

PURCHASING REGULATIONS
FOR
CITY OF MEMPHIS PROCUREMENT CARD



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CITY OF MEMPHIS PROCUREMENT CARD REGULATION

PURPOSE

The purpose of this directive is to establish those policies under which Divisions may contract for and shall control the use of procurement (credit) cards which will be assigned to and utilized by selected City of Memphis employees to purchase goods and services on behalf of the City or when authorized per this directive. This directive has been prepared to accomplish the following:

1. To ensure that all procurement with this credit card is in accordance with the City's ordinances and rules which have been established by the City.
2. To ensure appropriate internal controls are established within each Division procuring with credit cards so that the cards are used only for authorized purposes.
3. To ensure that the City bears no legal liability from inappropriate use of credit cards.
4. To provide a convenient and yet adequate source of funding for employees who must procure for the City by reducing the need for a purchase order.
5. Finally, it is intended that the policies established herein be viewed as minimum standards for Divisions who may wish to establish additional controls beyond those suggested by these regulations.

SCOPE

This directive will be applicable to those City Divisions who have selected employees to use a credit card to purchase goods, service, or for specific expenditures incurred under conditions approved by this directive. The decision of when a credit card is issued and to whom will be decided only by the Division Director or authorized designee.

APPLICABILITY

This Directive applies to all Divisions of the City of Memphis.

BACKGROUND

The City has used various methods to accomplish the purchase of goods and services. These methods such as purchase orders, and check requests have proven to be costly, take time, and occasionally they have not been accepted by merchants. To promote vendor acceptance and operational efficiency, the Purchasing Office initiated the credit card



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program. A number of unique controls have been developed for this program that does not exist in a traditional credit card environment. These controls ensure that the card can be used only for specific purposes and with specified dollar limits. In addition, certification of all purchases is required by each cardholder, and verification performed by the Division Director or authorized designee before payment is made to the contractor, the issuer of the card.

GENERAL INFORMATION

APPLICATION FOR A CITY OF MEMPHIS INDIVIDUAL PROCUREMENT CARD

Selected full time employees can apply for a procurement card by using the attached Individual Procurement Card Form.

THE CREDIT CARD

The card will have the employee's name, the City employee's number, City's account number and card expiration date. The contractor, the issuer of the card, will have no individual cardholder information other than the cardholder's work address. No credit records, social security numbers, etc., will be maintained by the issuer of the card.

THE SPENDING LIMITS

1. The Delegation of Authority that has been provided to each cardholder sets the maximum dollar amount for each single purchase (Single Purchas Limit), and a total for all purchases made with a credit card within a given billing cycle (30-Day limit). Each time a cardholder makes a purchase with the credit card, these limits will be checked and the authorization request will be declined, should the amount exceed those amounts. The City's limits are as follows:

Single Purchase Limit -	Not to exceed \$500.
30-Day Limit -	To be determined by the appropriate Division Director and City Purchasing Agent.

2. Division Directors may establish lower limits for their employees.
3. Occasionally, a unique situation may require a purchase over a cardholder's established limits. If a cardholder makes such a request, it must first be approved by the appropriate Division Director and then by the City Purchasing Agent (or their respective authorized designees). The Purchasing Agent will contact the credit card issuer to temporarily increase the cardholder's Spending Limits and notify the appropriate Division Director and Finance Division's Accounts Payable Office. An



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4. Over Limit Fee may be charged by the credit card contractor and a limit to the Amount to Exceed Limit, usually 10% of the current limit.

THE USE OF THE CARD

1. The credit card shall be used for City purchases ONLY. It has a broad range of acceptance of retailers and oil company service stations.

2. CARDHOLDERS RESPONSIBILITY

- a. It is the employee responsibility to read the Procurement Card Regulation prior to signing the Request for an Individual Procurement Card Form.
- b. The credit card that the employee receives has the Cardholder's name embossed on it and may be used only by that cardholder. No other person is authorized to use the card.

3. CONDITIONS FOR USE

Use of the card must meet the following conditions:

- a. The total of a single purchase to be paid for using the card may consist of multiple items and cannot exceed the authorized single invoice limit. Purchases will be denied if the authorized Single Purchase Limit is exceeded. Payment for purchases should not to be split in order to stay within the Single Purchase Limit.
- b. All items purchased over the counter to be paid for using the card must be immediately available. No back-ordering is allowed.
- c. All items purchased by telephone order that will not be confirmed with a written order and will be paid for using the card must be delivered by the merchant within the 30-day Billing Cycle. The order should not be placed without this assurance.
- d. All items purchased during one telephone transaction that will not be confirmed by a written order must be delivered in a single delivery. If an item is not immediately available, no back-ordering is allowed.



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THE AUTHORIZATIONS FOR THE CARD

1. Credit card usually requires a merchant to obtain authorization if a purchase exceeds \$50.00. If for any reason the merchant fails to obtain authorization and subsequently the purchase is refused by the card issuer, the merchant would be liable for the amount of sale. An increasing number of merchants have a Point-of-Sale terminal which requires a sales clerk to run the credit card through the terminal so that the information is transmitted electronically to the card issuer for authorization. When a Point-of-Sale terminal is used, all transactions must be authorized regardless of the amount.
2. Since the City, not the individual employee, will pay for the purchases made with the City credit card, additional controls have been added to these accounts. When authorization is sought for a purchase by the merchant, the financial institution's credit card issuer authorization system will check each individual cardholder's single purchase limit, the cardholder's 30-day limit, and the Director or his/her designee's Office Limit, before authorization for that transaction is granted. In addition, if the single or cumulative amount of the transaction's authorization requests in one business day is over the 30-day limit or six (6) transactions per day, the cardholder will be asked for additional information and/or identification by the merchant.

TRANSACTIONS, DOCUMENTATION, RECONCILIATION, & PAYMENT PROCEDURES

TRANSACTIONS GENERAL

1. Oral Purchase Procedure, as used in the directive, means a procedure where an order is placed or a purchase is made through an oral agreement which is made in person or by telephone. No written purchase order or contracts are issued by the City. The supplies or services are provided by the vendor and payment is made using the credit card.
2. Oral purchase procedures may be used to acquire supplies or services which can be described in sufficient detail so that the parties to the agreement have a clear understanding of what is being acquired; provided the oral procedure is authorized in the City of Memphis Code of Ordinances or agency regulations and a purchase order or contract are not required by either the Supplier or the City.



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TELEPHONE PROCEDURES

1. When placing a telephone order to be paid using the credit card, the cardholder will:

- a. Confirm that the vendor agrees to charge the credit card when shipment is made so that receipt of the supplies may be certified on the monthly Statement of Accounts.
- b. Instruct the vendor to include the following information on the shipping document or packing slip and this information will alert the receiving office and the cardholder that the supplies have been purchased with the credit card:

- Cardholder's name
- Division Name
- Street Address, City and State Building Number, Room Number,
- Cardholder's Work Telephone Number

- The term – CREDIT CARD

2. A log should be used to document or record telephone credit card orders (see form attachment). The documentation should be held until the monthly Statement of Account is received and then attached to the statement when it is submitted to the appropriate Division Director or his designee for approval.

DOCUMENTATION

Any time a purchase is made which will be paid using the credit card, whether it is done over the counter, telephone or internet, a document must be retained as proof of purchase. The documents will later be used to verify the purchases shown on the cardholder's Monthly Statement.

1. OVER THE COUNTER

When a purchase is made over the counter, the cardholder shall obtain a customer copy of the charge slip, which will become the accountable document.

2. BY TELEPHONE

When making purchases by telephone, the cardholder shall document the transaction on a log sheet (see attachment) and attach any shipping documents associated with the order.



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3. BY INTERNET

When purchases are made using the internet, the cardholder shall obtain an Order Confirmation Invoice. This invoice will list description and cost information associated with the order.

4. MISSING DOCUMENTATION

If for some reason the cardholder does not have documentation of the transaction to send with the statement, the cardholder must attach an explanation which includes a description of the item, date of purchase, merchant's name and the reason why there is no supporting documentation.

PAYMENT AND INVOICE RECONCILIATION PROCEDURES

1. Purchases made by cardholders will be paid by the Finance Division's Accounts Payable Section (FDAPS) once the cardholder's certification and verification have been completed and an account coding has been assigned for each transaction. The Corporate account number must be included in the invoice section of the check request.
2. At the end of each billing cycle, the credit card issuer will provide one copy of the billing statement to the division point of contact. The statement will have a listing of all items processed during the previous 30 days. A copy of the applicable statement will also be mailed to each cardholder. This is called a "**Memo Statement of Account**".
3. The "**Memo Statement of Account**" requires the cardholder to review the statement and to note any errors on the bill. The cardholder must attach to the statement copies of the receipt(s), (the sales drafts), received at the time of each purchase. The cardholder signs the statement certifying the items purchased and forwards to the Division Director or his authorized designee within five (5) work days after it has been received.
4. The Division Director or his authorized designee reviews statement from the cardholders and verify the approval of the purchases. The Division Director or authorized designee signs the statement and forwards it to the Accounts Payable Section within five work days after receipt from the cardholder.
5. The credit card issuer will issue the "**Statement**" the same day each month. It will be the responsibility of the cardholder to provide the Division Director **or** authorized designee with the receipts for that month if the cardholder is on leave at the time the statement is due. Then the Division Director or authorized designee will complete a copy of the statement for the absent employee and the



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- statement will be forwarded to Accounts Payable Section with the other cardholders' statement. The original cardholder's statement will be signed by the employee when the employee returns to work.
- 6 The Division Director or authorized designee will be responsible for receiving the completed statements for all cardholders, reviewing them, resolving any questions on the purchases, signing the statements, and forwarding the completed cardholder's statements with all attachments to Accounts Payable Section within five (5) work days after receipt from the cardholder. Should the Division Director or authorized designee not receive all of the statements, the Division Director will be responsible for contacting the cardholder to have the statements furnished at once. All Statements of Account for each Division should be furnished to Accounts Payable Section at the same time. If, however, one or more statements are not received for some reason, the remaining statements should not be held while that one or more is being verified.
 7. Each cardholder and manager can view procurement card activity online by using the VISA Online Reporting System. To gain access to this system, contact the Purchasing Department.

NOTE: If a cardholder had no purchase activity on the credit card for a particular billing cycle, no Statement of Account will be generated for that cardholder (unless adjustments for previously billed transactions are processed during that cycle).



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CARD RESTRICTIONS

PROHIBITED ITEMS

The following list covers purchases for which credit card use is PROHIBITED.

1. Cash advances through bank tellers or automated teller machines.
2. Purchases of items stocked in a City of Memphis Parts Warehouse, unless required in emergencies.
3. Purchases of personal clothing or footwear, except in emergency situations when required for safety.
4. Microcomputer software and hardware.
5. Travel, lodging and meals.
6. Purchase of repetitive items with one Supplier totaling over \$5,000.
7. Professional and non-professional services that does not qualify as the City's definition as an emergency. (*Definition: An emergency as determined by the Administration is defined as an imminent threat to life, health or property, and there is insufficient time for advertising in the newspapers as required in City Charter HRA-126, Section 51*).

SPECIAL APPROVAL ITEMS

The cardholder shall check with the appropriate Division Director or authorized designee before purchasing the following items using the credit card. The Division Director must document approval for special approval item to ensure compliance with the procurement policy. The Director must inform Purchasing of this approval by signed letter before items appears on the statement.

1. Purchase of gasoline or oil for City-owned vehicles, unless authorized by the appropriate Division Director or authorized designee.
2. Repair of City-owned vehicles unless authorized by the appropriate Division Director or authorized designee.
3. Janitorial, yard and maintenance service, other than general repair service.
4. Personal clothing or footwear, except emergency situations when required for safety or when authorized by the Division Director or authorized designee.



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5. Printing or copying services.
6. Telephone calls.
7. Computer related items must be approved by Purchasing prior to purchase.



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REVOCATION OF PROCUREMENT CARD AND RECOUPMENT OF MONIES DUE TO VIOLATION OF CARD RESTRICTIONS

1. The cardholder's card shall be revoked immediately due to any prohibited items purchased with the City of Memphis Credit Card.
2. It is the responsibility of the Division Director or authorized designee to notify the cardholder of the violation and obtain possession of the card. In addition it is the Division Director's responsibility to discipline employee(s) and recoup monies from the employee(s) responsible for improper or unauthorized purchases that are not related to City business.
3. Upon receipt of the City Credit Card, it is the responsibility of the Division Director to cut the card in half and immediately notify the Purchasing Agent. Initial notification should be made to the Purchasing Agent by e-mail. The Director or authorized designee is then responsible for forwarding the card and the Cancellation of an Individual Procurement Card Form within a 24-hour period of the attention of the Purchasing Agent, 125 North Main, Room 354, Memphis, TN. 38103.
4. Non-compliance of the procedures on lost or stolen cards.



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TRANSACTION APPROVAL

Approval of the transactions that cardholders have made using the credit cards will not be totally defined in this directive. Division Directors and the authorized designees, because of their knowledge of the job responsibilities of cardholders, are required to look at each cardholder's purchases, and at the merchant who made the sale in order to determine if these items were for official use and if they were items allowed to be purchased in accordance with the instructions provided. If for any reason the Division Director or authorized designee questions the purchase(s), it is their responsibility to resolve the issue with the cardholder. If they cannot be satisfied that the purchase was necessary and for official use, then the cardholder must provide a Credit Voucher proving item(s) had been returned for credit, or a personal check for the full amount of the purchase. Resolution for improper use of the credit card will be the responsibility of the Division Director or authorized designee to resolve and disciplinary action for misuse will also be that office's responsibility to process.

TRANSACTION DISPUTES

1. If items purchased with the credit card are found defective or the repair or services faulty, the cardholder has the responsibility to return item(s) to the merchant for replacement or to receive a credit on the purchase. If the merchant refuses to replace or correct the faulty item(s), then the purchase of the item(s) will be considered to be in DISPUTE.
2. A disputed item must be noted on the cardholder's Statement of Account. All disputes must be reported to the Customer Service phone number listed on the purchasing card paperwork received when the card was issued. Keep Purchasing informed.
3. It is essential that the time frames and documentation requirements established by the credit card issuer be followed to protect the cardholder's rights in DISPUTE. Dispute policies and procedures issued by the credit card issuer will be provided at the time credit cards are issued to cardholders.

SEMI-ANNUAL INVENTORY OF CREDIT CARDS

On a semi-annual basis, the Purchasing Office will provide a list of credit cards with spending limits issued to employees for each Division. The Division Director will monitor and determine whether there is an ongoing need for the current credit limit and/or cardholder account. The Division Director must submit a detailed signed letter to the Purchasing Agent validating the need for each procurement card and credit limit each January and July of the calendar year.



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LOST OR STOLEN CREDIT CARDS

1. Should any employee lose or have the credit card stolen. It is the responsibility of the cardholder to immediately notify the credit card issuer and the Purchasing Office of the loss. The telephone number of the credit card issuer will be provided when the credit card is issued to the cardholder.
2. In addition to notifying the credit card issuer, the cardholder must notify their Division Director or authorized designee and the Purchasing Office of the lost or stolen credit card within ONE WORKDAY after discovery of the loss or theft of the card. The Division Director or authorized designee will be required to make a written report to the Purchasing Office within FIVE WORKDAYS, which will include the complete information on the loss, the date the loss was discovered, the location where the loss occurred, if known, the purchases that the cardholder had made prior to the loss, and any other information that may be considered as needed.

DAMAGED CARDS

1. Should the card of any employee become damaged or unreadable, it is the responsibility of the cardholder to notify the Purchasing Office by email that a replacement card is needed. Purchasing will request a new card from the credit card issuer and will notify the cardholder when the new card arrives.
2. The damaged card must be brought to the Purchasing Office at the time the new card is released.

TRANSFERRING EMPLOYEE OR TERMINATING EMPLOYMENT

1. Credit cards are issued to individual employees. If an employee leaves City Government, the card must be collected and destroyed. The Division Director or authorized designee will be responsible for collecting and destroying the card and providing a Cancellation of an Individual Procurement Card Form to the Purchasing Office. The Purchasing Office will contact the financial institution which issued the card, that the card has been destroyed.
2. Should a cardholder be transferred within the City to another Division, it will be the new Division Director or authorized designee who will determine if the employee should be issued a new credit card in the new position. The Billing Change of an Individual Procurement Card Form can be used if both the Current and New Director agrees.
3. In the event the Division Director or authorized designee is not able to collect the credit card when an employee leaves, the Division Director shall notify the Purchasing Office immediately by telephone and follow-up with a completed Cancellation of an Individual Procurement Card Form to take action to ensure the



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credit card is voided. The Purchasing Office will notify the card issuer to void the credit card to prevent any purchases after the employee leaves.



**CITY OF MEMPHIS
BILLING CHANGE OF AN INDIVIDUAL
PROCUREMENT CARD**

Date _____

Division Name _____

Legal Level Name _____ Legal Level Number _____

Cardholder's Name _____

Account Number _____

(last five numbers)

BILLING CHANGE INFORMATION BELOW

Division Name _____

Legal Level Name _____

Legal Level Number _____

New Address _____

Credits \$ _____

Single Purchase \$ _____

Justification: _____

Cardholder's Signature _____ Date _____

Service Center Manager _____ Date _____

Current Division Director _____ Date _____

New Director _____ Date _____

Purchasing Agent _____ Date _____

THIS FORM MUST BE APPROVED BY THE SERVICE CENTER MANAGER, DIVISION DIRECTORS AND PURCHASING AGENT.



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**CITY OF MEMPHIS
CANCELLATION
OF AN INDIVIDUAL PROCUREMENT CARD**

Date _____

Division Name _____

Legal Level Name _____

Legal Level Number _____

Cardholder Name (type or print) _____

Account Number _____
(Last five numbers)

Reason for Cancellation:

Service Center Manager _____ Date _____

Division Director _____ Date _____

Purchasing Agent _____ Date _____

**THIS FORM MUST BE APPROVED BY THE SERVICE CENTER MANAGER,
DIVISION DIRECTOR AND THE PURCHASING AGENT**



CITY OF MEMPHIS PROCUREMENT CARD REGULATION

CITY OF MEMPHIS
CHANGE THE LIMITS
OF AN INDIVIDUAL PROCUREMENT CARD

Date _____

Division Name _____

Legal Level Name _____ Legal Level Number _____

Cardholder (type or print) _____

Account Number _____

(last five numbers)

Limit Change:

Table with 3 columns: Type of Purchase, Current Amount, Requested Amount. Rows include Credits and Single Purchase.

JUSTIFICATION

Four horizontal lines for justification text.

Cardholder's Signature _____ Date _____

Service Center Manager _____ Date _____

Division Director _____ Date _____

Purchasing Agent _____ Date _____

THIS FORM MUST BE APPROVED BY THE SERVICE CENTER MANAGER, DIVISION DIRECTOR AND PURCHASING AGENT.



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CITY OF MEMPHIS
REQUEST
FOR AN INDIVIDUAL PROCUREMENT CARD

Date _____

Name (type or print) _____

Division Name _____

Legal Level Name _____ Legal Level Number _____

Signature of Employee _____

SIGNATURE ACKNOWLEDGES THAT EMPLOYEE HAS READ PROCUREMENT POLICY

Statement Address

Account Setting

Merchant Category Code ___ Yes ___ No

Limits

Credits \$ _____

Single Purchase \$ _____

Special Instructions

Service Center Manager _____ Date _____

Division Director _____ Date _____

Purchasing Agent _____ Date _____

THIS FORM MUST BE APPROVED BY THE SERVICE CENTER MANAGER, DIVISION DIRECTOR AND PURCHASING AGENT

