



SOUTHEAST METRO STORMWATER AUTHORITY

PURCHASING CARD HANDBOOK



March 1, 2014

Attached is the Southeast Metro Stormwater Authority Purchasing Card Handbook. The purpose of the handbook is to provide guidance as to the use of purchasing cards for official business as well as the documentation requirements to ensure accountability for the purchases. As stewards of public resources, SEMSWA purchasing card users must ensure that the cards are used properly and that all purchases are properly documented.

Purchasing cards function just like a VISA card and are accepted where VISA is accepted. Each card is subject to individual limits for each employee depending on need and use. The cards are easy to use and are intended to assist employees in carrying out their job responsibilities. For the most part, the use of the cards should eliminate the use of employees' personal funds to make purchases and thus the process of obtaining a reimbursement for those expenses.

Included in this handbook are the following:

- ❑ Purchasing Card Guidelines
- ❑ Copy of Resolution No. 35, Series of 2007, Adoption of Financial Policy for Use of Purchasing Cards
- ❑ Appendix A to Resolution No. 35, Series of 2007, Purchasing Card Minimum Guidelines promulgated by the State Department of Personnel and Administration (Note: The Resolution indicates "To the extent applicable, the Suggested Minimum Guidelines for the use of purchasing cards prepared by the Colorado Department of Personnel and Administration and audited by the Colorado State Auditor shall be followed." While these guidelines are not always applicable to SEMSWA, they nevertheless provide guidance as to the proper use of purchasing cards.)
- ❑ Purchasing Card Log Sheet
- ❑ Undocumented Purchase Form
- ❑ Acknowledgement Form

After reading this handbook, the employee must sign the acknowledgement form and all approvals must be obtained before a purchasing card will be issued.

SEMSWA Purchasing Card Guidelines

The use of purchasing cards was approved by SEMSWA's Board of Directors in Resolution No. 35, Series of 2007 (Adoption of Financial Policy for Use of Purchasing Cards) to enable employees to more efficiently conduct their job responsibilities. The Board has placed limits on the use of the cards and the Executive Director is authorized to set limits for individual employees based on their purchasing card needs. As stewards of public resources, SEMSWA purchasing card users must ensure that the cards are used properly and that all charges are properly documented.

Purchasing cards are to be used for the purchase of materials and services in the open market. Although competitive bidding is not required to make a purchase with the card, employees should make every effort to ensure that the cost of each purchase is reasonable. Purchases should only be made for materials and services that are needed for the employee to perform his/her job and for SEMSWA to accomplish its objectives. Purchasing cards function just like a VISA card and are accepted anywhere VISA is accepted. The use of these cards should eliminate the use of an employee's personal funds to make business purchase, and thus eliminate the need for the employee to obtain a reimbursement for those expenses.

Business Meals – SEMSWA may pay for properly documented meals for which the primary purpose is a business discussion. Business meals must include at least one non-SEMSWA individual whose presence is necessary to the business discussion and only for those individuals whose presence is necessary to the business discussion.

Definition of Business Purpose/Expense

- Necessary – An expense is necessary if there is a valid business purpose required to fulfill the mission of SEMSWA. A necessary expense is a minimum purchase or service required to achieve a valid business objective.
- Reasonable – An expense is considered reasonable if it is not extreme or excessive and reflects a prudent decision and action to incur the expense. These guidelines do not define precise dollar amounts because the reasonableness of an expense depends upon many relevant factors including the business purpose, the context, the source of funds, and the circumstances surrounding the expenditure.
- Appropriate – Costs are appropriate if they are suitable or fitting for a particular business purpose. In order for a cost to be appropriate it is also presumed that there is a valid business purpose, which is normally the responsibility of the program or organization to determine.

The following questions should be considered when determining the appropriateness of costs:

- Could the cost be comfortably defended under public scrutiny?
- Would you be confident if the cost were selected for audit?

- Would you be comfortable reading about it in the newspaper?
- Would you be comfortable explaining to a ratepayer that their fee was used in this way?
- Has it been adequately documented?

Purchasing Cards and Travel – SEMSWA pays the current federal per diem rate for travel. Travel expenses should be paid directly to the employee as a Per Diem, however miscellaneous, unexpected, and appropriate charges may be charged to the Purchasing Card.

Tax-Exempt Status – SEMSWA's tax-exempt number is printed on the front of every purchasing card. Prior to making a purchase, the employee should notify the vendor that the purchase is tax-exempt. If needed, the office can provide a copy of SEMSWA's tax-exempt certificate to the vendor as proof of its tax-exempt status.

Documentation – Proper documentation must be kept to support each and every purchase. Acceptable documentation includes, original cash register receipts; a signed delivery packing slip with amounts listed; order forms for dues, subscriptions, registrations, or similar documents; a detailed invoice showing credit card payment; or an electronic confirmation or email. In addition, a log must be kept of all purchases for a particular month that details the date of each purchase, vendor, amount, description/purpose/participants, and budget line item number. At the end of every month, the log kept by each employee must be signed by the employee's supervisor indicating approval of the month's purchases.

Documentation may occasionally be lost during the course of an employee's work. In the event of a lost receipt, the employee should complete an Undocumented Purchase Form, obtain his/her supervisor's signature, and keep the form with other documentation for the employee's purchases. It is expected that lost receipts will be a rare occurrence.

Additional Guidelines – No sharing of purchasing cards is allowed. Each employee is responsible for the use of his/her own card and should be the only one to use it.

The use of the purchasing card for liquor, expenses of a personal nature, and other questionable items is strictly prohibited. Abuse or improper use of the card will subject an employee to disciplinary action, including possible termination of employment. If an employee fails on a consistent basis to properly document his/her use of the card, the employee may have his/her salary reduced in the amount of the improperly documented charges.

The Suggested Minimum Guidelines for the use of purchasing cards prepared by the Colorado Department of Personnel and Administration and audited by the Colorado State Auditor shall be followed by SEMSWA. While these guidelines are not always applicable to SEMSWA, they nevertheless provide guidance as to the proper use of purchasing cards. Any questions regarding the acceptable use of the purchasing card should be directed to the HR Manager or the Finance Director.

SOUTHEAST METRO STORMWATER AUTHORITY
acting by and through
SEMSWA WATER ACTIVITY ENTERPRISE

RESOLUTION NO. 35, SERIES OF 2007
(Adoption of Financial Policy for Use of Purchasing Cards)

WHEREAS, a draft purchasing policy including the use of purchasing cards was presented and discussed at the Board meeting on April 4, 2007; and

WHEREAS, purchasing cards are to be used for the purchase of materials and services in the open market by SEMSWA employees subject to certain limitations and restrictions; and

WHEREAS, purchases made with the use of purchasing cards will be subject to daily and monthly dollar limits; and

WHEREAS, all purchases made with the use of purchase cards must be substantiated by receipts indicating the purpose and use of purchases, and reviewed and approved by the supervisor at least one level higher than the employee making the purchase; and

WHEREAS, the Board directed staff to start the purchasing card application process; and

WHEREAS, the application process for purchasing cards was initiated and SEMSWA has been approved for purchasing cards; and

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Board authorizes the Executive Director to approve the use of purchase cards by those SEMSWA employees the Executive Director determines need to use purchasing cards to more efficiently conduct their job responsibilities.
2. The Board authorizes the Executive Director to set the limits of purchasing cards purchases for individual employees based on their purchasing needs subject to the following limits:

Executive Director: \$5,000 single and total per day and \$10,000 per month

Director of Operations and Director of Administration and Finance:
\$2,000 single and total per day and \$5,000 per month

Maintenance Program Manager: \$500 single and total per day and
\$2,500 per month

All Others: \$500 per single and total per day and \$2,000 per month

3. The use of purchasing cards will be limited to those vendors supplying materials and services needed by SEMSWA.
4. All purchases made with the use of purchase cards must be substantiated by receipts indicating the purpose and use of purchases, and reviewed and approved by the supervisor at least one level higher than the employee making the purchase. In the case of the Executive Director, such purchases shall be reviewed and approved by the Chairman of the Board of Directors.
5. To the extent applicable, the *Suggested Minimum Guidelines* for the use of purchasing cards prepared by the Colorado Department of Personnel and Administration and audited by the Colorado State Auditor shall be followed, see Appendix A.
6. If it is determined that the use of a purchasing card has been abused or improperly used, that employee shall be subject to disciplinary action including possible termination of employment.
7. If an employee fails, on a consistent basis, to properly document the employee's use of the purchasing card; such employee may have his salary reduced in the amount of those improperly documented charges.

(SEAL)

SOUTHEAST METRO STORMWATER AUTHORITY
acting by and through
SEMSWA WATER ACTIVITY ENTERPRISE

Date: _____

ATTEST:

Secretary

Chairperson

Purchasing Card Minimum Guidelines(1)

Requesting a Card
A purchasing card cardholder account form must be completed to start the application process. The form includes cardholder information reporting hierarchy, cardholder controls (limits), and the default accounting code for transaction charges. The cardholder's supervisor must approve the form and submit it to the liaison or the program administrator who reviews it for completeness. The program administrator approves the request and submits it to the vendor. The bank issues the card in about ten days and mails it to the administrator who retains it in safekeeping until provided to the cardholder. Cards are issued to cardholders after mandatory training is completed and a cardholder agreement is signed.
Training and Agreements
All new cardholders and their approving official are required to attend training on the use of the procurement card. The training includes: description of the program, expectations for cardholders and approving officials, use of mandatory and permissive price agreements, prohibited purchases, statement review and reconciliation, and attendee sign-in and evaluation of training.
All cardholders and approving officials are also required to sign cardholder and/or approving official agreements before a card is issued. These agreements outline important responsibilities and expectations. The agreements must be submitted to the program administrator or his or her designee and maintained in a secure file.
Credit Limits
Credit limits and other controls are established when the card is authorized and approved. The card may not be used for single purchases costing more than \$5,000. Agencies may establish lower single-purchase limits. Each card will have the following spending limits based on anticipated needs: 1) single dollar purchase limit - \$x,xxx or less, as determined by the program administrator or recommended by the supervisor; 2) spending dollar limit per monthly cycle; 3) dollar amount per day (optional); 4) maximum number of authorizations per day; and 5) maximum number of transactions per monthly cycle.
Transaction Documentation
The cardholder is responsible for ensuring that every transaction has valid supporting documentation. Valid source documentation includes: 1) an itemized receipt and card transaction slip from the vendor; 2) a signed delivery packing slip; 3) order forms for dues, subscriptions, registrations, or similar documents; 4) detailed invoice showing credit card payment; 5) email confirmation from the merchant.
Source documentation must include: 1) merchant name; 2) date of purchase; 3) description, price, and quantity of each item purchased; 4) total cost of the order; 5) cardholder name and/or card number; 6) signature of cardholder or designee demonstrating receipt; 7) official function form, if applicable; and 8) explanation of the reason for the purchase, if it appears unusual.
Tracking Purchases
The program administrator should establish guidelines on the manner to track purchases. Two alternative approaches to tracking purchases include: 1) retain documentation in a file or envelope including letters, emails, hand-prepared order information with signatures, etc.; or 2) retain the authorizing documentation and maintain a log of all purchases. Some supervisors may require employees to maintain a log. However, this may not be cost-beneficial. The program administrator should consider the additional cost of maintaining a log contrasted with any potential benefit.
Reconciling the Statement
At the close of each billing period (agency cycle date), the cardholder will either receive or prepare (print) an individual statement, listing purchases posted within the billing cycle. Purchases made near the end of the billing cycle may not appear on the statement.
The cardholder must review transactions as follows: 1) verify that each listed charge is valid and matches the transaction documentation; 2) ensure that account coding is accurate unless the agency assigns this responsibility to others such as the allocator or approving official; 3) identify any disputed charges; 4) reconcile credits in the same manner as charge transactions; 5) attach all supporting documentation and a copy of the transaction log (if used) to the statement; and, 6) sign the statement and forward it to the approving official.

(1) The information contained herein was extracted from the State of Colorado Procurement Program Performance audit dated August 2003 conducted by the State Auditor. The minimum guidelines were set by the State Department of Personnel and Administration.

Purchasing Card Minimum Guidelines(1)

Allocating/Reallocating Transactions
Agencies need to develop a process for reallocating charges to other account codes. A default accounting code is established when a card is authorized. Transaction charges are initially posted to the default accounting code. However, cardholders may determine that the charges should be recorded under a different account code string if the default codes do not apply.
Approving Official Review
Approving officials must review and sign-off (approve) each account statement. Review each statement to ensure: 1) supporting documentation is attached for each transaction including disputed transaction or lost or unavailable transaction information forms; 2) transactions are in accordance with guidelines and there are no violations such as personal purchases, split or cash transactions, and/or patterns of lost documentation; and, 3) violations should be reported to the liaison or program administrator in accordance with department/agency guidelines.
Record Retention
Cardholder statements with supporting documentation and signed by the cardholder and approving official will be stored in accordance with department or agency guidelines. Records will be retained for the current fiscal year and three additional fiscal years. Transactions involving federal or grant funds may require a longer retention period.
Payment and Reconciliation
The agency needs to establish and document a mechanism for making monthly payments by electronic funds transfer (wire) or Automated Clearinghouse (ACH) to an account designated by Bank One. In accordance with contractual terms, payments should be made within 14 days of the cycle date.
Personal Services - 1099 Reporting
The state procurement card may be used for the purchase of services in those agencies that are prepared to capture payments in a 1099 reporting system.
Program Monitoring and Audit
The agency program administrators should develop and document an approach and methodology for routinely reviewing selected transactions and the activities of program participants to ensure overall compliance with the program. The results of reviews (audits) should be documented and retained for review by other program participants and/or internal and external auditors. Records should be retained for a period of three years plus the current fiscal year.
Violations and Consequences
It is the cardholder's responsibility to purchase only items that are necessary to carry out the cardholder's job requirements and to comply with state procurement rules, fiscal rules, and program guidelines. Program administrators in conjunction with their human resource organization should consider developing and documenting guidelines for disciplinary action for violations of rules and program guidelines. Disciplinary actions should be uniformly and consistently applied throughout the agency. Violations and disciplinary action should be documented and maintained in a secure file.

(1) The information contained herein was extracted from the State of Colorado Procurement Program Performance audit dated August 2003 conducted by the State Auditor. The minimum guidelines were set by the State Department of Personnel and Administration.

Southeast Metro Stormwater Authority				
Purchasing Card Log				
Name:				
Month:				
<u>Date</u>	<u>Vendor Name</u>	<u>Amount</u>	<u>Program</u>	<u>Description</u>
	Note: Electronic copies of this form are available			
(Use additional sheets as necessary)				
Supervisor's Approval				
	Signature			
	Date			
Office Use Only				
Audited by (initials and date)				
Entered in accounting system (initials & date)				

Unavailable Documentation Form


Purpose:

Required when a Procurement Card transaction does not have the required receipt/documentation from the merchant.
Repeated use of this form as substitute documentation may result in card revocation.

Documentation from the merchant is required for **every** Procurement Card transaction.

Transaction documentation may be:

- Receipt and card transaction slip from the merchant;
- Packing slip from the delivery (if the packing slip is the only documentation, it must show either the cost of each item or the total cost of the order);
- Invoice showing credit card payment; or,
- Order form for dues, memberships, subscriptions, or similar items.

Cardholder/Transaction Information

Cardholder Name:		Transaction ID:	
Program:		Merchant (Vendor) Name:	
		Date of Purchase:	

Description, Quantity, Cost of Each Item Purchased (attach additional sheet if necessary)

Description	Quantity	Per Item Cost	Total Cost
			\$0.00
			\$0.00
			\$0.00
			\$0.00
			\$0.00
		Total Cost:	\$0.00

Reason original documentation is not available:

Attach any additional information, correspondence, or justification about this transaction.

Cardholder Certification Signature

I hereby certify the following:

- All items purchased on this Procurement Card transaction were for SEMSWA use and no personal purchases were made;
- I will not seek reimbursement in any other manner for this transaction;
- Original documentation is not in my possession for the reasons stated above; and,
- I acknowledge that repeated lack of documentation could result in revocation of my Procurement Card.

Cardholder Signature

Date

Supervisor Signature

Date



Acknowledgement Form

This Purchasing Card Handbook has been prepared for your information and understanding of the practices and benefits of purchasing cards. Please read it carefully. Upon completion of your review of this handbook, sign the statement below, and return it to your supervisor. A copy of this acknowledgment appears at the back of the handbook for your records.

I, _____, have received and read a copy of the Purchasing Card Handbook which outlines the goals, policies, benefits and expectations of the use of purchasing cards, as well as my responsibilities as an employee.

I have familiarized myself with the contents of this handbook. By my signature below, I acknowledge, understand, accept and agree to comply with the information contained in the Purchasing Card Handbook provided to me. I understand this handbook is not intended to cover every situation which may arise with respect to the use of purchasing cards, but is a general guide to the goals, policies, practices, benefits and expectations regarding their use.

Employee signature

Date

Supervisor signature

Date

Executive Director signature

Date

Office Use Only

Transaction Limit:	Monthly Limit:	Finance Director Initials:
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