$1,848,982 related to CAL-Card purchases/transactions made by City of Fresno employees with CAL-Cards.

Audit Scope and Objectives

This audit was performed by the Principal Internal Auditor during September and October 2014. The primary audit objective was to determine reasonable compliance by all appropriate City employees with AO 3-9 and related CAL-Card policies and procedures, and a) to determine if internal controls for the Purchasing Card Program are adequate and appropriate; b) to determine if internal controls are in place and functioning as intended to reasonably prevent purchase card misuse and/or abuse; and c) to identify and document audit findings of non-compliance with AO 3-9 and any and all misuse or abuse of the City’s CAL-Card by City employees.

Tests of citywide CAL-Card transactions were performed on a sample basis for the period January through August 2014.

Audit Conclusion

The Purchasing Manager and his staff should be commended for their efforts in the administration, oversight and recordkeeping related to the City’s CAL-Card Purchase Program. There are a few areas noted during the course of this audit that need to be addressed by both the Finance Department – Purchasing Division and Department Directors for improved internal controls and related usage of the City issued CAL-Card. These areas are addressed in this audit report.

Audit Findings and Recommendations

I. Administrative Order (AO) 3-9, CAL-Card Purchasing Card Program Policy and Procedures, and CAL-Card Power Point Training Document

AO 3-9 “Purchasing Card (CAL_CARD) Use Policy” (copy attached) was revised on July 30, 2010 (**four years old**). The purpose of this AO is *“To establish the issuance, accounting, monitoring, retrieval and general oversight of the purchasing card (CAL-Card) use policy for the City of Fresno.”* Per AO 3-9, *“The purchasing card may be used only by those authorized and only for the purchase of goods for the official business of the City of Fresno.”*

The “CAL-Card Purchasing Card Program Policy and Procedures” document (copy attached) was developed and implemented in September 2007 (**seven years old**) as a supplemental and more detailed policy and procedures document for the City’s CAL-Card Program.

The “State of California Purchase Card “CAL-Card” Power Point Training document was developed a few years ago by the Purchasing Division and is now used for “on-line” training purposes versus “face-to-face” training for all CAL-Card Users.

Internal Audit reviewed all three documents and noted the following:

- ▶ AO 3-9 references an “Acknowledgement and Responsibility Form” under Procedures 2. c. of the AO; however, the actual form that is completed and signed by all appropriate parties is entitled “CAL-Card Purchasing Card Agreement” (copy attached).
- ▶ AO 3-9 only includes “items that cannot be purchased with the credit card”; however, both the “CAL-Card Purchasing Card Program Policy and Procedures” and the CAL-Card Power Point Training document included both “prohibited and permitted” purchases but all three documents are inconsistent to some degree or another.
- ▶ The “Access Online Training” web site link included in the CAL-Card Power Point Training document does not function correctly.
- ▶ CAL-Card training is referenced in all three documents; however, they are all inconsistent as to how the training is provided, i.e. it is through an “on-line” training workshop document, not “face-to-face”.

Audit Recommendations

1. Procedure 2. c. of AO 3-9 should be revised to reference the “CAL-Card Purchasing Card Agreement” in place of the “Acknowledgement and Responsibility Form”. A sample of the “CAL-Card Purchasing Card Agreement” should also be attached to AO 3-9 as Exhibit A and referenced accordingly within Procedure 2. c. of the AO.

2. The Purchasing Manager and the Senior Secretary should immediately review and compare all CAL-Card Program related documents (AO 3-9, Purchasing Card Program Policy and Procedures, Power Point Training Document, and the CAL-Card Purchasing Card Agreement). Any and all inconsistencies in these four CAL-Card documents should be addressed, updated and then formally communicated to all CAL-Card users in the City.

Management Response to Recommendations 1 & 2

Edits to AO 3-9 completed. Website hyperlink is functional. Cal-Card documents consistently reference the Cal-Card Power Point training.

Internal Audit Comment

The revised and updated AO 3-9 should now be submitted by the Purchasing Division to the Personnel Department, Administrative Orders Review Committee. The new AO would then be submitted to the Labor Management Task Force (LMTF) for their approval for citywide implementation purposes.

II. Issuance of CAL-Cards and Documentation of Training Being Completed

It was noted during the audit, and was also confirmed by the Purchasing Division Senior Secretary, that CAL-Cards were being issued/picked up by City employees **prior** to Purchasing Division receiving the employee's fully executed "CAL-Card Purchasing Card Agreement". There are significant "acknowledgements" made by the City employee receiving the CAL-Card included in this Agreement, in addition to the Cardholder, Approver and Department Director's signatures on this Agreement as well.

As for CAL-Card training being completed by the employees and documentation thereof, internal audit was informed by the Purchasing Division Senior Secretary that she receives an "email" from the employee stating they completed the training. However, during my review of all 180 CAL-Card holders/employees' files in the Purchasing Division, there was no documentation of such emails in their files. They may have completed the training but the documentation (email) should be retained in their respective CAL-Card files in the Purchasing Division for audit trail purposes.

Audit Recommendations

3. No City CAL-Cards should be issued or picked up by an employee until all CAL-Card training has been completed and documented, and the CAL-Card Purchasing Card Agreement has been fully executed, signed and returned to the Purchasing Division.

4. All CAL-Card training should be adequately documented and placed in each CAL-Card user's file in the Purchasing Division for audit trail purposes.

Management Response to Recommendations 3 & 4

Prior to card pick up:

Completed Cal-Card agreement, which acknowledges completion of the Power Point training, will be required before issuance of card.

III. Prohibited CAL-Card Purchases

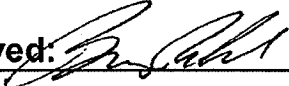
During this audit, a sample of city-wide CAL-Card transactions were reviewed for the period January through August 2014. The purpose of this specific review was to determine if any "prohibited purchases" (per AO 3-9 and CAL-Card Policies and Procedures) were made by any City employees during the audit period. A few exceptions were noted where the City issued CAL-Card was used for "*Travel or Travel Related Expenses*" (Conference Registration & Motel Charges) and "*Cash advances*" (Gift Cards).

Audit Recommendation

5. The Purchasing Manager and/or his designee should continue to monitor city-wide CAL-Card purchases to ensure that no "Prohibited Purchases" are made with City issued CAL-Cards in violation of AO 3-9 and CAL-Card Policies and Procedures, specifically related to "travel related" or "gift card" type purchases. Any noted violations of AO 3-9 by a CAL-Card User should immediately be communicated to the Department Director by the Purchasing Manager.

Management Response to Recommendation 5

Purchasing will monitor purchases and notify Departments when prohibited purchases occur. Purchasing will also coordinate customer outreach to educate the purpose and proper usage of Cal-Cards

Subject: Purchasing Card (CAL-CARD) Use Policy	Number: 3-9
	Date Issued: 08/29/07 Date Revised: 7/30/10
Responsible Department: GSD/Purchasing	Approved: 

Purpose

To establish the issuance, accounting, monitoring, retrieval and general oversight of the purchasing card (CAL-Card) use policy for the City of Fresno.

The CAL-Card will be the "Official" purchase card for the City. No other credit card(s) will be authorized and no payments will be made on any other credit card except as indicated in AO 1-9.

Policy

1. The Purchasing Manager is designated to be responsible for the City of Fresno purchasing card issuance, accounting, monitoring, retrieval, and for general oversight of compliance with this purchasing card use policy.
2. The purchasing card may be used only by those authorized and only for the purchase of goods for the official business of the City of Fresno.
3. All authorized users of purchasing cards shall submit documentation detailing the goods purchased, the cost of the goods, the date of the purchase and the official business for which it was purchased.
4. Upon separation, job transfer or promotion to a position which no longer necessitates the use of a purchasing card, the employee issued the purchasing card shall immediately return the purchasing card to the City of Fresno Purchasing Manager.
5. An authorized employee, who is issued a purchasing card, is responsible for its protection and custody, and shall immediately notify their Department Director or designee and the Purchasing Manager if the purchasing card is lost or stolen.
6. Upon payment, Accounts Payable will follow all established internal control procedures for approval, documentation and payment of purchase card charges.

Unauthorized use of a purchasing card shall result in disciplinary measures to the fullest extent of the law.

Procedures

1. Issuance of Purchasing Cards

- a. Purchasing cards will be issued to employees who are authorized by their Department Director. The cards will be issued to individuals, in the name of the individual; there will be no department cards. Only one card will be issued in an individual's name. Cards are nontransferable.
- b. The authorized credit limit of all purchasing cards issued shall be determined by the Purchasing Manager and Department Director or their designee. The amount will be based on the specific operational needs of each card holder. The authorized limit may be subsequently adjusted based on actual experience. Changes to the limit will be reviewed and approved by the Purchasing Manager and Director or their designee. The initial authorized credit limit shall not exceed \$5,000 per transaction.
- c. In order to obtain a CAL-Card, contact Purchasing Division at 621-1332.

2. Card Use

- a. The purchasing card shall be used for the purchase of parts or supplies or other goods in instances where the parts, supplies or goods are more immediately available than conventional sources. An example would be minor plumbing or electrical parts that can be purchased within a short drive from the worksite as opposed to a cross city trip to a normal part source.
- b. Purchases made via the purchasing card must comply with the City's purchasing and expenditure policies. The card in no way changes such policies.
- c. Anyone issued a City of Fresno purchasing card (CAL-Card) shall sign an Acknowledgement and Responsibility Form issued by Purchasing, thereby agreeing to abide by adopted City Purchasing Card Policies and Procedures and will be provided a copy of such policies and procedures during training and upon the receipt of the CAL-Card. The card holder is responsible for assuring that all purchasing card charges are accurate and consistent with policy guidelines.

3. Card Holder Responsibilities

a. The card holder must:

- (1) Ensure the card is used only for legitimate business purposes.
- (2) Maintain the card in a secure location at all times.
- (3) Not allow other individuals to use the card.
- (4) Adhere to City purchase limits and restrictions.
- (5) Obtain all sales slips, register receipts, and/or purchase card slips and provide same to their designated approving official.
- (6) Attempt to resolve disputes related to billing errors with the vendor directly or in conjunction with the Purchasing Manager.
- (7) Ensure the appropriate credit is issued for disputed items or billing errors on a subsequent purchase card statement.
- (8) Immediately report a lost or stolen purchase card to the card issuer and notify the Purchasing Manager of the lost or stolen card at the first opportunity during business hours.
- (9) Return the card to the Purchasing Manager upon terminating employment with the City.

4. Card Holder Liability

- a. The purchasing card will not affect the card holder's personal credit; however, it is the card holder's responsibility to ensure that the card is used within stated guidelines, policies and procedures of the City. Failure to comply with program guidelines may result in the permanent revocation of the card, charge-back of an improper or unsupported transaction to the card holder for reimbursement to the City, notification of the situation to management, and further disciplinary measures, which may include termination.

5. Card Holder Termination or Card Cancellation

a. The City is required to close an account if a card holder:

- (1) Terminates City employment.
- (2) Moves to another Division.

b. The City reserves the right to cancel a purchase card for any of the following reasons:

- (1) The card is used for personal or unauthorized purposes.
- (2) The card is used to purchase any material or service that violates policy, law or regulation pertaining to the City.
- (3) The card holder allows the card to be used by another individual.
- (4) The card holder fails to provide the required receipts and supporting documentation.
- (5) The card holder does not adhere to all of the appropriate City Administrative Orders, policies and procedures.

6. Examples of Items That Cannot Be Purchased With the Credit Card:

- a. Cash advances
- b. Services such as: any item or service centrally managed by another City agency, such as:
 - Graphic Communications printing, copying, binding, and related capabilities
 - Information Technology Services managed automated equipment and software
 - Communications managed fax machines and telephone related equipment
- c. Firearms and ammunition
- d. Tobacco and alcohol products
- e. Travel or travel related expenses
- f. Recurrent requirements such as making several purchases for items that should be put on a multi—year contracts.
- g. Personal use items

7. Purchase Card Use Audits

The Purchasing Division will make periodic random audits of card use and charges for appropriateness. Areas to be monitored include, but are not limited to, compliance with this and other related Administrative Orders. Excessive and/or non-use by card holders will also be monitored. The City's Internal Audit Section may also perform periodic audits of the CAL-Card Program and credit card usage by City employees to ensure that all purchases are appropriate and for City Business purposes only.

**CITY OF FRESNO
CAL-CARD PURCHASING CARD PROGRAM
POLICY AND PROCEDURES**

OVERVIEW

This overview introduces the CAL-Card Purchasing Card Program and outlines the policies and procedures governing its use. It also defines the key players in the program, explains their roles, and outlines the spending controls that are available to manage purchases under this voluntary program.

History

In 1989, the State of California implemented a purchasing card program called the CAL-Card Program. It was patterned after the successful International Merchant Purchase Authorization Card (I.M.P.A.C.) used by the federal government. The State has extended the availability of this program to other local governmental agencies including counties, cities, towns, universities, school districts, fire districts, and other special districts. In the constant pursuit of improving the way Fresno City does business, particularly improving the operational efficiency of the various departments, and also increasing vendor availability, the City, through a State of California Master Service Agreement with US Bancorp, dba, US Bank I.M.P.A.C. Government Services, has made the purchasing card program available to all City departments and agencies. CAL-Card Purchasing Cards are available from the Purchasing Manager for City departments and agencies to use when transacting certain City business, providing that, those departments submit themselves to proper training in the use of the CAL-Card Purchasing Card and agree to comply with the policies outlined in this chapter. The CAL-Card is the only "Official Purchase Card" recognized by the City.

Card Appearance

The Fresno City CAL-Card Purchasing Card is a standard VISA credit card. Even though the card is "For Official Use Only" and the statements are sent to the City Departments, each card is issued to one specific individual (Cardholder). The card will bear the name of that individual and has been designed to avoid confusing it with other personal credit cards. "The City of Fresno" will be prominently displayed on the face of the card. The abbreviation "CAL-Card" and the words "For Official Use Only" will also be printed on the face of the card.

Purchasing Card Program

OVERVIEW (CONTINUED)

Purpose

The purpose of establishing the CAL-Card Purchasing Card Program is to:

- Improve the satisfaction of Purchasing Customers by transferring more control of their small dollar purchases directly to them.
- Reduce the time needed to execute small dollar purchases---put the item in the hands of the user sooner.
- Reduce the administrative costs, including staff time, paper, and postage, associated with low dollar purchases.
- Improve vendor relations by eliminating administrative costs for them, such as invoicing, and drastically reducing their payment wait time.
- Have only one official "Purchasing Card" for City users. No other credit cards will be authorized and no payments will be made on any other credit cards (stores cards) except as indicated in AO 1-9

DEFINITIONS AND GENERAL INFORMATION

Administrative Charge – The Purchasing Division will only charge departments for actual time spent for initial card set up, training and for administering the CAL-Card Purchasing Card Program.

Approving Official - The Approving Official occupies an important position and serves as a critical checkpoint for enforcement of internal controls. The Approving Official needs to be a person who has a direct working relationship with the cardholder and understands the cardholder's job responsibilities. Normally the Approving Official is the Cardholder's supervisor. The Approving Official must also have a working knowledge of various purchasing methods, be familiar with the City's purchasing and contracting procedures, and understand the City's budgeting and financial process. **The Department Head stipulates the Approving Official within their own Departments.**

Approving Official Summary Report (RO90) – A monthly statement, also known as the RO90 Report, is sent to each Approving Official detailing the transactions of each

Purchasing Card Program

Cardholder assigned to that Approving Official. The Approving Official must reconcile this report by comparing it with each Cardholder's monthly Statement of Account and receipts and certifying that the report is accurate and that all charges are "For Official Business Only." The reconciled Approving Official report, signed Cardholder statements, receipts, and voucher, although not an official invoice, are then sent to the **Agency Program Coordinator (Purchasing Manager)** within 10 days of receiving the statement.

Card Issuance - The CAL-Card Purchasing Card is issued by the Agency Program Coordinator to an individual Cardholder for use by that person only. Cards will not be issued as departmental or divisional cards. The CAL-Card Purchasing Card is to be used only by the Cardholder while conducting official City business. **No other staff member, family member, supervisor, or person should use that card.**

Cardholder – The Cardholder is the employee to whom the CAL-Card Purchasing Card is issued and whose name is on the card. After the required training and agreeing to the policies governing the use of the CAL-Card Purchasing Card, the Cardholder is authorized to make purchases on behalf of their department. They are the **only** person authorized to use that card, and all uses must be for official City business. The Cardholder must reconcile and sign the monthly Cardholder's Statement of Account in a timely manner, normally within five (5) working days, and forward it along with the receipts to their Approving Official.

Cardholder's Purchasing Card Log - A Purchasing Card Log can be maintained by each Cardholder using the purchasing card program. This log will serve as a check-and-balance in reconciling the monthly statement. The format of the log will be provided by the Agency Program Coordinator at the time the purchasing card is issued. The log will be in an Excel spreadsheet format and may be kept electronically or manually. This log shall be maintained on the same billing cycle as US Bank maintains for the CAL-Card Purchasing Card. A sample of this log is handed out at the Cardholder training session.

Cardholder's Statement of Account – A monthly statement will be sent to each Cardholder work site by US Bank that lists all transactions for that billing cycle. The Cardholder must reconcile this statement by matching receipts and other documentation related to the transactions on the statement, certify the statement is correct, and forward the entire package, including all receipts, to the Approving Official within five (5) working days of receipt from US Bank. This statement is not an invoice. If the Cardholder did not use their card during the billing cycle, no statement will be sent to them.

Agency Program Coordinator – The Purchasing Manager will be the Agency Program Coordinator and the Senior Supervising Buyer will be acting when the Purchasing Manager is on vacation. The daily administrative tasks associated with this responsibility

Purchasing Card Program

may be delegated to another individual in Purchasing. The Agency Program Coordinator serves as the focal point for the coordination of CAL-Card Purchasing Card applications, training, modifications to existing cards, destruction of old cards, ensures existing procurement regulations are not circumvented, and is responsible for all external correspondence relative to the operation of the program. One of the key tasks of the Agency Program Coordinator is to establish the local procedures for control and use of the cards and provide training for other participants in the program.

The Agency Program Coordinator (APC) (Purchasing Manager) oversees the entire CAL-Card Program within an agency, including the administration of new accounts, reporting and payment processes. The APC is responsible for developing procedures, providing training and enforcing compliance to agency's procedures and the terms of the CAL-Card Master Service Agreement.

Billing Officer (BO) is responsible for authorizing timely payment to U.S. Bank after verifying the accuracy of the invoice. The Billing Office is responsible for communicating noncompliance of agency policy to the Agency Program Coordinator.

Emergency Use - The CAL-Card Purchasing Card may be used in emergency situations only up to the per transaction limit amount. An emergency is defined as the need to purchase goods necessary for the continuance of critical daily operations to mitigate any potential threat to public health, welfare, or safety. Other situations may prompt The City Council to declare an emergency, and if required under those situations, the purchasing card may also be used. **Failure to plan, or failure to allow adequate lead-time, does not constitute an emergency.** The quantity of items ordered in an emergency must be only enough to cover the nature of the emergency. If possible, the Approving Official should be consulted prior to this type of purchase. Emergency purchases must be documented on the Cardholder's purchasing card log as they will appear on the monthly statement of account just as any other purchase.

Financial Summary – The Financial Summary, also known as the RO60 Report, is the official invoice that is sent to the Billing Office. It consolidates all of the Approving Official Summary Reports into one payable invoice. The Billing Office will reconcile the RO60 by comparing the certified approving official reports with the information on the RO60. This invoice must be paid within 45 days of issuance in order to avoid paying a late fee.

I.M.P.A.C. – An acronym for International Merchant Purchase Authorization Card which was the name given to the federal purchasing card program when it was created. The term may still be used to refer to our CAL-Card Purchasing Card Program because the contractor, US Bank, uses the acronym as part of its business name.

Late Fee – The State of California Master Service Agreement, which governs this program, incorporates the provisions of the State's Prompt Payment Act. Therefore,

Purchasing Card Program

US Bank is authorized to charge a late fee for all invoices not paid within 45 days of the billing date. The percentage rate of the late fee is announced annually by the State Department of Finance on or about August 1 and is based on the interest penalties prescribed in The State of California Government Code Sections 926.19 and 927. To avoid a late payment fee, City employees and departments must meet established payment deadlines. Any late fee assessed by US Bank will be collected from the department creating the delay and I.D. Billed to the dept(s).

Local Non-Emergency Purchases - A Cardholder that is out-in-the-field may purchase parts or supplies from a local vendor rather than spend the time to drive across town to a supplier on contract. These special types of purchases should be limited to only what is necessary to solve the immediate problem, and must be documented on the Cardholder's purchasing card log.

Merchant Category Code - A code representing a related category of merchants. Categories that are authorized are encoded on the magnetic strip on the back of the CAL-Card Purchasing Card. If a Cardholder attempts to purchase goods from a merchant in a category that is not authorized, the transaction will not be approved.

Personal Credit and Background Investigations - Neither Fresno City nor US Bank will conduct a personal credit or background investigation of those individuals selected as cardholders. CAL-Card Purchasing Cards are issued based on the full faith and credit of Fresno City, not the individual employee. US Bank will ask for the City's last three annual, audited financial reports in order to substantiate that faith and credit.

Purchasing Methods - Cardholders may use the CAL-Card Purchasing Card to purchase goods in person, by telephone, by FAX, by mail, or electronically over the Internet. The purchasing card may be used at any business establishment that accepts a standard VISA credit card as a form of payment. If a vendor does not accept VISA credit cards but would like to become a VISA authorized merchant, they should contact their local financial institution. This is a competitive service so encourage your vendor to shop around.

Responsibility - CAL-Card Purchasing Cards are issued to individual City employees and are not issued to departments. Cardholders are **personally** responsible for the physical security of their card and for all charges appearing on their monthly statement. Although no other individual may use the card, another person may pick up and sign for receipt of merchandise ordered by the Cardholder only if authorized by the Cardholder.

Restrictions - Cardholders are subject to, and must adhere to, all City purchasing policies and procedures. The City's CAL-Card Purchasing Card is "For Official Use Only". Intentional use of the CAL-Card Purchasing Card for anything other than "official" City

Purchasing Card Program

business will be considered as an attempt to commit fraud against the City. Proof of such fraud will result in immediate cancellation of CAL-Card Purchasing Card privileges and the City may initiate disciplinary action against the cardholder.

Revocation of Privileges – Use of a CAL-Card Purchasing Card is a privilege, not a right, and those privileges will be revoked if a Cardholder continuously misuses the CAL-Card Purchasing Card or frequently loses receipts and/or supporting sales documentation and/or submits late payments. The decision to revoke a CAL-Card Purchasing Card will be made by the Agency Program Coordinator.

Spending Limits - The Agency Program Coordinator will establish the single purchase and monthly limits for each Cardholder in the department. These spending limits may be raised or lowered depending on the needs of each department. Cardholders will be provided with information on the spending limits that they may spend per day and per month prior to the cards being issued.

Splitting Purchases - The splitting of purchases, to avoid dollar limitations, is prohibited. Purchases made using the purchasing card may not be split to circumvent purchasing policies, procedures, and dollar limits. Persistence, by a Cardholder in splitting requirements, will jeopardize continued use of that CAL-Card Purchasing Card.

Transaction Limitations - If the single amount of the purchase exceeds the single purchase and/or monthly spending limit (including sales tax and/or other applicable charges), the purchase will not be permitted. Further, each cardholder will also be limited to eight purchases each day. The ninth purchase or more will clear, but it is referred to the vendor. This means that the Cardholder will be asked to provide additional identification. The Agency Program Coordinator must authorize any changes to transaction limits.

US Bank – US Bank is the contractor who maintains all CAL-Card Purchasing Card accounts under this program. They pay the merchants' bank on demand and issue all monthly statements, as well as other reports, and receive payment from the City.

US Bank Monitoring - US Bank is authorized to monitor the City's usage of the CAL-Card Purchasing Card and will not permit purchases to exceed the established limits. US Bank will verify that each commodity purchased is permitted. This monitoring is done at the time of purchase. When the merchant "swipes" the card through the electronic telecommunication device and then waits for authorization, part of the information that is transmitted to US Bank is the authorized merchant category codes that are coded on the magnetic strip on the back of the card. If there is not a match between those codes, and the actual code of the merchant, which is also transmitted, the transaction will not be authorized.

Purchasing Card Program

The CAL-Card Purchasing Card Program has six levels of organizational identification and responsibility, each level is identified by differing combinations of groups of four numbers. Some levels are identified by the sixteen-digit account number (XXXX XXXX XXXX XXXX) which appears on the face of the card. Management information reports can be created to obtain information at any authorized level.

Level One – The first group of four digits identifies US Bank as the financial institution sponsoring this purchasing card program. Any account opened under the State's current master agreement with US Bank will have 4055 as the first four numbers of the account number. US Bank is responsible for creating and sending the monthly statements to the appropriate individuals and helping to resolve any disputed charges.

Level Two – The next two numbers will always be 01 and identifies The State of California as the next subordinate organization to US Bank in this particular program. The State provides guidance and training on how to conduct a CAL-Card Purchasing Card Program. They also ensure all participating agencies adhere to the terms and conditions of the master service agreement. They negotiate any necessary changes to the agreement with US Bank and when the agreement reaches the end of its term, they will manage the process of providing a new agreement.

Level Three – The following two numbers, positions seven and eight, will be assigned by US Bank and will be a unique identifier for The City of Fresno. They are 60. Therefore, all cards and accounts used by Fresno City will have the same numbers in the first eight positions (4055 0160). This will be the highest level at which The City will be authorized to obtain management information. The Agency Program Coordinator will be the only person operating at this level and will be the only point of contact for Levels One and Two.

Level Four – Another group of four digits will be used to uniquely identify the departments within the City that choose to participate in the CAL-Card Purchasing Card Program. The Level Four account number, which only has twelve digits, does not appear on the purchasing card. It is used primarily for invoicing.

Level Five – This level identifies the Approving Official. Using the last eight digits, US Bank will assign a unique number that identifies each Approving Official. This number does not appear on the CAL-Card Purchasing Card either, it is used on the RO90 Report.

Level Six – This level identifies the Cardholder. The sixteen-digit number on the CAL-Card Purchasing Card is a unique number that specifically identifies each Cardholder. The Cardholder is responsible for ensuring that the CAL-Card Purchasing Card is used in accordance with all City purchasing regulations, policies and procedures. The Cardholder

Purchasing Card Program

is also responsible for the physical security of the card. Cardholders must reconcile the monthly Statement of Account. Copies of sales drafts, charge slips, and supporting documentation for all purchases listed on the statement should be forwarded, with the statement, to the Cardholder's Approving Official for approval and review.

(Note: The digit in the sixteenth position is reserved as a check digit and is calculated by using a US Bank proprietary algorithm involving some manipulation of the previous fifteen digits.)

The CAL-Card Purchasing Card is a purchasing tool meant to streamline small dollar acquisitions. However, it is not meant to circumvent any existing City policies and procedures, operating unit, with the assistance of the Agency Program Coordinator, will determine the types of products authorized for purchase and the dollar limits for each Cardholder before that card is issued. Operational need will determine the types of authorized purchases for each unit and cardholder.

Request to Participate

Departments wanting to participate in the CAL-Card Purchasing Card Program will need to contact the Agency Program Coordinator and request to participate. The Agency Program Coordinator will guide the individuals selected to be Cardholders and Approving Officials through the application process and ensure the accounts are set up properly. The Agency Program Coordinator will send the Cardholder's application to U.S. Bank who will in turn issue the card and send it back to the Agency Program Coordinator who will activate the card. The Agency Program Coordinator will provide the appropriate training for each selected participant in the program. No one will be issued a CAL-Card Purchasing Card until this training has been completed and documented. After the training is complete, the Cardholder will sign for his/her card where upon it will be issued to him/her during the initial training.

Training

It is the responsibility of the Agency Program Coordinator to provide training for those individuals who will be involved and responsible for the effective operation of the CAL-Card Purchasing Card Program within the various departments. A general overview of the program will be provided to the Approving Officials. It is their responsibility to ensure fiscal discipline is maintained within their departments and that expenditures do not exceed appropriations. Since the purchasing card represents an additional tool for obligating funds, they need to be aware of how the process works and the risks involved. About a one hour training session will be given to the Cardholder and the Approving Official so that they understand their duties and responsibilities.

Misuse of the Purchasing Card

Purchasing Card Program

Frequent and/or flagrant violations of the authorized use of the purchasing card by the cardholder will result in cancellation of that card by the Agency Program Coordinator and possible disciplinary actions including termination might be instituted. Any purchase of a personal nature, or not for "official City business" will remain the liability of the Cardholder and the City retains its right to collect payment for that purchase from the Cardholder through Payroll Deduction. The Cardholder and the Approving Official, if it can be shown that the Approving Official served as an accomplice, may also be subject to disciplinary action.

Replacing Worn or Defective Cards

In case a card becomes worn or defective and needs replacement, the Cardholder will notify his Approving Official and then request replacement through the Agency Program Coordinator. The Agency Program Coordinator will then request replacement of the card from US Bank and issue it to the Cardholder when it arrives in exchange for the worn or defective one which will then be destroyed.

Changes in Cardholder Information or Status

Changes to a Cardholder's name, work address, organization, or employment with the City must be reported immediately through the Approving Official to the Agency Program Coordinator. Changes in name and address, providing the Cardholder remains with the same organization, will require restructuring the account to reflect the current, accurate information. Changes in organization will require the existing account to be terminated and a decision on the part of the Cardholder's new management as to whether or not his new duties require him to have a CAL-Card Purchasing Card. If they do, then a new request to participate must be initiated. If the Cardholder leaves City employment, it is imperative that he surrender his CAL-Card Purchasing Card and request his account be terminated. Failure to do this may be interpreted as an attempt to defraud the City.

Lost or Stolen Purchasing Cards

The Cardholder should make every effort possible to protect his CAL-Card Purchasing Card and to ensure its safekeeping. In the event the CAL-Card Purchasing Card is lost or stolen, the Cardholder must, as soon as he discovers the card is missing, notify his

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Approving Official and the Agency Program Coordinator by email or phone. The Cardholder should be prepared to provide the following information: his name, the account number on the card, date card was lost or stolen or when the Cardholder first became aware it was missing, the nature of any purchases made on the day the card was lost or stolen. The Agency Program Coordinator will notify US Bank of the lost or stolen card. If reported in a timely manner, the City is only responsible for the first \$50.00 of purchases after the card was lost or stolen. US Bank will replace the card, with a different account number on it, within a couple of business days after receiving the report that a card has been lost or stolen. U.S. Bank will notify the Agency Program Coordinator if a police report is required.

Using the Procurement Card

The person to whom the card is issued, and whose name appears on the face of the card is the only person authorized to use that card. They are also responsible for its protection and safe keeping. It is not to be used by other City employees or family members. Any merchant who accepts VISA cards for payment will honor the card. However, use of the card is restricted by policy and by codes encoded on the magnetic strip on the back of the card. Some permitted and prohibited purchases are listed below. This list is not meant to be all-inclusive but rather to provide an overall view of how the procurement card can be used.

Permitted Purchases

- Miscellaneous items needed after normal office hours, or during an emergency
- Subscriptions, books, and publications
- Maintenance, repair, and operational type of equipment and supplies
- Items on existing blanket purchase orders, providing that, the vendor has agreed to accept the procurement card as a method of payment

Prohibited Purchases

- Any item or service centrally managed by another City agency, such as:
 - Graphic Communications printing, copying, binding, and related capabilities

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- Information Technology Services managed automated equipment and software
- Communications managed fax machines and telephone related equipment
- Firearms and ammunition
- Tobacco and alcohol products
- Cash advances
- Travel or travel related expenses
- Recurrent requirements (items that would qualify for Requirements Contracts)
- Fixed assets
- Personal services or other service agreements

The magnetic strip on the back of the procurement card will also be encoded with transaction dollar limits, single purchase limits, monthly limits, and Merchant Category Codes which will exclude entire categories of businesses, i.e., package stores, family clothing stores, security brokers, cosmetic stores, etc.. An attempt to circumvent any of these limits or restrictions will cause the card to “reject” at the time of purchase when the merchant “swipes” the card.

Procedures at Time of an In-Store Purchase

Once items for purchase have been selected, they may be presented to the merchant along with the CAL-Card Purchasing Card. The merchant will prepare a sales draft and obtain an authorization from VISA for the transaction. The authorization will be obtained either via a telephone call or a direct telecommunication link to the credit card authorization network. If any of the restrictions of the card have been violated, the merchant will not get an authorization number and the transaction can not be completed. Some other method of payment will have to be arranged. If authorized, the merchant will ask the cardholder to sign the sales draft to complete the transaction. The Cardholder must keep a copy of the sales draft. If the sales draft does not provide an itemized list of the items purchased, the Cardholder should ask the merchant for one or needs to write one on the sales draft, and the Cardholder’s purchasing log, as soon as possible after the purchase. This information is critical to being able to reconcile the monthly statement.

Procedures for Telephone, Mail, or Internet Orders

When placing a telephone order, the Cardholder will be asked to provide their name, card number, the expiration date on the card, and possibly an address. The Cardholder’s work address should be provided if an address is requested. The Cardholder must record all

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telephone orders on the cardholder's purchasing card log. Be sure to get the confirmation number for all internet or telephone orders. This log shall be maintained on the same billing cycle as US Bank maintains for the purchasing card. When the monthly statement is received and reconciled, this log must be attached to the statement in lieu of a sales draft for all telephone or mail orders. The packing slip accompanying the purchase at time of delivery should also be attached to the statement. If an order is made through the mail, the Cardholder will maintain a copy of the order form, and attach it along with the receipt or packing slip received with the purchase to the monthly statement.

PAYMENT PROCEDURES FOR THE PURCHASING CARD PROGRAM

Purchasing Card Program

Each CAL-Card Purchasing Card Program is maintained on a monthly billing cycle by US Bank and is a "stand alone" invoice. That means that the billing cycle ends on the same day each month and the amount due on the invoice will not carry over to the next month's invoice. At the end of that cycle, various statements will be sent out to the key players in the program. Each of those people have very specific, time sensitive duties they must perform.

Cardholder Responsibilities

At the close of each billing cycle, the Cardholder will receive in the mail a Cardholder's Statement of Account from US Bank. A printable copy of the statement may be obtained on line the day following the statement date. The statement will itemize each transaction that involved that particular cardholder's CAL-Card Purchasing Card during that billing cycle. Within five working days of receipt of the statement, the Cardholder must complete each of the steps below. The Cardholder will not receive a statement if no charges were made on the card during that billing cycle.

- Review the overall statement for accuracy.
- Verify each transaction by attaching any and all supporting documentation. This includes sales drafts, receipts, records of telephone and mail orders, packing slips, credit vouchers for returned items, and etc.. If backup documentation is not available for each transaction, the Cardholder must write a memo, addressed to his approving official, explaining the circumstances. The Cardholder must try to obtain a copy of the receipt from the vendor. If that is not possible, the cardholder will fill out a Missing Receipt form. These are available through the Cardholder's Approving Official or the Agency Program Coordinator.
- During the verification process, provide a description for each transaction on the "description" line.
- After the Cardholder has completed his reconciliation of the statement, he shall sign it and forward it along with all supporting documentation to his Approving Official.

If the Cardholder will be unavailable to reconcile his statement during the required time period, he will make arrangements with his Approving Official to ensure the reconciliation is accomplished in a timely manner. The Cardholder will be expected to review the statement and sign it upon his return.

Approving Official Responsibilities

At the close of each billing cycle, the Approving Official for that account will receive a RO90 Report, Approving Official Summary. This report summarizes all the transactions

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for each Cardholder under that Approving Official's jurisdiction. The Approving Official will review and reconcile the Cardholder's statements for accuracy against the RO90. He will also review all transactions to ensure they adhere to the City of Fresno Administrative Order and the purchasing card program guidelines as set forth in this chapter, that they are within the authorized duties of the Cardholder, that proper documentation is attached, and that the accounting code information is correct. Any irregular transaction must be resolved in conference with the Cardholder and documented. Once the Approving Official is satisfied that the Cardholder's statement is correct, he/she shall sign that statement in the space provided, attach the RO90 Report as a cover, and forward the entire package including receipts and payment voucher to the Billing Office. He/she should complete with his/hers review and certification within 10 working days of receipt of the RO90 Report. (Five days after receiving the certified Cardholder's Statement.)

Departmental Billing Officer Responsibilities

US Bank will send the Billing Office a monthly RO60 Report, Financial Summary, at the same time it sends statements to the Cardholder and the Approving Official. The RO60 Report is the official invoice from US Bank for that all department's CAL-Card Purchasing Card activity for that month. The Billing Officer will also receive the packets from each Approving Official in the City. He/she will then compare that information with what appears on the RO60 Report to verify correctness. Once he/she is satisfied that the data on the RO60 is accurate and supportable by the information received from the Approving Official, he will send all vouchers from the Approving Officials to the City Finance Department for payment. The Billing Office will retain all statements and receipts.

Procedures for Disputed Transactions

If the Cardholder can not reconcile his Statement of Cardholders Account because of differences between his documentation and what appears on the statement, he/she has an option to dispute that transaction. However, it is the Cardholder's responsibility to try and resolve the problem by contacting the vendor with whom the difference seems to appear and attempt to work it out. The Cardholder can also solicit the help of the Approving Official in trying to resolve problems of this nature. If the two of them can not come to an acceptable resolution with the vendor, they may ask the Agency Program Coordinator for help. After all attempts to resolve the issue have failed, the Cardholder will need to complete a Cardholder Statement of Questioned Item, which can be obtained from the Agency Program Coordinator, and Fax a copy of it to US Bank. The original must be attached to the statement upon which the dispute is listed. A third copy should be sent to the Agency Program Coordinator. When the Billing Officer receives the statement on which a transaction has been disputed, he must complete a Notification of Invoice Adjustment to document payment that is different than the invoiced amount. However, all charges on the invoice that are not disputed must be paid on time. Since

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each invoice stands independently by itself, that is, any open items do not roll forward to the next month's statement as it does on personal credit card bills, activity will continue between the City and US Bank until the dispute is resolved and that invoice is closed.

MANAGEMENT OF THE PURCHASING CARD

Other Management Reports

At the end of each billing cycle, US Bank will also generate two other management reports and send them to the Billing Officer and the Agency Program Coordinator. These reports are intended as aids in managing the purchasing card program. They are the F110 Report, Invoice Status Report, which provides an overall view of any invoice considered to be outstanding; and, the F107 Report, Disputed Transaction Status Report, which lists all disputed transactions that are still pending. Any transactions listed on either of these two reports must be addressed immediately.

There are numerous other management reports that are available on a requested basis. Anyone having a need for information about any aspect of the CAL-Card Purchasing Card Program should contact the Agency Program Coordinator for assistance in requesting these reports.

**CITY OF FRESNO
CAL-CARD PURCHASING CARD AGREEMENT**

Check all applicable boxes

NEW CHANGE

Please initial the box next to each statement if you agree.

I, _____ hereby acknowledge receipt of a City of Fresno Cal Card Visa Purchasing Card, No. _____, Expiration Date, _____. As a cardholder, I agree to comply with the terms and conditions of this Agreement, the Purchasing Card Program Policies and Procedures, and Administrative Order – Purchasing Card AO # 3-9.

I acknowledge receipt of said Agreement and confirm that I have attended the training on how to use the purchasing card and have read and understand all terms and conditions. I understand that the City of Fresno is liable for all Purchasing Cal Card charges.

I agree to use this card for City of Fresno "Official Business Only" and agree not to charge personal purchases. I understand that the card will only be used by the cardholder identified on the card and the City of Fresno will audit the use of this card and report any discrepancies to the Department Director. I further understand and agree to take all reasonable precautions to protect it and to guard against its misuse. Failure to comply with program guidelines may result in the permanent revocation of the card, **charge-back of an improper or unsupported transaction to the card holder for reimbursement to the City**, notification of the situation to management, and further disciplinary measures, which may include termination.

I understand that the City of Fresno may terminate my right to use this card at any time for any reason. I understand that this card is valid only while I am employed by the City of Fresno in my current department. I agree to return the card to the City of Fresno, Agency Program Administrator (Purchasing Manager) immediately upon transfer to another department or departure of employment. Legibly sign your full name below.

Cardholder: Signature: _____ Date: _____

Print Name: _____ Division: _____

Approver: Signature: _____ Date: _____

Print Name: _____ Department: _____

Department Director: Signature: _____ Date: _____

Print Name: _____ Department: _____

Agency Program Administrator:

Signature: _____ Date: _____

Print Name: Gary Watahira, Purchasing Manager