

**To the Mayor and Members of the City Council****June 16, 2020**

Page 1 of 3

SUBJECT: UPDATE ON PROCUREMENT CARDS

This Informal Report is in response to the Audit Committee's request for information.

The procurement card policy was approved by the Mayor and City Council on June 6, 2017, M&C G-19014. The policy is an Addendum to the City's Financial Policy Statements and is attached.

Purpose

The procurement card program allows designated City of Fort Worth employees the ability to purchase goods and services that do not require a formal competitive procurement as outlined in the City's Purchasing Policies. This program is used to procure small-dollar-value goods, services not requiring insurance, one-time purchases, and approved travel expenses. The cards may be used for annual agreement purchases where such use has been specifically approved and arranged by the Purchasing Division of the Financial Management Services Department.

Procurement Card Issue Eligibility

Cards may be issued to permanent, full-time City employees whose duties include procuring goods and services for their Department. Cards are not issued to temporary, part-time employees, elected officials, contractors, or sub-contractors.

Procurement Card Use

Each cardholder is given a \$3,000 permanent single transaction limit and a \$10,000 permanent monthly limit. Permanent monthly limits may be increased with the approval of the Department Director and the Chief Procurement Officer upon receipt of reasonable justification for such an increase. Currently, 36 City employees have a monthly limits greater than \$10,000.

The procurement card is not intended to avoid or bypass appropriate purchasing or payment procedures as outlined in the City of Fort Worth Purchasing Policies. This program complements the existing processes available and is intended to be a mechanism to procure low dollar items. Vehicle fuel is not a regular purchase using the procurement card because the city utilizes the Wright Express Card for fuel.

Cards are not for personal use and shall not be used to finance personal expenses, even if the intent is to reimburse the City. The State of Texas Procurement Laws ensures that acts of this nature can result in fines or even be cause for criminal action to be taken.

Authority and Security Levels

The following levels have the review and/or approval authority in PeopleSoft FINS, for credit card transactions:

- Procurement Card Administrator within the Purchasing Division
- Department Directors
- Department Managers/Supervisors
- Procurement Card Department Coordinator
- Cardholder

To the Mayor and Members of the City Council

June 16, 2020

Page 2 of 3

**SUBJECT: UPDATE ON PROCUREMENT CARDS****Tax Exemption**

The City is sales tax-exempt within the State of Texas. Cardholders are responsible for ensuring that procurement card purchases do not include sales tax, even when traveling within the state. The City is not exempt from hotel, airline, rental car, and regulatory taxes. If the credit of sales tax is not received from the vendor within one week, the cardholder may be required to reimburse the City for the sales tax amount.

Information about Card Holders and Volume of Procurement Card Transactions

There are currently 548 employee card holders in the City. The following chart reflects the number of the procurement cards per department with the distribution of card holders based on being in the field, administrative or in a departmental warehouse.

Department	Number of Procurement Cards		Procurement Card - Holder Field	Procurement Card - Holder Administrative	Procurement Card - Holder Warehouse
Police	129		44	83	2
Parks	89		78	11	
Property Management	64		54	10	
Water	53		3	27	23
Neighborhood Services	38		32	6	
Fire	32		14	13	5
CMO	25			25	
Public Events	21			21	
TPW	20			15	5
Library	19			19	
Human Resources	11			11	
IT	10			10*	
Development Services	9			9	
Aviation	7			7	
Code	6			6	
City Secretary' Office	4			4	
Municipal Court	4			4	
Financial Management Services	3			3	
City Attorney's Office	2			2	
Economic Development	1			1	
Planning & Data Analytics	1			1	

* 3 cards are for specific vendors such as AT&T Business and AT&T Mobility and Verizon

In FY19, departments used their procurement card to make approximately \$14 million in purchases which was a slight reduction from FY18. This expenditure represents 2% of the city's total operating expenditures in FY19.



To the Mayor and Members of the City Council

June 16, 2020

Page 3 of 3

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New Procurement Card Policy

The Financial Management Services Department will be drafting Administrative Regulation - Procurement Card Guidelines to strengthen internal controls, provide further clarification on allowable purchases and additional compliance review procedures. The new administrative regulation is expected to be finalized within the next several months.

For questions regarding procurement card information, please contact Cynthia Garcia, Assistant Finance Director, at 817-392-8525.

David Cooke
City Manager

Attachment

City of Fort Worth

Department of Finance

Procurement Card Policy



I. Authority

The Fort Worth City Council is responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of the City of Fort Worth. The City Manager is responsible for carrying out the policy directives of the City Council and managing the day-to-day operations of the executive departments, including the Department of Finance. This policy shall be administered on behalf of the City Manager by the Chief Financial Officer/Director of Finance.

II. Purpose

The procurement card (PCard) program allows designated City of Fort Worth employees the ability to purchase goods and services that do not require a formal competitive procurement as outlined in the City's Purchasing Policies. This program is to be used to procure small-dollar-value goods, services not requiring insurance, one-time purchases, and approved travel expenses. Procurement cards may be used for annual agreement purchases where such use has been specifically approved and arranged by the Purchasing Division of the Financial Management Services Department.

III. Applicability and Scope

This policy shall apply to all Procurement Cards issued by the City of Fort Worth, under the budgetary and fiscal control of the City Manager and the City Council.

IV. Glossary – See Definitions related to this policy provided in the appendix.

V. Procurement Card Issue Eligibility

PCards may be issued to permanent, full-time City employees whose duties include procuring goods and services for their Department. PCards will not be issued to temporary, part-time employees, elected officials, contractors, or sub-contractors.

VI. Obtaining a PCard

The initial requirements to obtain a PCard under this program include the following:

- a. Attendance by the employee, and the employee's supervisor, manager, and Assistant Director at a PCard training and the Purchasing Policies and Procedures training sponsored by the Purchasing Division, Financial Management Services Department.
- b. Written approval from the specific employee's supervisor, manager, Assistant Director, and Director.

- c. Acknowledgement of the responsibilities and associated accountability under this policy by those approving the employee to obtain a card.
- d. Receipt of all documentation by the PCard Administrator, including:
 - i. JP Morgan Chase PCard (JPMC) Application
 - ii. Employee Agreement – Acknowledgement of Responsibilities
 - iii. Certification of Completion of the PCard Training Class
 - iv. Certification of Completion of the Purchasing Policy and Procedures Class
 - v. Copy of City ID AND current driver's license.
- e. Documentation outlining the Department's PCard Coordinator. Note: If any of these items are missing, issuance of the PCard will be delayed

VII. PCard Use

The use of a City of Fort Worth PCard includes the following stipulations:

- a. A Cardholder shall not loan their card or card number to anyone, including other employees, for use.
- b. The Cardholder is responsible for the security of their PCard and any transactions made on it.
- c. The PCard may be used at any non-restricted vendor.
- d. PCard numbers must not be submitted through email, text message, or facsimile. PCard numbers may be sent by facsimile to hotels when required for travel arrangements. PCard numbers may only be provided via a telephone conversation if required.
- e. Each Cardholder is given a \$3,000 permanent single transaction limit and a \$10,000 permanent monthly limit. Permanent monthly limits may be increased with the approval of the Department Director and the Chief Procurement Officer upon receipt by the Chief Procurement Officer of reasonable justification for such increase. Increases to the permanent single transaction limit will not be allowed.
- f. The PCard is not intended to avoid or bypass appropriate purchasing or payment procedures as outlined in the City of Fort Worth Purchasing Policies. This program complements the existing processes available and is intended to be a mechanism to procure low dollar items.
- g. The PCard is not for personal use and shall not be used to finance personal expenses, even if the intent is to reimburse the City. The State of Texas Procurement Laws insures that acts of this nature can result in fines or even be cause for criminal action to be taken.
- h. The City promotes progressive, productive work practices and supports "planning ahead" to achieve the best possible results. Poor planning does not constitute an emergency by City policy and/or State law. The PCard should not be used as a substitute for proper planning.

VIII. Training

Each Cardholder and their respective manager, supervisor, and Assistant Director are required to complete mandatory training prior to the issuance of a PCard. Each Department where PCards have been issued must designate a Department PCard Coordinator who will also be required to complete mandatory training prior to receiving access to PaymentNet and PCard Laserfiche Forms systems. Class certificates are only good for six (6) months prior to the time of applying for a new PCard or receiving a renewal PCard.

Each Cardholder, their respective manager, supervisor, Assistant Director, Director and Department Coordinator shall be required to take on-going training on a biennial basis to maintain the ability to utilize PCards.

IX. Replacement PCards

In the event of fraudulent or suspicious activity, lost, stolen or damaged cards, the Cardholder shall first contact JPMorgan Chase Customer Service using the number located on the back of the card and, secondly, contact the PCard Administrator.

X. PCard Cancellation and Cardholder Transfers

PCard Cancellation: Department Coordinators, Department Directors, Managers/Supervisors and/or Cardholders shall notify the PCard Administrator when a Cardholder is leaving employment with the City. Failure to return the PCard within five

(5) days of separation to the PCard Administrator will result in a fifty dollar (\$50) fine against the next or last Cardholder's paycheck.

Cardholder Transfers: The PCard Administrator receives a weekly employee file that includes departmental transfers and will review for PCard holders. Employees that have a current PCard will be notified by email, along with their current coordinator, that the card will be suspended within 24hrs of the email until an updated Cardholder Agreement from the new department/manager has been received by the PCard Administrator. Once the updated agreement has been received, PaymentNet will be changed to reflect the new default FID information provided and an email sent to the cardholder, new coordinator and manager that the card is active and may be used again. If an updated Cardholder Agreement is not received within 30 days of the transfer, the card will be canceled and the employee will have to reapply for a PCard.

XI. Receipts

Cardholders shall retain and submit receipts to Department PCard Coordinators for each transaction in PaymentNet, including credit receipts. All receipts must meet the following five (5) criteria:

- a. Amount of purchase must match the amount reported in PaymentNet
- b. Itemization of the goods and/or services purchased (including restaurant receipts)
- c. Date of purchase
- d. Type of payment must show credit card or a variation
- e. Vendor's name must match the vendor's name in PaymentNet

XII. Tax Exemption

The City is sales tax-exempt within the State of Texas. Cardholders must ensure PCard purchases do not include sales tax, even when traveling within the state. The City is not exempt from Hotel, Airline, Rental Car, and Regulatory taxes. If a credit of sales tax is not received from the vendor within one week, the Cardholder will be required to reimburse the City for the sales tax amount.

XIII. Travel

A Cardholder may use their PCard for business travel related expenses adhering to all other policies and procedures relating to official City travel. On-site or online webinars and training follow the same policies as local travel under existing policies and procedures. Cardholders may not charge meals or incidentals related to travel on the PCard.

XIV. Car Washes, Fuel and Business Meals

Commercial car washes shall not be used by PCard holders; the James Avenue or other City car wash facility shall be used. Departments may request a waiver of this policy through a memorandum from the Department Director requesting approval of the waiver from the Chief Procurement Officer and the Property Management Department Director. This memo shall include an economic cost consideration, adequate analysis proving the additional cost to use the City facility or facilities and list specific PCard holders to receive the waiver.

Fuel Purchases are only allowed on the PCard for rental vehicles while traveling. Use of the PCard for fuel of a City Owned or personal vehicle is prohibited.

Cardholders on official business attending a local luncheon or dinner meeting may use their PCards. The meal must be an integral part of the meeting, and the meeting must involve the discussion or promotion of official City business. Business meals shall be non-recurring in nature, unless it is an official job duty of the Cardholder. The exact purpose of the meeting and those who attended must be documented with the transaction in PaymentNet and on the receipt.

XV. Technology Purchases

All technology-related equipment as stated on the City of Fort Worth Technology Purchase Approval Policy must be approved by the Information Technology Solutions (ITS) Department before making purchases. Cardholders must receive electronically written approval from ITS prior to making a purchase and such approval must accompany the receipt for proper documentation and auditing

XVI. Annual Agreements

Cardholders should seek guidance from their Department Coordinators, Fiscal Coordinators, and the Purchasing Division regarding Annual Agreement vendors.

- a. Annual Agreement list: A report of all active Annual Agreements is available each Monday morning in BuySpeed Online (BSO). Cardholders may contact their BuySpeed Online coordinator, the PCard Administrator or visit the City PCard location on the intranet to locate agreements.
- b. PCard Accepted Annual Agreements: The City has several Annual Agreement contracts with vendors that accept the PCard as payment for a purchase. Cardholders

may request a temporary increase to their single transaction limit for a purchase made with a PCard Accepted Annual Agreement vendor. PCard accepted annual agreements are identified in the BuySpeed Online (BSO) purchasing system by the payment term "Ghost".

- c. Non-PCard Annual Agreements: If the City of Fort Worth has an Annual Agreement (Blanket PO) with a vendor, that does not allow payment using the PCard as a form of payment, the Cardholder cannot use the PCard to make a purchase. For clarification on Annual Agreements, please refer to the Purchasing Policy for guidelines and process.
- d. No Annual Agreement: If an annual agreement is not in place for the requested goods and/or services, the Cardholder may work with a vendor to purchase the items needed in alignment with the City's Purchasing Policy. Items purchased without an annual agreement must be of a business, non-reoccurring nature. If the volume of PCard purchases with a vendor exceeds \$3,000 in a 12-month period from the date of the first purchase, the department must submit a requisition in the BuySpeed Online (BSO) purchasing system and specifications so the Purchasing Division may competitively bid an annual agreement for the goods and/or services. The Purchasing Division will review all non-annual agreement expenditures by vendor to verify the need for annual agreements.

XVII. Split Transactions

The splitting of a purchase into multiple transactions in order to circumvent the intended control of the single transaction limit on the PCard is prohibited. The following are definitions of split purchases that violate Texas law:

- a. Separate Purchases: Purchases made separately of items or services that, in normal purchasing practices, would be acquired in one purchase.
- b. Sequential Purchases: Purchases made over a period of time of items or services that, in normal purchasing practices, would be acquired in one purchase. This does not apply to subscriptions or membership renewals.
- c. Component Purchases: Purchases of the component parts of an item or service that, in normal purchasing practices, would be acquired in one purchase.

XVIII. Restricted Uses and Vendors

The City's PCards program utilizes programming associated with vendor Merchant Category Codes (MCC) in order to regulate transactions. The MCC codes are established to deny certain purchases that are not allowed by the City of Fort Worth's PCard Program. Examples of restricted MCC's include, but are not limited, to Cash Advances, Gambling, and Money Transfers. For a comprehensive list, please contact the PCard Administrator.

In addition, the PCard cardholder must check the Excluded Parties List System (EPLS) list at www.sam.gov prior to making any purchase. City and grant requirements preclude purchases from vendors who are listed on the EPLS system as excluded from doing business with the United States federal government. Results of the EPLS search process must be retained in the department's procurement file.

XIX. Fiscal Year End

All PCards will be suspended for a period of time (PCard Black-Out), as established in the Fiscal Year End Closing Process memo. Proper planning of goods and services acquisition prior to fiscal year end is essential. PCards will not be kept active for any reason other than City-related travel. Emergency needs during the PCard Black-Out will be handled on a case-by-case basis. Poor planning will not constitute as an emergency.

XX. Approved Uses

Payments for refreshments, meals and other supplies must have a clearly identified business purpose, prior approval, and must be of an occasional, non-recurring nature. The City promotes progressive, productive work practices and supports “planning ahead” to achieve the best possible results. It is important to be sensitive to how expenditures may appear to the City Council and to the public.

XXI. Policy Violations and Appeals

Neither JPMorgan Chase nor the vendor bears any responsibility for prohibited expenditures. If such a purchase is made by a Cardholder, the vendor will be paid and the Department budget charged. PCards may be immediately canceled or suspended for any violation of this policy. The PCard Administrator will notify the Chief Procurement Officer, Department Coordinator, Department Director, and Cardholder when a PCard has been canceled or suspended and the reason for the cancellation. Department Directors shall hold the Cardholder personally responsible for payment back to the City for the prohibited expenditure and any PCard abuse or misuse should be addressed as part of progressive discipline as outlined in the City’s Personnel Rules and Regulations.

XXII. JPMorgan Chase Customer Services

The PCard program is serviced using a team approach with the JPMorgan Chase Customer Service Center. This center is available 24 hours a day, seven (7) days a week to assist the Cardholders with general questions about their PCard account. The Customer Service telephone number is: 1-800-316-6056 and can be found on the back of the card.

XXIII. Software Applications

PaymentNet: PCard transactions will be processed through the JP Morgan Chase Bank PaymentNet Program, a web-based application. Users may access the site from anywhere, including while on business travel, by logging into <https://www.paymentnet.jpmorgan.com>.

Laserfiche Forms and Client: Laserfiche Forms is used to submit electronic copies of the PCard Statements and Receipts (reports) to the Department Director or Designee Approver and the PCard Administrator. Users may access the site from the City’s server only by logging into <http://forms.cfwnet.org>. Laserfiche Client is the electronic storage application for all cycle reports approved by the PCard Administrator. The City’s Records Management Division maintains the retention schedule and disposal of all PCard Program records stored on Laserfiche Client.

XXIV. Transaction Cycle and Default Fund Identifier

All Cardholder accounts must be assigned a complete default FID consisting of Fund, Department, and Account. Any Cardholder not having a complete FID in PaymentNet will be assigned a general FID until the Cardholder or Department Coordinator submits the complete FID.

Transactions in PaymentNet must be reviewed and approved within three (3) business days of the Post Date. Transaction review shall include assignment of the proper FID applicable to the purchases. All transactions not reviewed and approved within the three (3) business days will be automatically interfaced into the General Ledger Program, PeopleSoft, to the default FID. Subsequent to this time, departments can reclassify PCard transactions from the default FID to another FID using a journal entry.

XXV. PCard Administrator and Purchasing Division

The PCard Administrator is designated to answer questions, issue cards, and provide administration of the program. This person is knowledgeable on all procedures and processes. All PCard requests must go through the PCard Administrator. The PCard Administrator will audit PCard transactions for appropriateness, policy violations, and compliance with this policy as well as related policies, including Travel and Purchasing. All issues of non-compliance will be brought to the attention of the responsible Cardholder, the Cardholder's Supervisor and/or Manager, their Department Head, and the Chief Procurement Officer.

Responsibilities of the Program Administrators include:

- a. Maintaining PaymentNet and Laserfiche records and reports in accordance with the Records Retention Schedule
- b. Training all PCard Program users, sending updates on the PCard Policies and Software Applications
- c. Auditing transactions and submitting cycle reports
- d. Managing the accuracy of the PCard Program use through monthly, quarterly, and yearly reports

Responsibilities of the Purchasing Division include:

- a. Maintaining all Annual Agreements and updating the PCard Administrator on any new or changed agreements, procedures, and processes
- b. Working with the PCard Administrator and Cardholders on any PCard Policy violations and cancelling PCards when appropriate
- c. Processing the annual rebates associated with the PCard Program

XXVI. Department Directors

In the event a Department Director is also a Cardholder, their PCard Statement and Receipts must be reviewed, approved, and signed by their Assistant City Manager. In the event an Assistant City Manager is also a Cardholder, their PCard Statements and Receipts must be reviewed, approved, and signed by the City Manager or their designee.

Duties of Department Directors include:

- a. Appointing the PCard Department Coordinators, Managers/Supervisors, and employees who will be responsible and accountable for PCards under the program
- b. Optionally appointing Department Auditors
- c. Ensuring Cardholders and Coordinators are in compliance with the provisions of the PCard

- Policy, counseling and/or disciplining Cardholders and Coordinators, as needed
- d. Managing the Departmental budget. PCard expenditures are not committed in the financial system at the time of purchase
- e. Addressing performance deficiencies in Cardholder and/or Coordinators' performance evaluations or through the remedies outlined in the City's Personnel Rules and Regulations.
- f. Authorizing Cardholder applications and permanent or temporary monthly limit increases
- g. Assisting with PCard cancellation appeals

XXVII. Department Managers/Supervisors

Department Directors may assign a Manager/Supervisor within their department to handle certain responsibilities within the PCard Program.

Duties of a Department Manager/Supervisor include:

- a. Authorizing Cardholder applications
- b. Reviewing and approving PCard Statement and Receipts on a cycle basis in Laserfiche Forms
- c. Ensuring Cardholders and Coordinators are in compliance with the provisions of the PCard Policy, counseling and/or disciplining Cardholders and Coordinators, as needed

XXVIII. PCard Department Coordinator

A PCard Department Coordinator is designated by the Department Director to keep documentation for the PCard activities within their hierarchy. Department Coordinators are knowledgeable about the Program. Cardholders should first contact the Department Coordinator, who will then refer questions or potential problems to the PCard Administrator, when necessary. Department Coordinators shall not be Cardholders, taking into consideration segregation of duty principles.

Duties of a Department Coordinator include:

- a. Immediately notifying Department Directors, Department Managers/Supervisors, and the PCard Administrator of any Policy violation for a Cardholder within their hierarchy
- b. Attending training to understand the PCard Policies and any procedures associated with the PCard Program
- c. Assisting Cardholders in reviewing transactions in PaymentNet on a daily basis and assigning appropriate FIDs for the purchase
- d. Gathering and sorting all original receipts, travel authorizations, and any supporting documents for each Cardholder within their hierarchy and submit timely cycle Statements and Receipts through Laserfiche Forms
- e. Notifying all Cardholders within their hierarchy of any updates sent by the PCard Administrator

XXIX. Cardholder

The Cardholder is identified and approved by the Department Director to utilize the PCard for purchasing small dollar goods and services. The Cardholder is responsible for following the guidelines contained in this policy. A Cardholder is assigned to a hierarchy based on department and division when completing the application process

Duties of the Cardholder include:

- a. Maintaining strict adherence to the PCard Policies
- b. Reviewing transactions in PaymentNet on a daily basis and assigning appropriate FIDs for purchases
- c. Submitting all original receipts, travel authorizations, and any supporting documents for each purchase to the Department Coordinator immediately after making purchases

XXX. Department Auditors

Department Auditors are assigned to a hierarchy by the Department Directors for “view only” access and reporting functions in PaymentNet. Department Coordinators cannot have Auditor duties. Internal Audit Department auditors also have this role to view citywide transactions.

Duties of Department Auditors include:

- a. Access for viewing transactions only (will not have ability to change FIDs or notes)
- b. Creating different reports based on Cardholders, FIDs, Vendors, and a variety of other criteria within their hierarchy
- c. Identifying transactions for which additional research and/or justification is needed, and completing follow-up actions to confirm adherence to this policy
- d. Analyzing report data and submitting to their Department Director