

TITLE:

**POLICY AND PROCEDURE FOR THE PURCHASING CARD PROGRAM**

PROCEDURE NO: 04-017

SUBMITTED BY: Glenn Marcos  
Director of Purchasing

APPROVED BY: Joe Arriola  
City Manager

EFFECTIVE DATE:  
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**PURPOSE:**

To establish guidelines and procedures for the use of the City of Miami Purchasing Card (P-Card).

In an effort to streamline and create efficiencies within the Purchasing process for Small Dollar Purchases, the City of Miami has partnered with JP Morgan Chase to establish and/or maintain a Procurement Card (P-Card) Program. The P-Card program is designed to give City employees the power to procure for City of Miami related business goods or services directly from vendors while at the same time reducing the time and effort normally associated with ordering and paying for these types of purchases.

The P-card is recognized as a "Best Practice" standard within the procurement profession on reducing the administrative cost associated with Small Dollar Purchases<sup>1</sup> transactions. The process of submitting a requisition, receiving approval from your approver, and issuing a purchase order is not an efficient process for dealing with these types of purchases. As a general rule, highly repetitive small dollar purchases represents 80% of the total transaction volume, but only 20% of the dollar, while the high dollar purchases represents 20% of the total transaction volume, but 80% of the dollar. From a cost/benefit analysis standpoint, the personnel resources and time spent for small dollar purchases will be used towards higher dollar purchases in order for City departments and the Purchasing Department to strategically work together on aggregating similar needed purchases to maximize the reduction of cost or pricing received on volume, high dollar end purchases under term contracts.

The P-Card Program will also create efficiencies within the payment process by reducing the number of small dollar invoices processed by Accounts Payable resulting in vendors/suppliers receiving payments quicker and a reduction of their price mark-ups due to the expedited turnaround time in receiving payments.

**Benefits of Using the City of Miami P-Card**

*Benefits to the Cardholder:*

- Goods and services can be purchased and received faster and easier.
- Bureaucratic paper work and time is reduced towards the purchase of goods considered small dollar purchases
- Allow department personnel to concentrate on high-yield and productive work

*Benefits to the City of Miami:*

- Reduce processing costs at all levels by minimizing the number of procurement-related requisitions, purchase orders, invoices, and checks.
- Consolidation of Payments. Now, only one payment will be issued for small dollar purchases made using the P-Card, regardless of the number of vendors it was used with.
- Enable the Purchasing department to increase its operating efficiency.

<sup>1</sup> Small Dollar Purchases are considered those purchases that do not exceed \$2500 in price. In the case of the P-Card, \$2500 will be the maximum an employee can charge to the card **per transaction**.

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**POLICY:**

**I. Introduction**

The P-Card system simplifies the procurement and disbursement process. Just as one would do with a credit card, the P-card enables the cardholder to go directly to a merchant and procure the goods needed.

At the point of sale, the merchant simply swipes the card and immediately the information is verified by the JP Morgan Chase and Visa systems to make sure that the purchase is under the preset limits assigned to the cardholder. After the transaction is approved, it is posted in PaymentNet, JP Morgan Chase's P-Card system. This system will allow the cardholder, department heads, and the P-Card Administrator to monitor on a day to day basis the transactions made by the cardholder.

**II. Authorization Limits**

The authorization criteria used to verify purchases with the P-Card may be set, not only when the cardholder receives the card for the first time, but periodically as needed and will include, but is not limited to, the following:

- Cardholder purchase limits as set by the cardholder's Department director, not to exceed:
  - \$2,500 per transaction
  - \$5,000 per day
  - \$10,000 per month
- Approved Merchant Category Codes (MCCs)
- Number of transactions allowed per day
- Number of transactions allowed per month

**III. Roles and Responsibilities within the P-Card Program**

The following are the responsibilities of the individuals and organizations involved in the P-Card system:

*Cardholder:*

- Hold and secure the P-Card as well as the account number on the card.
- Order materials and services as needed by the department
- Receive and inspect all ordered materials for discrepancies. Resolve with vendor any mistakes in goods or quantity ordered.
- For each transaction shown in PaymentNet, indicate the account code that will be used to pay for the purchase.
- Mark "Reviewed" on a weekly basis the transactions shown in PaymentNet, thus indicating that the transaction is valid.
- Save all sales receipts and packing slips for end of month reconciliation.
- Review monthly charges on cardholder statement at end of month.
- Compare all charges made to the card with the purchase receipts at hand.
- Print out the Transaction Detail with Accounting Codes report and submit with receipts and signed cardholder statements to the Department Director.
- Submit end of month statement, receipts, and Transaction Detail report to department head for their review and approval of charges.

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*Cardholder's Approver (Department Director or Designee):*

- Mark "Approved", on a monthly basis, the transactions shown in PaymentNet or each cardholder, thus indicating that the transaction is valid.
- Review cardholder's monthly statement as well as receipts and Transaction Detail report for accuracy or discrepancies and submit to the P-Card Administrator.
- Verify that funds are available in the proper account to pay for the purchases.
- Sign the monthly statement verifying that all items ordered by the cardholder were received, accepted and authorized charges.
- Approve or deny request from employees to receive a P-Card.
- Set Card spending limits within established guidelines.
- Collect cards from cardholders who end employment or transfer to a different department.
- Notify the P-Card administrator to cancel cards of employees who either end employment or transfer departments.

*Purchasing Card Administrator:*

- Monitor on a day-to-day basis transactions done by individual cardholders.
- Coordinate issuance and cancellation of cards
- Provide training to new cardholders and their supervisors.
- Coordinate program policy issues
- Participate in ongoing program reviews
- Review all cardholder statements and receipts at the end of the month and approve or deny payment.
- Review in PaymentNet that all the transactions have been marked "reviewed" and "approved" by the cardholder and approver, respectively.
- Participate in resolving billing charges
- Maintain Policy and Cardholder guides/manuals

*Purchasing Department*

- Approve/disapprove requests for P-Cards.
- Final resolution of supplier disputes
- Pursue supplier discount opportunities
- Evaluate P-Card feedback from suppliers
- Coordinate minority business reporting
- Establish and monitor benchmarking objective
- Coordinate and maintains internal controls
- Target new cardholders and expand use of the Card
- Perform physical audits of card possession by cardholders.

*Finance Department*

- Pay monthly charges from consolidated statement provided by the P-Card Administrator.
- File and store statements
- Administer 1099 reporting
- Conduct periodic operational and compliance audits

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**IV. Assignment and Control of the P-Card**

**Obtaining a P-Card**

The steps below indicate how a City of Miami employee can obtain a P-Card.

*Instructions to the Cardholder:*

1. Download and complete a City of Miami P-Card Application from the Procurement website at: <http://citynet/procurement/p-card-application>
2. Under "Employee Information", write all the requested information.  
**NOTE:** The employee is not required to write their full Social Security number, only the last four digits. (i.e.xxx-xx-1234).
3. Leave the Financial Information section blank as it will be completed by your Department Director.
4. Sign the application, Print the name of your "approver", and submit it to your Department Director.

*Instructions to the Department Director:*

1. Under the Financial Information section, fill in the requested information.
2. Print your name and sign the application.
3. Submit it to the P-Card Administrator.

*What happens next...?*

- The potential cardholders and approvers will be required to attend one of our P-Card training sessions where they will be trained on the proper use of the P-Card and how to use PaymentNet.
- A copy of the P-Card Policies and Procedure manual will be given at the training session. Moreover, at the end of the training session, the cardholder will receive their P-card and be required to sign a P-Card Agreement form.
- After the training session, the potential cardholders will be contacted and assigned a date and time to pick up their P-Cards from the Procurement Card Administrator.

**Lost and Stolen P-Cards or Card Numbers**

If a P-Card is lost, stolen, or used fraudulently, then the Cardholder must immediately notify the appropriate contact:

- If the incident occurs **during normal business hours**, call the P-Card Administrator at 305-416-1958
- If the incident occurs **after normal business hours**, call JP Morgan Chase at 1-800-270-7760
  - Following this call, on the next business day, the cardholder will notify the P-Card administrator of the incident. The P-Card administrator will then proceed to make the necessary arrangements to issue a new card to the employee.

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**Termination and Transfer of Cardholder**

Employees that are either terminated or transferred to another department will not be allowed to take the P-card with them. Before leaving the department, the employee's supervisor will collect the active card and return it to the P-card administrator who will in turn cancel it. Any outstanding balances on the card will be paid by the department at the end of the billing cycle.

**V. Cardholder Use of the P-Card**

The P-Card will only be issued to **City of Miami employees** and it is to be strictly used for City related business. No family members, friends, or co-workers are allowed to use the P-Card, other than the cardholder. The disciplinary actions for fraudulent, improper, and abusive purchases may include informal admonishment, formal reprimand inserted in the personnel file, suspension of card privileges for the entire department, cancellation of the cardholder's account, termination of employment and referral to appropriate law enforcement agency.

The P-Card is considered a corporate charge card and will not affect the cardholder's credit. However, it is the responsibility of the cardholder to use the card within the stated guidelines mentioned in this manual as well as the P-Card Agreement.

**UNACCEPTABLE USES OF THE P-CARD INCLUDE THE FOLLOWING:**

- Items available on current City contracts (without express written approval)
- Items valued over \$2,500 requiring competitive quotes or formal solicitations
- Cash advances (Including ATMs)
- Alcohol or drugs
- Entertainment(Theatres, Amusement parks, Video games)
- Clothing
- Recreation
- Travel (Airlines, Car Rental, Hotels)
- Splitting purchase transactions to circumvent bids or other requirements

**VI. Understanding Merchant Category Codes (MCCs)**

Merchant Category Codes or (MCCs) are assigned by the credit card company (i.e. Visa, MasterCard, American Express, etc.) to merchants and are used as way to identify the line of business in which the given merchant operates. MCCs are useful because they can either restrict or grant access to a cardholder. This in turn serves as a security feature to prevent fraudulent use of the P-card. Cardholders attempting to use the card with a merchant whose MCC is not "available" under the cardholder's profile, will not be allowed to complete the transaction.

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**VII. Making purchases with your P-Card**

As mentioned earlier, quotes are no longer a requirement before making a purchase with the P-Card. However, purchases should be made using "best value" and with a local City of Miami vendor/supplier whenever possible. Best value means that the cardholder will be responsible for obtaining the lowest price as long as the requirements of the department for the good or service are met.

*Sales Taxes*

The City of Miami is exempt from all sales taxes. Therefore, the cardholder must tell the vendor not to charge taxes on the items that are being purchased. If the vendor asks for a Tax Exempt Certificate number, this number is displayed in the upper right hand corner of the front of the card. If a tax is charged, the cardholder must contact the vendor and request a credit to the account equal to the amount of the sales tax.

*Purchases made at a Store*

1. At the point of sale, present the credit card to the merchant. He or she will swipe it and charge the credit card.
2. Obtain a copy of the original sales receipt and keep it in a safe place for the weekly and end of the month reconciliation process.

*Purchases made Over-the-Phone*

When placing a telephone order, the Cardholder must confirm that the vendor will charge the P-Card. Also, the cardholder should ask the vendor to send an order confirmation/receipt via fax or e-mail and to include a packing slip with the shipment. These documents will serve as the cardholder's purchase receipts.

*Purchases made Online (Internet)*

When placing an online or internet order, many websites give customers the option of printing out an order confirmation at the end of the purchasing process. The cardholder must ensure that this option is selected as it will provide the cardholder with the required sales receipt for the weekly and end of the month reconciliation process. When the shipment arrives, the cardholder must also keep an original copy of the shipment's packing slip.

**VIII. Payment and Invoice Procedures for P-Card Purchases**

*(5 Days total will be allowed for the Cardholder and Approver to complete their work and submit all statements, receipts, and reports to the P-Card Administrator)*

After the 28<sup>th</sup> day of the month, JPMorgan Chase will mail the P-Card Account Statement to each individual cardholder. This statement will list all the

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transactions the cardholder made with the P-Card during the previous billing cycle (The City's billing cycle ends on the 28<sup>th</sup> day of each month). The P-Card administrator will receive as well one consolidated statement listing all the transactions each individual cardholder made with the P-Card during the billing cycle. If no purchases were made with the P-card during the billing cycle, no Account Statement will be generated to the cardholder unless adjustments for previously billed transactions have been processed during that cycle.

Aside from the monthly account statement, the cardholder will have the ability to view their account activity on a day to day basis in PaymentNet. This online application will be a useful tool when the time comes to review and pay for the transactions made by each cardholder. Below, instructions have been provided for the cardholder and approver to perform both the weekly and monthly reconciliation process.

**Instructions for the Individual Cardholder**

*Weekly Reconciliation:*

At the end of the work week, the cardholder will be required to log in to PaymentNet and review and compare each transaction against the purchase receipts. If a particular transaction shows any discrepancies (i.e. wrong amount charged), then the cardholder will have to dispute it (see the Disputes section). Otherwise, if a transaction has no discrepancies and the correct amount was charged, then the cardholder will click on the check box named: "Reviewed". Also, for each transaction, the cardholder will have to indicate the correct Account Code to use for the payment. This may be done by clicking on the transaction and then selecting the Account Code from the drop down lists: Fund/Project, Department, Major-Minor.

*Monthly Reconciliation:*

At the end of the billing cycle, if the cardholder has done the weekly reconciliation as indicated above, then the monthly reconciliation should be simple. After receiving the statement, the cardholder should verify that all the transactions printed on the statement are accurate. If so, the cardholder will sign the statement thus certifying that all charges are appropriate and authorized and that all charges are proved by the attached receipts.

Next, the cardholder will log in to PaymentNet and print out a "Transaction Detail with Account Codes and Notes" report which displays all of the transactions, along with the correct account codes to pay for each transaction. This may be done by:

1. Starting from the "Transaction List" screen, click on the "Menu" drop down list in the top center of the screen. Then, select "All Reporting".
2. In the "Reports" screen, under "Select a Category" click on "Transaction".
3. Then, under the "Report" column scroll down and click on "Transaction Detail with Account Codes and Notes"

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4. In the "Report Criteria" screen, starting from left to right, select the following in each drop down menu: "Billing Cycle", "is equal to", and the billing cycle month you are reconciling. Then, click on "Process Criteria" in the top left hand corner of the screen.
5. Ignore the "Report Hierarchy" screen, and click on "Proceed with Report"
6. In this screen, select the "MS Excel Format" by clicking on the green arrow next to it.
7. Now, click on the "Refresh" button every 10 seconds until the report appears listed. If the system is very busy, it may take a while for the report to load. If you do not wish to wait, you may click on "Notify me by e-mail when file becomes available" check box. This option will automatically generate an e-mail to your Outlook inbox when the report is ready.
8. Download and print out the report when it is ready.

The hard copy account statement, along with the purchase receipts, and the Transaction Detail with Account Codes and Notes report needs to be forwarded to the cardholder's approver for his/her review.

**Instructions for the Cardholder's Approver or Department Director**

In contrast with the cardholder, the approver will only be required to go through the reconciliation process on a monthly basis. After the approver receives the receipts and statements from the cardholder, the approver will log in to PaymentNet. Once in PaymentNet, the approver will review each transaction and compare them against the purchase receipts and account statement. If the transaction is valid, then the approver will click on the check box named: "Approved". This will indicate to the P-Card Administrator that the transaction is ready for payment. The approver should as well review the Transaction Detail with Account Codes and Notes report to see if the cardholder assigned the correct Account Code to the transaction. In any case that the cardholder assigned the wrong account code to a transaction, the approver should fix it and then follow the procedures previously mentioned to print out another Transaction Detail with Account Codes and Notes report. After the approver has finished, then he/she should sign the account statement and forward it along with the receipts and the Transaction Detail with Account Codes and Notes report to the P-Card Administrator. Please NOTE: By the approver signing the Account Statement, he/she is also indicating that the items ordered by the cardholder were received and accepted.

**Missing Documentation**

If for some reason the Cardholder does not have documentation of the transaction to send with the statement to his/her approver or supervisor, he/she must attach a description of the purchase along with a signed certification that the purchase was made in accordance with the City's Policies and Procedures and that the purchase was required for City operations. Failure to promptly provide such certification may result in disciplinary actions and the employee may be required to pay the City for the undocumented expense. Continued

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incidents of missing documentation will result in the cancellation of the employee's P-Card.

**IX. Disputes**

In the event that a cardholder notices an erroneous charge in their account, then the cardholder **must first attempt** to contact the merchant and resolve the dispute.

If after contacting the merchant, the cardholder is not able to resolve the problem, then the cardholder needs to send a dispute notification to JPMorgan Chase via PaymentNet within **60 days** of the disputed **charge posting to the credit card account**. The following needs to be done:

1. Log in to PaymentNet.
2. Click on the transaction you wish to dispute.
3. In the Transaction Detail screen, select Dispute.
4. Complete the requested information.
5. Depending on the "Dispute Reason" that is selected, PaymentNet will provide the necessary forms to mail or fax to JPMorgan Chase.
6. After the dispute is submitted on-line, a small yellow box will appear next to the transaction. This indicates that the dispute has been submitted to JPMorgan Chase. When the yellow box turns red, then this means that the dispute is being worked on by JPMorgan Chase.

**KEEP IN MIND:** If JPMorgan Chase does not receive sufficient information detailing the reason for the dispute, the dispute may not be resolved correctly.

**The Dispute Process:**

Once a Dispute Notification is received by the JPMorgan Chase Dispute Department it will be worked on within 48 hours. Most disputes are resolved within 60 days, but due to regulated time frames from Visa and MasterCard, it can take up to 175 days in extenuating circumstances.

Some Disputes require that JPMorgan Chase request a sales draft prior to charging back a merchant. When JPMorgan Chase request a sales draft from a merchant, they must allow them 30 days to provide it. If JPMorgan Chase charges the merchant back for the disputed charge, they have 45 days to contest it. If they have not responded to the chargeback within the 45 days, then the chargeback & dispute are resolved & a chargeback credit would be posted to the individual account.

If the merchant contests the chargeback, JPMorgan Chase will forward their rebuttal on to the cardholder for review. If the cardholder would like to continue disputing the charge, JPMorgan Chase requires that the cardholder respond in writing regarding the merchant's rebuttal. They would still have any other regular dispute rights.

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Once a chargeback is keyed JPMorgan Chase can not reverse it. It is now in the merchant's hands, and if the merchant does not contest the chargeback, JPMorgan Chase will post the chargeback credit to the cardholder's account. For this reason, it is very important that the cardholder communicate with the merchant initially and is sure the charge is not valid before sending the dispute notification.

If the dispute is regarding tax, remember that it is the cardholder's responsibility to make sure their tax exempt ID# is given to the merchant at the time of the sale. If the merchant is not made aware that there should be no tax, then the merchant is authorized to post the full amount (including tax), and JPMorgan Chase would have no dispute rights. If the cardholder signs the receipt for the full amount (including tax), we have no dispute rights. If the Tax ID# was given, and the cardholder was still charged tax, then the dispute letter would just need to include that information.

During the time JPMorgan Chase is investigating the disputed charge (requesting sales draft or chargeback) the charge will remain in dispute. Placing a charge in dispute does not remove it from the outstanding balance; it simply keeps the disputed amount from accruing finance charges. **As long as the charge is in dispute, payment is not due for the disputed charge.** Some disputes may require a progressive letter with additional information, or documentation from the cardholder throughout the dispute process.