



COUNTY ADVISORY BULLETIN

CAB

Published by: County Commissioners Association of Ohio

37 West Broad Street, Suite 650 • Columbus, Ohio 43215-4195
Phone: 614-221-5627 • Fax: 614-221-6986 • www.ccao.org

Bulletin 2005-07

August 2005

SB 82 of the 125th General Assembly Amends the County Credit Card Law and Permits Boards of County Commissioners to Use Procurement Cards for Certain Work Related Purchases; also permits Boards of County Commissioners to Exempt County Expenditures of up to \$1000 from the Certification of Available Funds Law

Lead Sponsor: Senator Ron Amstutz (R- Wooster).

Senate Co-Sponsors: Randy Gardner (R-Bowling Green), Jacobson (R-Dayton), Mumper (R-Marion), Stivers, (R-Columbus), Harris (R-Ashland), Spada (R-North Royalton), DiDonato (D-New Philadelphia), Schuler (R-Sycamore Twp.), Hagan (D-Youngstown), Robert Gardner (R-Madison), Schuring (R-Canton), Brady (D-Cleveland), Carnes (R-St. Clairsville), Herington (D-Kent), White (R-Manchester).

House Co-Sponsors: Wolpert (R-Hilliard), Daniels (R-Greenfield), Cirelli (D-Canton), Collier (R-Mt. Vernon), Domenick (D-Smithfield), Flowers (D-Canal Winchester), McGregor (R-Gahanna), Price (D-Columbus), Schlichter (R-Washington C.H.), Sferra (D-Warren), Skindell (D-Lakewood), Ujvagi (D-Toledo), Wagner (R-Sycamore), Walcher (R-Norwalk), Aslanides (R-Coshocton), Book (D-Mc Dermott), Callender (R-Willowick), Calvert (R-Medina), Carmichael (R-Wooster), Chandler (D-Kent), DeBose (D-Cleveland), C. Evans (R-Rio-Grande), D.Evans (R-Newark), Gibbs (R-Lakeville), Hagan (R-Alliance), Hartnett (D-Mansfield), Hughes (R-Columbus), Jolivet (R-Hamilton), Niehaus (R-New Richmond), Olman (R-Maumee), Otterman (D-Akron), S. Patton (D-Youngstown), Schaffer (R-Lancaster), Schmidt (R-Loveland) Schneider (R-Madeira), Seitz (R-Cincinnati), Setzer (R-Vandalia), J. Stewart (R-Athens), Taylor (R-Uniontown), Webster (R-Hamilton), Young (R-Leroy).

Revised Code Sections Affected: 301.27 (amended), 301.29 (enacted), 5705.41(D) (amended).

Effective Date: February 11th, 2004.

Background on County Credit Card Law and County Procurement Card Law

Since 1980, county commissioners have been authorized to use county credit cards and to authorize any county appointing authority, upon application to the commissioners, to use a county credit card. The county credit card law, prior to and after the passage of SB 82, limits county credit cards to certain specified uses. ORC 301.27.

In order to provide county officials with greater flexibility in the use of county credit cards, SB 82 provides a board of county commissioners and other county appointing authorities through the commissioners with the option of acquiring and using county procurement cards for any lawful purpose identified by the board of county commissioners by resolution. ORC 301.29.

If your county currently uses county credit cards under the law prior to the enactment of SB 82, you may continue to hold and use county credit cards that are subject to the limitations of ORC 301.27. It is strongly recommended that you review the changes made by SB 82 and your county practices so that your credit card policies can be revised to conform with the new law.

Regardless of whether your county has used or continues to use county credit cards under the prior law, the new law permits any board of commissioners to establish a county procurement card policy, request proposals from issuers of procurement cards and enter into contracts with financial institutions for the use of county held procurement cards. While a board of commissioners retains the option of obtaining and using county credit cards under the more limited provisions of the county credit card law (ORC 301.27), it is recommended that commissioners who are contemplating expanded use of credit cards in county purchasing consider adopting a procurement card policy (ORC 301.29) because of the greater flexibility that this section of law provides to the county.

SB 82 also authorizes a board of commissioners to increase from \$750 to \$1000 the amount of expenditure that may be incurred without the certification of the county auditor (ORC 7505.41 (D)). The increase may apply to all purchases, to specific classes of purchases or to one or more specific items identified in the commissioners' resolution.

This county advisory bulletin summarizes the changes to the "county credit card law", explains the authority to acquire and use procurement cards under the "county procurement card law" and summarizes changes to the certification of availability of funds statute. In this bulletin references to the "county credit card law" mean ORC 301.27 and references to "county procurement card law" mean ORC 301.29.

Amendments to the County Credit Card Law

The revised county credit card law addresses the following issues:

- ▶ Definitions of key terms such as "credit card", and "gasoline and oil expenses."
- ▶ Work Related Expenses for which a County Credit Card May Be Used.
- ▶ "Officer" Defined. Permission for a County Appointing Authority to Apply for a Card.
- ▶ Payment of Debt Incurred in the Use of a Credit Card.
- ▶ Approval of Credit Card Expenditures.
- ▶ Procedure for Approving Estimated Credit Card Expenses for a Month.
- ▶ Procedure for Approving Estimated Credit Card Expenses for Multi-month Requests.
- ▶ Procedure for Exempting Expenditures from the Prior Estimate Requirement.
- ▶ Procedure for Handling Expenditures in Excess of Estimated and Appropriated Amounts.
- ▶ Loss, Theft or Unauthorized Use of a Credit Card.

Definition of Key Terms

The law defines a county “credit card” to include gasoline and telephone credit cards, but excludes any procurement card issued under ORC 301.29. In addition to gasoline and telephone cards, this means that county credit cards may include Visa, MasterCard and other standard cards that the county may have obtained. The purpose of excluding procurement cards from this definition is to force counties that wish to acquire and use procurement cards to utilize the competitive selection process found in the procurement card law. By specifically excluding a procurement card from the definition of county credit card, it is also hoped that county officials will recognize the differences and not confuse the two types of cards.

The law defines “gasoline and oil expenses” and “motor vehicle repair and maintenance expenses” to refer only to those expenses incurred for motor vehicles owned or leased by the county.

Work Related Expenses for which a County Credit Card May Be Used

A credit card held by a board of county commissioners or any other county appointing authority may be used only to pay for the following work related expenses:

1. Food expenses.
2. Transportation expenses.
3. Gasoline and oil expenses.
4. Motor vehicle repair and maintenance expenses.
5. Telephone expenses.
6. Lodging expenses.
7. Internet service provider expenses.
8. Expenses for purchases for children for whom a public children services agency is providing temporary emergency care pursuant to ORC 5153.16, children in the temporary or permanent custody of the agency, and children in a planned permanent living arrangement.

The new law eliminates references to “minor motor vehicle repairs” and “emergency motor vehicle repair expenses” on the assumption that these items are included under “motor vehicle repair and maintenance expenses”.

The new law generally prohibits late charges or finance charges as an allowable expense unless authorized by the board of county commissioners.

Officer Defined. Permission for a county appointing Authority to Apply for a Card.

The law defines an “officer” to include an individual who is also an appointing authority. The law specifically authorizes any county appointing authority to apply to a board of commissioners for authorization to have a card. Cards may be issued exclusively in the name of the office of the appointing authority or they may additionally include the name of a specified officer or employee. In order to insure maximum accountability, it is strongly recommended that cards always be issued and assigned to a specific person with his or her name on the card.

Payment of Debt Incurred with the Use of a Card

The law specifies that the debt incurred as a result of using a credit card must be paid from moneys appropriated to the “specific appropriation line items” of the appointing authority for work related expenses listed in the law. A credit card user must match an expense to an appropriation line item and then list the specific appropriation line item from which a credit card expense can be paid.

Approval of Credit Card Expenditures

There are essentially three procedures, one of which must be used by anyone who has been authorized to use a county credit card before expenses may be incurred on the card.

The first procedure requires that before expenditures can be made in any one month that a request must be submitted to the county commissioners before the first day of that month that includes an estimate of the amount of expenditures that will be made during that month. The second procedure is essentially the same as the first except that the person authorized to use a credit card may submit an estimate of expenses before the first day of a month for a period of more than one month. The third procedure permits the county commissioners to adopt a resolution that authorizes a person who has been permitted to use a credit card to use that card without submitting an estimate in advance. The following sections will explain each of these options.

Procedure for Approving Estimated Credit Card Expenses for a Month

The law requires every person authorized to use a credit card held by the board or an appointing authority to submit to the commissioners by the first day of each month an estimate of the person’s work related expenses for that month. A revision to the law requires the person using the card to provide the commissioners with the “specific appropriation line items from which those expenditures are to be made.” The commissioners may reduce the amount or approve any amount not to exceed the estimated amount. The commissioners may also disapprove the entire amount. If the commissioners approve an amount, they must certify the amount of their determination to the county auditor along with the “specific appropriation line items” from which the expenditures are to be made. When the county auditor certifies that funds are available from the specific appropriation line item for which the credit card is approved for use, then the commissioners authorize the use of the credit card for up to the authorized amount.

Procedure for Approving Estimated Credit Card Expenses for Multi-month Requests

Following the procedure outlined above, the commissioners may adopt a resolution providing that persons to whom a credit card has been issued may submit an estimate for more than one month. The time period could be for two, three or any number of months not to exceed the end of the fiscal year. This provision provides the commissioners and other county officials with additional flexibility in the use of a county credit card. One advantage of using multi-month requests is reduced paperwork for the commissioners.

Procedure for Exempting Credit Card Expenses from the Prior Estimate Requirement

As an alternative to the prior estimate requirement explained above, the law permits county commissioners to adopt a resolution that authorizes a person who has been granted the right to use a county credit card without submitting an estimate of credit card expenses in advance to the board. The law gives the commissioners two options for exempting credit card purchases from the prior estimate requirement:

- a. The exemption could apply to any or all of the specific classes of work related expenses for which a county credit card may be used.
- b. The exemption could apply to a specific credit card for any or all of the expenses for which a county credit card may be used.

The law requires the commissioners to notify the auditor before the resolution is adopted. It is recommended that the commissioners work with the auditor in crafting the resolution prior to adoption. The commissioners' resolution must clearly address the following issues:

1. Whether the exemption applies to a specific card and the number of that card.
2. Whether the exemption applies to one or more or all specific work related uses.
3. Whether the exemption applies to one or more individuals or all individuals authorized to use a card.

Use of any card under this exemption is still limited to the amount appropriated and encumbered in a specific appropriation line item for the permitted use or uses, or for a specific card as designated in the authorizing resolution. In order to comply with the requirement that the cardholder not exceed the funds available in a specific line item appropriation and be encumbered, it is suggested that commissioners consider using a blanket purchase order. Blanket purchase orders can be issued for amounts in excess of \$5000 and may be open for a full fiscal year. If a cardholder or an appointing authority wishes to expand the list of allowable uses beyond that in the original resolution, a new resolution with expanded authority must be adopted.

Procedure for Handling Expenditures in Excess of Estimated and Appropriated Amounts

If the county is using the monthly or multi-month estimate requirement and a credit card is used for more than the authorized amount, then the following procedures apply:

1. The appointing authority may request the commissioners to authorize, after the fact, the expenditure of any amount beyond the originally authorized amount.
2. The commissioners review the request and determine whether to approve or deny the request for all or part of the excess amount.
3. Before the commissioners may approve such a request, the county auditor must certify the availability of funds in the treasury or in the process of collection to the credit of the appropriate line item appropriation for which the credit card was used.
4. If the commissioners do not approve all or any part of the request from the county appointing authority, then the county treasury must be reimbursed as follows:
 - a. If the card is issued to a specific individual, then that person is liable in person and upon that person's official bond for the unpaid balance.
 - b. If the card is issued in the name of an office and not to an individual, then the appointing authority is liable on his bond and in person for the unpaid amount even if the appointing authority did not use the card or make the transaction that exceeded the estimate.
5. If the commissioners require the responsible person to repay the treasury, they must give written notice to the responsible person and the county auditor of the fact and the amount.
6. The person has thirty days to repay the treasury.
7. If the amount due is not repaid within thirty days, then the county prosecutor must recover the amount due by civil action.

If the county is using the specific line item appropriation as the controlling factor for credit card expenditures and for any reason that line item appropriation is exceeded with the use of a credit card, the county must be reimbursed as follows:

1. If the card is in the name of an individual, then that individual is liable personally and on his or her bond for repayment.
2. If the card is in the name of the officeholder, then the officeholder is liable personally and on his or her bond for repayment.

It should be noted that the county auditor may also be subject to an audit citation by the state auditor if it is determined that the county auditor certified a purchase order for which there was an insufficient appropriation.

SB 82 removes the option that was available under prior law that permitted an appointing authority to request the commissioners to issue a supplemental appropriation or make a transfer to cover any amount spent beyond the originally appropriated amount. If a credit cardholder is approaching the appropriation limit, a supplemental appropriation or a transfer should be

requested before the cardholder exceeds the appropriated amount in order to comply with the law.

As was the case with expenditures that exceeded the estimated amount and reimbursement was required, if a credit card expenditure exceeds the specific line item appropriation, then the responsible person must be notified and is subject to possible civil action if payment is not made within thirty days of notification.

Loss, Theft or Unauthorized Use of a Credit Card

Anytime a cardholder suspects that a county credit card has been lost, stolen, or been used for an unauthorized or unlawful purpose, the cardholder is required to provide immediate written notice to the county auditor and the cardholder's appointing authority or the board of commissioners. If the county auditor determines that there has been a credit card expenditure beyond the appropriated or authorized amount or for an unlawful purpose, the auditor must immediately notify the board of commissioners. If the commissioners determine or are advised that there has been an expenditure beyond the appropriated or authorized amount, the commissioners must give written notice to the auditor and the cardholder or appointing authority, as appropriate. If the county treasury is not reimbursed within 30 days, then the county prosecutor is obligated to recover the amount in question by civil action in court.

Use of a county credit card for any purpose not specifically authorized in Division (B) of ORC 301.27 is unauthorized use of a credit card and is subject to criminal penalties for misuse of a credit card under ORC 2913.21.

Permissive Authority to Use Procurement Cards – Background

SB 82 permits any board of commissioners to adopt a policy, with the advice of the county auditor, for the use of county procurement cards. The Act authorizes the commissioners to issue a request for proposals from issuers of procurement cards, and, with the advice of the county auditor and county treasurer, enter into contracts with one or more credit card issuers for the use of county procurement cards.

Procurement cards may be used to make frequent small dollar purchases in a manner that reduces paperwork and processing time. Procurement cards are an alternative to traditional purchasing and can be used to reduce the number of purchase orders and payments processed. A procurement card program can also reduce or eliminate the need to use personal funds reimbursed by expense report.

Other benefits of such a program include an expanded list of eligible vendors from whom purchases can be made; accelerated payment to vendors; expedited delivery of goods; reduced paperwork; reduced overall transaction processing costs per purchase; and improved ability to set and control purchasing based on types of goods and services and dollar amount.

Revised Code 301.29(C)(2) requires the county auditor to consult with the Auditor of State when designing internal controls related to procurement cards. The Auditor of State has reviewed the sample policy provided by the County Auditor's Association (Attachment A to this bulletin). The Auditor of State will deem policies generally consistent with the sample policy to be acceptable.

During state audits of 2005 county financial statements, the Auditor of State will review these policies and test selected controls related to procurement cards.

County Procurement Card Law

The county procurement card law addresses the following issues:

- ▶ Definition of Key Terms such as “Officer” and “Procurement Card.”
- ▶ Establishing the County Procurement Card Policy.
- ▶ Advertising a Request for Proposals (RFP) from Issuers of Procurement Cards.
- ▶ Payment of Debt Incurred in the Use of a Procurement Card.
- ▶ Payment of Procurement Card Expenses.
- ▶ Procedure for Paying Estimated Procurement Card Expenses for a Month.
- ▶ Procedure for Paying Estimated Procurement Card Expenses for Multi-month Requests.
- ▶ Procedure for Exempting Expenses from the Prior Estimate Requirement.
- ▶ Permissive Authority for Commissioners to Waive the Certification Requirement for Expenditures of up to \$1000.
- ▶ Prohibition on Using Procurement Cards to Circumvent Competitive Bidding.
- ▶ Procedure for Handling Expenditures in Excess of Estimated or Appropriated Amounts.
- ▶ Loss, Theft or Unauthorized Use of a Procurement Card.
- ▶ Administration of Procurement Card Program.

Definition of Key Terms

The Procurement card law defines an “officer” to include an individual who also is an appointing authority. The law permits any county appointing authority to apply to the board of commissioners for authorization to have an officer or employee of the appointing authority use a procurement card held by that appointing authority. The authorization request must indicate whether the card is to be:

1. Issued only in the name of the appointing authority; or
2. If the card is to include the name of a specified officer or employee.

As was previously indicated regarding the county credit card law, the county will achieve greater accountability if every card is assigned to a specific officer or employee and that individual’s name is on the card.

A “procurement card” means a “financial transaction device” as defined in the county credit card acceptance law (ORC 301.28) but excludes any credit card authorized under the “county credit card law” (ORC 301.27). The county credit card acceptance law defines a “financial transaction device” to include “a credit card, debit card, charge card or prepaid stored value card”. While the law permits the use of all the types of cards listed here, the commissioners’ policy should limit the types of cards that may be obtained and the use of those cards to the specific needs of the county offices that request the cards.

The law limits the use of a procurement card held by a board of commissioners or the office of any county appointing authority to pay only work related expenses. As will be indicated in the

next section, work related expenses are only those lawful expenses identified in the commissioners' resolution establishing a county procurement card policy. The law generally prohibits late charges and finance charges unless authorized by the board of commissioners.

Establishing the County Procurement Card Policy

The law permits any board of commissioners, by resolution, with the advice of the county auditor to adopt a procurement card policy for the use of such cards. The law requires the commissioners' resolution to limit the use of a procurement card in the following ways:

1. Limit payments to one or more specific work related expenses or specific classes of work related expenses;
2. Limit procurement card transactions to a specific number of transactions per day, month, quarter, or longer period of time;
3. Limit transactions by supplier or work-related expense; and
4. Limit the card to daily and monthly spending limits.

In addition to the aforementioned limitations on the use of procurement cards, the law requires the commissioners, after consulting with the county auditor, to include in their resolution at a minimum the following administrative controls:

1. An aggregate amount that may be incurred through use of each card within a day, week, or month;
2. Classes of permissible goods and services that may be purchased with a procurement card;
3. In case a procurement card is misused, a procedure for revocation of the card.

Finally, the law directs the county auditor to develop internal accounting controls in consultation with the Auditor of State for the implementation of a procurement card program.

County commissioners should work very closely with each appointing authority requesting a procurement card to make sure that the permitted uses of a procurement card are carefully tailored to meet the needs of that particular appointing authority while protecting the public against improper use of the card.

If a board of commissioners receives one or more request(s) from appointing authorities asking for a procurement card, or if the commissioners determine on their own initiative that one or more offices that report to the commissioners could improve efficiency with a procurement card, it is suggested that the commissioners notify all the appointing authorities in the county of their intention to obtain procurement cards through a request for proposals from issuers of procurement cards.

The commissioners' notice might indicate the commissioners' intention to issue a RFP and ask each office if they wish to participate in the RFP by having one or more procurement cards issued to any employees or officers of any interested appointing authority. Any office or appointing authority expressing interest in having a procurement card should be included in a working group or committee of interested parties that can assist the commissioners in preparing a request for proposals.

It should be stressed that the total number of cards obtained by the county and the specific uses of those cards assigned to individual employees or officers will be dependent, in part or in total, on which offices request the cards and the duties of each office. The bottom line is information regarding the number of cards needed and the proposed use of the cards must be available to the county commissioners and the county auditor as the county procurement card policy is developed. The county procurement card policy must be prepared and adopted before the county can issue a RFP as detailed in the following section.

Advertising a Request for Proposals (RFP) from Issuers of Procurement Cards

If a board of commissioners adopts a procurement card policy, then the commissioners must advertise a request for proposals from issuers of procurement cards in a newspaper of general circulation in the county at least once a week for two consecutive weeks. The date the proposals are due may not be less than ten days after the last day of the second week in which the request is advertised. The advertisement must specify the following:

1. The purpose of the request.
2. The type of procurement card or cards sought.
3. The date by which proposals must be received.

In addition to the newspaper advertisement, the commissioners may also post the advertisement by electronic means, including posting the advertisement on the county's internet website. If the commissioners post the advertisement on the county's internet website, the commissioners may eliminate the second newspaper advertisement if the first notice published in the newspaper meets all of the following requirements:

1. It is published at least two weeks before the date for receipt of proposals.
2. It includes a statement that the notice is posted on the county's internet website.
3. It includes the county's internet address on the web.
4. It provides instructions for accessing the advertisement on the county website.

After seeking the advice of the county auditor and county treasurer, the commissioners may enter into one or more contracts with issuers of cards that submit timely proposals. Before entering into a contract, the commissioners must adopt a resolution stating the contract's intent and guidelines for the use of the cards that are consistent with the limitations and administrative

controls included in the commissioner's procurement card policy and internal accounting controls adopted by the county auditor.

Payment of Debt Incurred in Use of a Procurement Card

Similar to the credit card law, any county debt incurred as a result of the use of a procurement card must be paid from moneys appropriated to specific line items of the appointing authority.

Payment of Procurement Card Expenses

Similar to the credit card law, there are three alternative procedures by which a board of commissioners may approve expenses for any county employees who have been authorized to use a county procurement card. The three procedures are:

1. Before expenditures can be made in any one month a request must be submitted to the county commissioners before the first day of that month that includes an estimate of the amount of expenditures that will be made in that month.
2. Same as previous procedure except that the person authorized to use the procurement card may submit an estimate of expenses before the first day of a month for a period of more than one month, but not to exceed the end of the fiscal year.
3. Authorize a person who has been authorized to use a procurement card to use that card without submitting an estimate in advance.

The following sections explain each of these options.

Procedure for Approving Estimated Procurement Card Expenses for a Month

The procedures for approving procurement card expenses monthly are the same as those previously described for credit cards.

Procedure for Approving Procurement Card Expenses for Multi-month Requests

The procedures for approving multi-month procurement card expenses are the same as those previously described for credit cards. The time period could be for two, three or any number of months not to exceed the end of the fiscal year. One advantage of multi-month estimates is it reduces that amount of paperwork for the commissioners and the auditor. However, it may be more difficult for the card holder and the commissioners to accurately estimate expenses for several months.

Procedure for Exempting Procurement Card Expenses from the Prior Estimate Requirement

The procedures for exempting procurement expenses from prior approval are the same as those previously described for credit cards. An alternative to blanket purchase orders for procurement card expenditures not involving submission of a prior estimate is the

commissioners' authority to waive the certification of funds requirement under ORC 5705.41 (D) (2). This option will be explained in detail in the following Section.

Permissive Authority for Commissioners to Waive the Certification Requirement for Expenditures of up to \$1000

SB 82 increases from \$750 to \$1000 the amount of an expenditure that a board of commissioners may exempt from the certification of availability of funds requirement. The new law also eliminates the requirement under prior law that the commissioners must adopt any exemption of the certification requirement in each year for which the exemption is to apply. Under the new law, the commissioners may adopt the exemption at an increased level of \$1000 and may leave such an exemption in place on a continuing basis.

Commissioners are still required prior to the adoption of any waiver of the certification requirement to provide the county auditor with written notice and an opportunity to comment on the proposed waiver. Commissioners are still required to specify in their resolution as well as their notice to the auditor whether the exemption applies to all purchases, to one or more specific classes of purchases, or to the purchase of one or more specific items.

Prior to the enactment of SB 82, any person authorized to make a purchase in a county that had adopted such a resolution was required to prepare and file with the county auditor within three business days after incurring an obligation a written document specifying the purpose and amount of the expenditure, the date of the purchase, the name of the vendor and any additional information required by the state auditor.

The new law permits the commissioners to specify a time period other than three business days for filing with the county auditor an expense account form and the law also permits the commissioners to require the expense account information to be transferred electronically instead of in writing.

Finally, in addition to requiring the cardholder to submit in writing or electronically an expense account form specifying the purpose and amount of an expenditure, the date of purchase, the name of the vendor, and any additional information prescribed by the auditor of state, the expense account form must state "the specific appropriation items from which the expenditures are to be made."

Prohibition of Using Procurement Cards to Circumvent Competitive Bidding

Existing law generally requires any county purchase of goods and services with an estimated cost of \$25,000 or more to be competitively bid. The new law simply states that procurement cards are not to be used to circumvent the competitive bidding requirements of ORC 307.86. If a county wishes to acquire goods or services where the county realistically estimates the total cost of a particular good or service at more than \$25,000 during any fiscal year, even if the good or service is delivered incrementally or at intervals over the course of the year, the goods or services should be bid. The county may still elect to use a county procurement card to pay a successful vendor over time who has been awarded a competitive bid as the county draws down the order or takes delivery of the goods or services in question.

Procedure for Handling Expenditures in Excess of Estimated and Appropriated Amounts

The procedures regarding procurement card expenses in excess of monthly or multi-month amounts are the same as those previously described for credit cards.

The procurement card law is different from the credit card law in that it allows an appointing authority to request the board of county commissioners to approve a supplemental appropriation or a transfer if a procurement card is used for more than the amount appropriated. The commissioners have discretion to decide whether to approve a request for a supplemental appropriation or transfer. If a request is made and the commissioners approve that request, the supplemental appropriation or transfer must be to the specific line item appropriation to cover the amount charged beyond the originally appropriated amount.

If the procurement card is used for more than the originally appropriated amount and if for any reason that amount is not appropriated or transferred, then the county treasury must be reimbursed in the following manner:

1. If the card is issued in the name of a specific officer or employee, then that officer or employee is liable in person and upon any official bond for reimbursing the county treasury.
2. If the card is issued in the name of the office of the appointing authority, then the appointing authority is liable in person and upon any official bond for reimbursing the county treasury.

Loss, Theft or Unauthorized Use of a Procurement Card

The procedures regarding the loss, theft or unauthorized use of a procurement card are generally the same as those previously described for credit cards, except procurement cards may only be used for “work related expenses” identified by resolution in the commissioners’ procurement card policy. Use of a procurement card for any other purpose is unlawful use of a credit card and may subject the user to criminal penalties under ORC 2913.21.

Administration of Procurement Card Program

A primary responsibility of the county commissioners in utilizing the procurement card authority is developing a policy and guidelines for administration of the program. It is suggested that the commissioners work closely with the county auditor and other county offices interested in using the cards so that the policy and program can be developed to best meet the needs of each participating office. The procurement card policy will have to identify specific allowable transactions as well as prohibited transactions. Examples of authorized expenditures might be office supplies, building maintenance materials and supplies, and authorized travel expenses. Prohibited expenses should include cash withdrawals, entertainment and alcoholic beverages, as examples. In addition to establishing limits on the classes of permissible goods and services that could be purchased and transaction limits for each card by day, week, or month, the

commissioners with the advice of the county auditor will have to determine how the program will be administered.

At a minimum every county electing to use procurement cards will need to designate a program administrator who will be responsible for administration of the countywide program and establishment of the countywide policy adopted by the commissioners by resolution. Other duties of the program administrator might include training of cardholders, cardholder supervisors and agency coordinators and working with the card issuer on card use and vendor authorization problems. The commissioners could employ the program administrator directly, or with the consent of the county auditor or another appointing authority, the program administrator could be housed in the office of another appointing authority. If more than one office elects to use procurement cards, it is suggested that each office will need to designate agency coordinators who might be responsible for processing cardholder applications, suspensions and cancellations, resolving disputes with merchants, reviewing and reconciling card activity and maintaining a record of each cardholder and allowable uses.

Each participating county should prepare a cardholder acknowledgement form which will spell out the duties and responsibilities of the cardholder with respect to the use and possession of the card. Participating counties will also need to develop a procurement card purchasing log by which the cardholder will record and report the use of the card. Attached to this CAB is a very well drafted sample procurement card policy prepared by the Franklin County Auditor's office and adopted by the County Auditors' Association of Ohio. This sample policy includes a sample cardholder acknowledgement form as well as a procurement card purchasing log. The sample policy prohibits any payment of interest to the credit card company for late payment of any credit card balance due. It should be noted that while any county could prohibit the payment of such interest charges as part of their procurement card policy, state law does permit commissioners to authorize such payments. Likewise, the sample policy prohibits any cardholder from ever exceeding the amount appropriated for credit card expenses. While this might make sense as an appropriate county policy, it should be noted that state law does authorize county commissioners to make a supplemental appropriation or a transfer to cover any procurement card expense in excess of the original appropriated amount.

CCAO would like to thank the Franklin County Auditor's Office, the County Auditors' Association of Ohio and Pam Vest of the State Auditor's Office for reviewing and commenting on this Bulletin. Any errors or omissions, however, are the sole responsibility of CCAO. If you have questions or would like more information about this law, please contact Brad Cole of the CCAO staff at (614) 221-5627 or bcole@ccao.org

Attachment A – County Auditors' Association of Ohio Sample Policy

“ATTACHMENT A”

Procurement Card Program – Sample Policy and Procedures

Background

Procurement cards are designed to make small-dollar purchases in a manner that reduces paperwork and processing time. This program is an alternative to the traditional purchasing process and can significantly reduce the number of purchase orders and payments processed. The program can also help minimize or eliminate the need for the use of personal funds reimbursed by expense report.

Benefits include an expanded list of merchants from whom purchases can be made, accelerated payment to the vendor, expedited delivery of goods, reduced paperwork, lower overall transaction processing costs per purchase, and the ability to set and control purchasing dollar limits.

Authority

Ohio Revised Code (ORC) Section 301.29 permits counties to use procurement cards. The Board of County Commissioners, with the advice of the County Auditor, shall formulate the policy for the use of the cards. The resolution shall set limits for spending, activity and allowable expenditures as well as administrative controls that the board determines, after consulting with the County Auditor, will be sufficient for use of a procurement card. The County Auditor shall develop internal accounting controls in consultation with the Auditor of State.

General Information

The procurement card program is not intended to avoid or bypass the competitive bid requirements of ORC 307.86, appropriation of funds process, approval process (including Data Board approval, as applicable), or payment process. Rather, the program complements the existing processes. Expenditures may not exceed appropriations under any circumstances.

The card can be used for in-store purchases as well as mail, e-mail, Internet, telephone and fax orders. It is not an ATM (automated teller machine) card or a debit card. The card is not to be used for personal or non-work-related purchases.

A “cardholder” is an individual who has been approved by an appointing authority to pay for certain work-related expenses with a procurement card. The cardholder is responsible for the security and physical custody of the card, and is accountable for all transactions made with the card. The cardholder must comply with the program’s record-keeping requirements (including retention of original receipts) for the protection of both the cardholder and the County. The cardholder is also responsible for timely reconciliation of the billing statement. Employees have a responsibility to report instances where the County’s policies and procedures are not being followed.

The card program carries corporate, not individual, liability. The cardholder’s personal credit history is not impacted in any way, and credit checks are not done on individual cardholders. Billings for authorized purchases will be paid with County funds.

Policies and Procedures

1. Selection of the procurement card issuer

The procurement card provider will be selected through the County's competitive bid process. As part of the evaluation process, the contractor's ability to support the County in the following areas will be assessed (*listing will be unique to each County; examples follow*):

- Maximum practical use of the procurement card to make low-dollar value, high-volume purchases of goods and services as well as to pay for travel-related expenses
- Maximum return to the County in the form of a rebate/revenue-sharing/travel awards program
- Minimal cost (such as no annual fees, no interest charged on current balances and minimal fixed fees, transaction fees and late payment charges)
- Soft dollar savings as a result of increased administrative efficiency and better resource allocation for County staff
- Internet-based/online program administration including workflow processes for card application, approval, suspension and cancellation; maintenance of cardholder profiles; control of approved merchant commodity codes; transaction reporting; account review and reconciliation
- Standard and custom reporting capabilities
- Support for the County's 1099 reporting requirements
- Ability to directly upload transactional data into the County's accounting system (*if County so desires*)
- Ability for the County to pay the card issuer electronically (*if County so desires*)
- Outstanding customer service through a toll-free, 24 hour, 365 day-a-year telephone number (*if County so desires*)
- Recognizable card including County's name, logo and phrase "For Official Use Only – Tax Exempt" printed on the face, and toll-free customer service telephone number printed on the back

A written contract will be signed between the County and the successful bidder. The agreement will include fee schedules, processing procedures, and rights and responsibilities of both parties.

2. Agencies' policies

Each elected official or executive head of an County agency will decide whether their agency will participate in the countywide procurement card program. A participating agency must adopt a formal policy specific to the agency's needs, with copies provided to the procurement card program administrator and the County Auditor.

3. Designation of the program administrator and agency coordinators

The Board of County Commissioners will designate an administrator for the procurement card program. This person will be responsible for administration of the countywide contract and for establishment of the countywide policy adopted through resolution by the Board of County Commissioners. Specific duties include but are not limited to troubleshooting problems encountered with card use or vendor authorization, following up on lost or stolen cards, training of agency coordinators.

In addition, each County agency that participates in the procurement card program will name a program coordinator. The agency coordinator will be responsible for *(listing of duties will be unique to each County; examples follow)* processing cardholder applications, suspensions, and cancellations; resolving disputes with merchants; reviewing and reconciling card activity; and maintaining cardholder profiles for the agency's card(s).

(Commissioners need to decide the extent to which program management will be centralized or decentralized. For instance, will all applications come to the program administrator? Will each agency coordinate work directly with the bank on cardholder profiles, disputed purchases, etc.? Will billing statements be sent to program administrator or to agency coordinators or to cardholders? Who will answer questions about the program?)

4. Establishment of card limits

Individual procurement cards are subject to the following maximum limits:

- | | |
|--|----------|
| 1. Daily spending per card: | \$ _____ |
| 2. Monthly spending per card: | \$ _____ |
| 3. Single transaction limit: | \$ _____ |
| (may not exceed \$1,000 per ORC 5705.41(D)(3)) | |
| 4. Daily number of transactions per card: | _____ |
| 5. Monthly number of transactions per card: | _____ |

Purchases may not be split to bypass the single transaction limit.

Through the cardholder application process, agencies will define limits for specific cardholders, not to exceed the limits established above.

5. Designation of allowed/unallowed transactions

The card may be used to purchase the following *(list will be set by Commissioners; examples follow)*:

- Subscriptions, books, video tapes
- Office supplies
- Computer supplies, software
- Building maintenance materials and supplies
- Authorized travel expenses

The card may not be used to pay for the following *(list will be set by Commissioners; examples follow)*:

- Capital equipment
- Entertainment
- Alcoholic beverages
- Services that are 1099 eligible
- Long-distance telephone charges

(A service is different from a tangible good. Examples of services are renting or repairing equipment, printing newsletters, catering an event, teaching a seminar. The County is required by federal law to report payment for services annually to the internal Revenue Service on Form 1099-MISC. If 1099 eligible services are allowed transactions under a county's program, then a

procedure will need to be included for getting the vendor information for issuing the 1099 and tracking purchases made by vendor through procurement cards.)

ATM, cash advance and all other cash-related transactions are strictly prohibited.

Through the cardholder application process, agencies will define allowed merchant commodity codes for specific cardholders within the parameters established above.

6. Sales and use tax

Purchases made with the County procurement card are tax-exempt. The name of the County agency and the words “tax-exempt” will be on each card.

If tax is charged inappropriately, the agency should present a tax exemption certificate to the vendor, and receive a credit for the unnecessary tax.

7. Application for procurement card and subsequent profile changes

(This section should outline the steps. Each County’s process will be unique, in conjunction with the card issuer and the level to which the County’s program is centralized or decentralized.)

Cards can be issued either in the name of the office of the appointing authority or in the designated individual’s name, with the appointing authority’s name clearly indicated as the buyer on the card. (It should be noted that one procurement card used by many employees lacks accountability and reduces the sense of individual responsibility.) An individual cardholder must be a current full-time County employee.

The application will specify monetary and transaction limits, as well as approved merchant commodity codes for the individual cardholder in compliance with sections 4 and 5 above. The agency coordinator will prepare the application, obtain the written approval of the agency’s top executive and forward it to the program coordinator. The program administrator also approves the application and submits it to the card issuer. The issuer assigns a card number and notifies the program coordinator who, in turn, notifies the County Auditor and the agency coordinator.

Once a card has been issued, an agency may later wish to modify the card’s limits such as adding approved merchant commodity codes or raising the daily dollar limit. Any changes or updates to a cardholder’s name, address, telephone number, spending limits or merchant commodity codes should be initiated by the agency coordinator and approved by the program administrator. Supervisory approval is required to change spending limits. *(This section should outline the process for making profile changes. Each County will be unique.)*

8. Cardholder acknowledgment and responsibilities

The cardholder is responsible for the physical custody of card, and for maintaining confidentiality of all information relating to the card such as the account number and expiration date. The card is not to be loaned to anyone.

The cardholder will sign a written acknowledgment (see attached sample) indicating that the cardholder understands the intent of the program and agrees to adhere to the policy and guidelines established by the Commissioners as well as those established by the cardholders’ appointing authority. The appointing authority will retain the signed acknowledgment, and will forward a copy to the program administrator.

9. Making purchases; record-keeping

a. Purchase orders

An encumbrance must be established for each card. The purchase order will be opened in the name of the card issuer. The purchase order amount should be set based on the monetary and transaction limits established for the card and projected spending. This helps ensure that expenditures do not exceed available appropriations.

(For accounting purposes, the County may choose to use a unique account code for procurement card purchases. If agencies need to capture costs more distinctly for legal, tax or contractual reasons, either multiple cards should be issued representing these specific accounts or costs can be transferred through journal entry to the correct account code.)

b. Quotes

The card may be used to purchase from state, countywide or individual vendor contracts. If the planned transaction is not covered by one of these contracts and is expected to exceed \$_____, then quotes should be obtained and documented in accordance with County and agency purchasing guidelines.

c. Original receipts

When making a purchase, the cardholder should obtain and retain the original receipt. The receipt must contain the vendor's name, date of purchase, itemized description of purchase, per unit price and extended price. The cardholder will match and attach receipts to billing statements as part of the account reconciliation.

d. Internet, telephone and fax purchases

Procurement cards may be used to purchase goods over the Internet, telephone or fax. These purchases must be evidenced by an order confirmation along with either the original packing slip that accompanied the purchased goods or an itemized receipt.

When using the Internet, the cardholder must make sure the web site where the card information is being placed is secure, and that all account numbers are encrypted while being passed electronically. A cardholder can determine if the web site address is secure in two ways:

- (1) An Internet web site is secure when the address changes from <http://www> to <https://www>. The "s" stands for secure.
- (2) A symbol resembling a "lock" will appear at the bottom of the browser. The "lock" symbol signifies that the web site is secure and that all card numbers will be encrypted when passed.

Cardholders will be held responsible for all orders placed, even those with vendors that turn out not to be legitimate businesses.

The cardholder should inform the vendor that the purchase will be paid through the County procurement card, and that the purchase is tax exempt. The cardholder should also ensure the vendor will comply with the requirements of items **c** (above), and **e** and **f** (below).

e. Declined attempts

The procurement card will be declined if one of the embedded limits is exceeded, if the merchant commodity code is blocked, if the card issuer has a security concern because of a spending pattern, or, sometimes if the “bill to” address does not match the “ship to” address. *(Each county will have unique instructions as to what a cardholder should do in these circumstances.)*

f. Agent, acceptance or service fees

(The County may wish to include a statement as to whether these types of fees will be paid, and what the maximum fee will be. Also, the County may wish to include procurement card language in vendor contracts, and prohibit the vendors from charging service fees.)

Some companies charge an agent, acceptance or service fee in order to process a credit card charge. If the fee is disclosed upfront, the allowable dollar limit on the fee is five percent of the total bill, not to exceed \$50.00. If the fee is **not** disclosed upfront, the fee needs to be disputed immediately, regardless of the fee amount. If the purchase is being made on state term or countywide contract, the vendor is prohibited from charging additional fees for use of a procurement card. The agency coordinator and/or program administrator should be notified immediately of this breach of contract.

g. Vendor invoices

Vendors should not invoice the cardholder for purchases made with the procurement card. The vendor will be paid by the card issuer, not by the county. However, the cardholder must always receive an itemized receipt or order confirmation.

h. Purchasing log

Each cardholder will maintain a purchasing log (see attached sample). The log records the transaction date, vendor name, the merchandise purchased, dollar value of sale, how the order was placed (via Internet, phone, fax, mail or in person) and state term, countywide or individual contract number (if applicable). A separate line is required for each purchase. The receipt for each purchase should be stapled to the log to expedite reconciliation with the billing statement. The log must be reviewed and signed by a supervisor or someone designated by the appointing authority. Cardholders cannot review and authorize their own purchasing logs.

i. Monitoring card activity

Certain County employees, such as the program administrator, agency coordinators, and County Auditor staff, will have access to view and monitor card activity. This review can occur at any time.

10. Account reconciliation and payment of procurement card billing

Each cardholder will receive a statement identifying all transactions made during the billing cycle. The cardholder will reconcile the statement’s accuracy against the purchasing log and receipts. The reconciled statement, the purchasing log and the supporting receipts should then follow the County agency’s standard process for paying bills. Payment cannot be made until the cardholder confirms receipt of the goods or services. A quote or backorder notice is not substantive evidence of the occurrence of the transaction.

The appointing authority or their designee is responsible for reviewing the log for appropriateness of purchases made with the card and for approving each statement for each cardholder under their supervision. The approval must be evidenced by the approver's signature. Once approved for payment, the agency must submit the original statement, purchasing log and supporting receipts to the County Auditor. The County Auditor will issue payment, either by warrant or electronically.

Timely completion of the reconciliation is imperative to minimize interest charges. The reconciliation process must be completed within five business days of receiving the cardholder statement. If this time frame cannot be met for any reason, the agency coordinator must notify the program administrator.

There may be occasions when an item on the billing statement does not match the purchasing log entry and/or retained receipt. For instance, the amount may be incorrect.

11. Returns, credits and dispute resolution

Sometimes, there is a problem with a purchased item or service. Examples include broken merchandise, the billed amount does not match the quote, the billed amount includes sales tax, the statement contains a charge not recognized by the cardholder, or the statement contains duplicate charges from a vendor. In these instances, the cardholder should try to resolve the dispute with the supplier or merchant. If the purchased item needs to be returned for any reason, send the item back to the supplier and request a credit to the procurement card account. Notify the agency coordinator so they can verify that the credit appears on a subsequent statement. The cardholder cannot accept cash or a rain check instead of a vendor credit.

If the dispute cannot be resolved, the cardholder should contact the program administrator. *(The process from this point will be unique to each county in conjunction with their card issuer.)*

12. Late fees or finance charges

No late fees or finance charges shall be paid unless authorized by the Board of County Commissioners.

13. Lost or stolen cards

If the card is lost or stolen, the cardholder must notify the card issuer immediately. Upon receipt of the phone call, further use of the card will be blocked. Prompt action will reduce the liability for fraudulent charges. The cardholder must confirm the phone call by written notification to the card issuer via mail or fax, with copies to the program administrator, the agency coordinator and the County Auditor. The date and time of the phone report of the lost or stolen card should be included in the written notification. The program administrator will initiate issuance of a replacement card.

14. Suspension or cancellation of card

The agency coordinator will initiate suspension or cancellation of the card, and will notify the program administrator and the County Auditor that such action has been taken. Cardholders who terminate their employment or whose job duties change and no longer include purchasing must surrender the card immediately. The agency coordinator will cut canceled cards in half. Cardholders on extended leave or reassignment may have their card suspended. Intentional use of the card for personal purchases or for purchases made in violation of County policy will

result in card cancellation. *(This process to suspend or cancel a card, including cancellation due to termination of cardholder's employment, will be unique for each county depending on centralized or decentralized program, and card issuer's procedures.)*

15. Penalties for improper use of card

The card is to be used only by the cardholder to pay for authorized, work-related expenses. The cardholder is not allowed to lend the card to someone else. The card may not be used to pay for personal transactions. Improper use of the card can be considered misappropriation of County funds. This may result in disciplinary action up to and including termination of employment. Improper use can result in revoking the card. In addition, the cardholder is personally liable for payment of improper purchases, and subject to criminal prosecution.

16. Training

(The county may require agency coordinators and/or cardholders to receive training about the procurement card program.)

All cardholders and agency coordinators must attend training on the policies and procedures associated with the County's procurement card program. They must be informed on all sources of information relevant to the program.

**COUNTY PROCUREMENT CARD PROGRAM
CARDHOLDER ACKNOWLEDGMENT**

The procurement card represents the County's trust in you. You are empowered as a responsible agent to safeguard County assets. Improper use of this card can be considered misappropriation of County funds. This may result in disciplinary action up to and including termination of employment. Your signature below verifies that you have read the County and agency policies and procedures and agree to comply with them as well as with the following responsibilities. Your signature also acknowledges that you have received Card #_____.

1. I understand the card is for County-approved purchases only, and I agree not to charge personal purchases.
2. I understand that all charges will be billed directly to and paid directly by the County. The bank cannot accept any monies from me directly. Therefore, any personal charges billed to the County could be considered misappropriation of County funds.
3. The card is issued in my name. I will not allow any other person to use the card. I am accountable for any and all charges against the card.
4. If the card is lost or stolen, I will immediately notify the card issuer by telephone. I will provide the card issuer written notification by mail or fax, with copies to the program administrator and my agency coordinator.
5. As the card is County property, I understand that I am required to comply with internal control procedures designed to protect County assets. This may include being asked to produce the card to validate its existence and account number.
6. I will record all transactions on a purchasing log, attaching the related receipts. I will receive a monthly statement listing all activity during the statement period, and will reconcile it with the purchasing log. I will resolve any discrepancies by contacting the vendor first, and then involving the program administrator, when necessary.
7. I have received a copy of the County's and the agency's policies and procedures for the procurement card program. I understand the program requirements and agree to follow them. Failure to do so may result in revocation of the card or other disciplinary action.
8. I understand the card is not provided to all employees. Assignment is based on my need to pay for work-related expenses. My card may be revoked based on change of assignment or location. I understand that the card is not an entitlement, nor reflective of title or position.
9. I agree to surrender the card immediately upon termination of employment, whether for retirement, voluntary or involuntary reasons.

Employee Signature

Employee Printed Name

Date: _____

Authorized by: _____
Signature

Authorized by: _____
Printed Name

Date: _____

