



# Purchasing Card Procedures

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## Purchasing Card Procedures Overview

### A. Introduction

The Purchasing Card Program is intended to streamline and simplify purchasing and payment procedures by consolidating supplier invoices and eliminating form processing. **The Purchasing Card Program is not intended to avoid or bypass appropriate procurement or payment procedures.** Rather, the Program complements the existing processes available. The Purchasing Card also gives staff an opportunity to make practical decisions in obtaining products or services for which they are knowledgeable and reduces administrative burdens. Management information reports are available, enabling the Department Heads to improve management control and decision-making.

This procedure provides information about the process, the types of purchases that can and cannot be made, records that must be maintained and reconciled for each cycle, and a variety of other Program information.

The cardholder needs to remember that he/she is committing Village Funds each time the purchasing card is used. This is a responsibility that should not be taken lightly. The cardholder is the person responsible for all charges made to the card. Intentional misuse or fraudulent abuse may result in disciplinary action up to and including dismissal and recovery of all unauthorized Village purchases.

**The card has no impact on the cardholder's personal credit. Although the card lists an individual's name, the card is actually issued to the Village of Wheeling.**

The Finance Director is responsible for implementing the Purchasing Card Program within the Village and is the Village's primary representative to the purchasing card vendor. This individual is responsible for card issuance, card cancellation and communicating to the purchasing card vendor.

Outline of Purchasing Card Procedures:

1. Cardholder orders product or service directly from vendor.
2. Vendor processes the order.
3. Fifth Third Bank checks for compliance with applicable limits and merchant category code restrictions.
4. The vendor delivers the product or service.
5. Fifth Third Bank arranges payment to the vendor in as few as three business days.
6. Fifth Third Bank makes available all transaction information for reconciliation in smartdata.gen2 (<https://sgd2.53.com>), an Internet based reporting/allocation tool.
7. The Village sends a single payment to Fifth Third Bank.
8. The Village uses various management information reports to review and analyze spending.

## B. Policy

The Village's purchasing policy specifies the following with respect to the purchase of goods and services:

<u>Price</u>	<u>Requirement</u>
\$5,000 or less -	1 verbal quote
\$5,001 - \$19,999	3 written quotes
\$20,000 or more	Competitive Bid or State of Illinois Contract

Employees using a purchasing card must adhere to this policy.

**Departments and the Village of Wheeling are liable for authorized charges made using the card. Purchasing cards shall be used for official Village of Wheeling purchases only. Use of the card for personal items is not permitted.** Efforts should be made to use vendors who accept the purchasing card where appropriate in order to maximize administrative cost savings. If you have questions on the appropriate use of the Purchasing Card, please contact your Department Head or the Finance Director.

## C. Procedures

### 1. Card Issuance

Purchasing Cards will be issued to individuals who have a need as determined by their Department Head and approved by the Finance Director. Examples of individuals requiring a Purchasing Card are:

- Anyone who orders supplies and materials.
- Anyone who reconciles and resolves procurement problems.
- Anyone who has a demonstrable need for the card to keep from spending personal funds for Village business.
- Anyone who needs to make frequent purchases while away from their usual work location.

The ideal Cardholder will meet all four criteria. Former employees, non-employees such as contractors, are not eligible to obtain cards.

To obtain a Purchasing Card:

1. Send an e-mail to the Finance Director or give him a call to discuss.
2. Attend a training orientation and receive your Purchasing Card.

The Purchasing Cards are issued with the name of the Cardholder and the Village of Wheeling names embossed on the front.

## 2. Card Profiles

The Village has established two profiles for which each employee will be appropriately placed by the Department Heads. These profiles will be maintained by the Finance Department. The Finance Department will monitor limits and restrictions and make changes when appropriate. The following profiles have been established:

- Profile A (Non-Supervisory):
  - Card Limit: \$5,000 - \$10,000
  - Dollar Limit Per Transaction – None unless requested by the DH
  - Merchant Restriction: See below. Additional restrictions if requested by the DH
  - Travel/Entertainment Restriction: No Travel
- Profile B (Supervisory):
  - Card Limit \$20,000
  - Dollar Limit Per Transaction – None unless requested by the DH
  - Merchant restriction: See below. Additional restrictions if requested by the DH
  - Travel/Entertainment Restriction: Travel Allowed

**All cards, regardless of assigned Profile, have been restricted from the following Merchant Category Codes:**

4411 Cruise Lines  
4457 Boat Leases and Boat Rentals  
5681 Furriers and Fur Shops  
5698 Wig and Toupee Shops  
5933 Pawn Shops  
5921 Package Stores, Beer, Wine, Liquor  
7230 Barber and Beauty Shops  
7273 Dating & Escort Services  
7277 Debt, Marriage, Personal Counseling Service  
7297 Massage Parlors  
7298 Health & Beauty Spas  
7995 Betting  
8351 Child Care Services  
9211 Court Costs Including Alimony and Child Support  
9223 Bail and Bond Payments

Department Heads may elect Cardholder restrictions from the following available options:

1. **Dollar limits per transaction:** This limit allows Department Heads to designate the maximum dollar amount for Cardholders to spend on each purchase or transaction. At the point-of-sale, Fifth Third Bank verifies that the purchase amount falls within the approval transaction limit. If the amount requested for authorization exceeds the limit, the authorization is denied.

2. **Dollar limits per Cardholder:** This limit allows Department Heads to designate the total amount an employee can spend during the monthly billing cycle. A running balance is maintained by Fifth Third Bank that increases with each authorized charge until the Cardholder reaches the assigned monthly limit. If the limit is reached before the end of the billing cycle, new attempts for authorization are denied.
3. **Industry Restrictions:** Department Heads can set industry restrictions based on merchant category codes (MCC). The restrictions enable departments to more accurately target merchant types from which departments purchase high volume, low cost commodities used for maintenance, repair and operation of the department. An example of an MCC restriction is the blocking of retail vendors using the merchant category code for the type of goods or services sold (such as 5661 – Shoe Stores).
4. **Preferred Supplier Reporting:** This feature helps departments manage relationships with preferred suppliers by monitoring Cardholder spending at select merchants. Departments can also use this feature to improve management information by establishing preferred relationships with suppliers to provide enhanced data capture. Enhanced data capture allows accounting or other information to be added at the point of sale.

### 3. Cancellation of Card

- Cardholders must return the Purchase Card to the Finance Director immediately upon request or upon termination of employment.
- It shall be the responsibility of the Department Heads to ensure all cancelled cards are collected from the employee prior to the employee leaving. Cards should then be forwarded to the Finance Director or his designee to be destroyed.

### 4. Changes

The Village Finance Director or his designee must be contacted when changes need to be made to existing purchasing cards. If a new purchasing card needs to be issued, the Cardholder should receive the replacement card in 7-10 business days. The old card, unless it is lost, must be turned in to the Finance Director or his designee before the replacement card will be issued. If changes to a card need to be made, please send the request via e-mail to the Finance Director. Typical changes may include:

- Name changes,
- Mailing address,
- Increase or decrease spending limit/restrictions,
- Card replacement, or
- Change accounting information contained on the card's magnetic tape.

The approximate time to complete a change is 3 to 5 business days after receipt by Fifth Third Bank.

## 5. Purchasing Card Security

Authorized use of the Purchasing Card is limited to the person whose name appears on the face of the card. **The Purchasing Card must not be loaned to another person;** however, the Card may be used to make purchases for an employee in your department.

The Purchasing Card, or any document containing the Card Account Number, should be kept in an accessible but secure location. The account number on the purchasing card should not be posted or left in a conspicuous place. Faxing the account number should be avoided when possible; we suggest giving the vendor the account number over the phone instead.

If the Purchasing Card is lost or stolen, the Cardholder must immediately notify the Village's Finance Director or his designee **and** Fifth Third Bank at (800) 375-1747.

The Village is liable for the use of the Purchasing Card by authorized users. The Village of Wheeling does not accept liability for the following:

- Unauthorized use of the Purchasing Card.
- Account numbers that are fraudulently used.
- Purchases made with stolen or lost cards that are beyond the maximum limit of \$50, and after discovery and reporting to Fifth Third Bank of card loss or theft. **Exception: If Fifth Third Bank investigation finds the employee used the card for personal gain – the Village becomes liable.)**

## 6. General Requirements for Card Use

Department Heads may require Cardholders to maintain a log (Appendix A-3) of their purchases to allow monitoring of spending limits and reconciliation of purchasing activity to the monthly purchase and statement. A new purchasing log should be established at the beginning of each new billing cycle. To use the Purchasing Card, the Cardholder should take the following steps:

- 1) Identify a vendor that sells the goods and services needed.
- 2) Call, go on-line (**must comply with Village Internet use Policy**), or go to the vendor's place of business and place the order.

## 7. Ordering Procedures

- Information to give a supplier:
  - Your name and card number.
  - Expiration date of the Card.
  - Tell them that the Village is exempt from sales tax. The vendor will verify the account number with Fifth Third Bank. The spending limit will be checked electronically for compliance with applicable limits.
  - Business ship-to address.
  - Preferred methods of shipment, i.e., FOB Destination, freight prepaid and allowed.

- Please Note: The Card number should not appear anywhere on the exterior of the package. This number is CONFIDENTIAL!
- Information to obtain from supplier:
  - Order confirmation or tracking number.
  - Base cost of purchase.
  - Anticipated delivery date.
  - Freight cost, if available.
- Retain all documentation pertaining to the purchase. When the vendor delivers the order, or the order is picked up, documentation of the purchase (such as sales receipt or packing slip) should accompany the order. The documentation must be kept on file by the Cardholder for reconciliation to the charge card statement.
- When required by the department, enter the purchase information on the Cardholder's purchasing log. The Purchasing Log should be designed to meet the needs of the department. The log should contain, but not be limited to, the following information.
  - Department name
  - Cardholder name
  - Account number of purchasing card
  - Date of purchase
  - Vendor name
  - Description of purchase
  - Amount of purchase
  - Account number to charge
- Returns, Credits and Disputed Items (Sales Tax Charged)
- In most cases, disputes can be resolved directly between the Cardholder and the vendor that provides the goods and services. The Cardholder must use the following guidelines when returning an item or for other disputed items such as sales tax charged:
  - If an item needs to be returned for any reason, the Cardholder should send the item back to the vendor in the manner agreed upon.
  - Returns of material to suppliers must be handled as credits and treated as separate transactions.
  - Returns are not to be handled as exchanges or combined with other purchases.
  - A separate transaction must be placed to re-order the correct material.
  - Cash refunds are not allowed under any circumstances!!
  - Call the supplier as soon as possible. Promptness is important.
  - Obtain supplier's Return Authorization Number, i.e. approval to return.
- Information to give to supplier:
  - Card Number
  - Name
  - Phone number
  - Confirmation number/packing slip number



- The vendor should issue a credit for items that are returned or for sales tax inadvertently charged. This credit will appear on a subsequent charge card statement.
  - Confirm that the supplier will issue the credit to your card. The outstanding credit should be tracked until the credit appears on your account.
- If the cardholder and the vendor cannot resolve an issue, the Cardholder should dispute the charge in writing to Fifth Third Bank by faxing a completed dispute form (Appendix A-5) to (513) 900-3527 with a copy to the Finance department. Fifth Third will process & investigate the dispute on the Cardholder's behalf and assist in the resolution. A temporary credit will be issued pending final resolution.
- If there is still a problem, contact your department head or the Finance Department.

## 8. Charge Card Statement Reconciliation

- Department Procedures

1. Overview:

- The Purchasing Charge Card billing cycle is approximately 30 days in length.
- The statement cutoff date will be the 4<sup>th</sup> of each month.
- Cardholder statements should be viewed on the sgd2 website by Cardholders each month.
- Cardholder reconciles the statement; signs off and forwards it to their Department Head.
- Department Head signs statement.
- Department Head forwards original statement and documentation (i.e. receipts) to Finance. **No later than the 11<sup>th</sup> of each month.**

2. Reconciliation Procedures:

The department is responsible for retaining documentation of purchases and returns and reconciling them to the monthly charge card statement. The following guidelines are recommended for reconciliation:

- The Cardholder shall be required to retain a receipt, invoice or other appropriate supporting documentation for each and every purchase made on the credit card.
- Each Cardholder must go to the MasterCard web site <https://sdg2.53.com> to review their monthly charge card statement.

- The cardholder will match all such receipts to the statement on the MasterCard website. They will also record the appropriate general ledger account number and a brief description of the purchase on the MasterCard website.
- The cardholder will run an expense report from the MasterCard website, attach all invoices/receipts, and sign and give the report to their supervisor/department head for review.
- The department head will collect all individual Cardholder expense statements and review the general ledger account number for accuracy. Any changes necessary, will be marked on the report. The expense reports are then signed by the department head and forwarded to the finance department with invoices/receipts attached **by the 11<sup>th</sup> of each month.**
  - The Cardholder's Statement (expense report) must be signed by the Cardholder; reviewed, approved and signed by the Department Head.
- If at any point a Cardholder, Department Head or Finance employee identifies an issue that would otherwise cause the Village to be paying the wrong amount to Fifth Third Bank, it is imperative that communication be initiated to all appropriate personnel involved in the process.
- All supporting documentation (i.e. other than the cardholder's expense report and invoices/receipts) pertaining to the purchases and returns on the statement should be kept on file by the Cardholder until disposition in accordance with Village policies.

### 3. Discrepancies

- Discrepancies should be noted on the expense report for sub-sequent resolution. It is the Cardholder's responsibility to first work with the applicable vendor, then directly with Fifth Third Bank in order to resolve the issue with temporary credits issued during pending investigation by Fifth Third Bank.
  - All unresolved issues should be brought to the attention of the Department Head and if necessary, then to Finance.

### 9. Charge Card Statement Payment Guidelines

- **Finance Procedures**

The Finance Department is responsible for processing payments to Fifth Third Bank. The following guidelines must be observed when processing payments:

- One consolidated invoice for all purchasing cards within each department, or the entire Village, will be mailed by Fifth Third Bank to the Finance Director following the billing cycle cutoff (i.e. the 4<sup>th</sup> of each month).

- Upon receipt of the monthly invoice (**Fifth Third Bank Corporate Billing Statement**), the Accountant will reconcile all employee statements to the master statement received from Fifth Third Bank. Appropriate journal entries will also be made.
- The Accountant should receive each department's expense reports with receipts/invoices attached. After receiving this information, the Accountant shall reconcile the statements to the receipts/invoices.
- Such supporting documentation should be received by the **11<sup>th</sup>** of the month the statement is received. For those departments that do not meet such timelines, appropriate follow-up should be conducted by the Finance Director or his designee with continued delinquencies of the department resulting in the loss of their credit card privileges.
- An annual analysis will be performed by the Finance Director or his designee that will compile the following information using Fifth Third Bank reports as appropriate detail.
  - Total volume of transactions and dollar amount of transactions for which a credit card was used.
  - Top vendors by volume of transactions report generated (to be used to identify vendors that may be subject to credit card purchases).
  - Comparison of credit card purchases to non-credit card purchases analysis by volume of transactions and by dollar of transactions with trend analysis performed in subsequent years.
- The payment due date is established by the terms of the contract with Fifth Third Bank. The due date will be based upon the cycle date selected by the Village. Fifth Third Bank must receive payment within 25 days after the statement cycle date. Do not adjust due date for holidays or weekends. Example: If the charge card billing cutoff date is 8/4/06, the due date is 8/29/06.
- Payments are made automatically through an ACH set up with Fifth Third Bank.
- **Rebates**

The Village will be eligible to receive a rebate based on the total purchases made on all cards.

Although such rebates, remitted annually by Fifth Third Bank with appropriate supporting documentation, are not expected to be material, these fees may continue to grow as the Village relies more and more upon these cards. Such rebates should be reviewed for reasonableness by the Finance Director with checks remitted directly to the Village and posted to miscellaneous revenue in the General Fund.

- **Management Information**

Management Information Reports

Fifth Third Bank provides Departments detailed management information reports that enable them to monitor Cardholder usage, policy compliance, and frequency of vendor usage. These reports are obtainable using the Internet reporting tool Smart Data On Line (SDOL). Access to SDOL will be controlled by the Village Finance Director or his designee.

Please contact the Finance Director or his designee for access to SDOL and training on running reports in SDOL. Reports can be run by supervisors, intermediates, or company administrators.

- **1099 Reporting**

Payments made to vendors using the purchasing card may be subject to 1099 reporting. The Finance Department is responsible for adding 1099 reportable payments to individual vendor payment totals for proper 1099 reporting. The *Un-Incorporated Supplier Report*, the *Report of Payments by Tax ID*, and *Industry Spending Summary* are available to assist in this process.

- **Internal Controls**

Department Heads must develop and document internal control procedures to ensure that all approved monthly expense reports are turned into Finance by the 11<sup>th</sup> of each month. The department procedures must:

- Ensure the purchase logs and Cardholder statements are obtained and reconciled with the corresponding Fifth Third Bank statement prior to receipt of the next Fifth Third Bank statement.
- Ensure the expense reports have been reviewed and approved by the Cardholder's supervisor and that the appropriate expense accounts have been charged.
- Ensure unacceptable materials and incomplete services are documented on the expense report and the purchaser took the appropriate corrective action with the vendor, and
- Ensure the original payment processing documents are sent to Finance and a copy is maintained in a department file for audit purposes.

- **Records Retention**

Records should be maintained for a period of seven years after final payment.

**Fifth Third Bank/Village of Wheeling Purchasing Card  
APPLICATION/ACKNOWLEDGEMENT FORM**

Your use of the Fifth Third Bank Village Purchasing Card issued to you is subject to the following terms and conditions. You must comply with the terms and conditions as part of the terms and conditions of your employment.

1. You are being entrusted with a valuable tool – a Village charge card – and will be making financial commitments on behalf of the Village. You should strive to obtain the best value for the Village by using existing Village and State Contract suppliers where possible.
2. You understand the Village is liable to Fifth Third Bank for all charges made on the Card.
3. You must use this Card for approved purchases only and must not charge personal purchases. The Village will audit the use of this Card and report and take appropriate action on any discrepancies.
4. You must follow the policy and procedures in the Purchasing Card Manual established by the Village for the use of the Card. Failure to do so may result in either revocation of your use privileges or other disciplinary action, including termination of employment.
5. You will be given a copy of the Village Purchasing Card Manual. You are required to read and follow the requirements of the Card's use.
6. You must return the Card immediately upon request or upon termination of employment (including retirement). Should there be any organizational change which causes your cost center to change, you must return the Card and arrange for a new one, if appropriate.
7. If the Card is lost or stolen, you must notify the Village Finance Director (or his designee) and Fifth Third Bank at 1-800-375-1747 immediately.
8. The Village or Fifth Third Bank may change the cards terms and conditions or its policy and procedures concerning the use of the Card and you must comply with those changes. Any changes will be accomplished by Addendum to the Village Purchasing Cardmember Manual.

As the employee being issued the Card, I have read and understand the terms and conditions stated above.

Employee name:

Department name:

\_\_\_\_\_

\_\_\_\_\_

Employee signature (print and sign)

Date

\_\_\_\_\_

Phone Number

As the employee's Department Head, I acknowledge that I am responsible to ensure that the employee abides by the above conditions. I am responsible for taking appropriate action in situations involving misuse of the Card. I am responsible for notifying the Village Finance Director (or his designee) to cancel Cards if the Cardmember is terminated for any reason, or if the Cardmember transfers to another Department within the Village. I am also responsible for making certain that any reports I receive are checked for accuracy.

Cost center number \_\_\_\_\_

Cardmember Department Head name \_\_\_\_\_

Cardmember Department Head Signature \_\_\_\_\_



**FIFTH THIRD CREDIT CARD CARDHOLDER DISPUTE FORM**

Thank you for contacting us regarding a dispute on your Visa or MasterCard. Please use this form to explain the details of your dispute. You may place additional details on the second page. Please mail or fax this form to:

**Fifth Third Bank, Madisonville Operations Center, Mail Drop 1MOC2G, Cincinnati, OH 45263**  
**Fax: (513) 900-3527**

Cardholder Name \_\_\_\_\_ Card number \_\_\_\_\_  
Merchant Name \_\_\_\_\_ Amount \_\_\_\_\_ Transaction date \_\_\_\_\_

Please choose the ONE category that best describes your dispute:

- \_\_\_\_\_ I do not recognize this transaction.
- \_\_\_\_\_ I did not participate or authorize this transaction.
- \_\_\_\_\_ I paid for this purchase another way, but it still posted to my statement. I have provided:  
A cash receipt \_\_\_\_\_ Copies of both sides of a canceled check \_\_\_\_\_  
The credit/debit card statement where the valid charge appears \_\_\_\_\_  
(Please note one of the above is **required** before Fifth Third can assist with your dispute.)
- \_\_\_\_\_ This charge posted to my account twice, but I only authorized one purchase. The valid charge posted on \_\_\_\_\_.  
My credit cards are still in my possession.
- \_\_\_\_\_ The charge posted to my account for an amount different from the amount on my receipt.  
I have/have not (circle one) enclosed a copy of my receipt showing the difference.
- \_\_\_\_\_ I have not received expected goods or services. The expected date of delivery/completion was \_\_\_\_\_.
- \_\_\_\_\_ I have contacted the merchant and the response was \_\_\_\_\_.  
(Please place additional details of this dispute on the second page of the form.)
- \_\_\_\_\_ The merchandise received was not as described, poor quality, damaged, or unsuitable for the purpose intended. I returned (or attempted to return) the merchandise on \_\_\_\_\_. I have contacted the merchant and their response to the return was \_\_\_\_\_.  
(Please provide details of what was wrong with the merchandise on the second page of the form, and include proof the goods were returned to the merchant, such as a tracking number.)
- \_\_\_\_\_ I have returned merchandise to the merchant. A copy of my credit slip is enclosed.
- \_\_\_\_\_ I have returned (or attempted to return) merchandise to the merchant. I did not receive a credit slip because \_\_\_\_\_. I was/ was not (circle one) informed of the merchant's return policy, and their response to the return was \_\_\_\_\_.
- \_\_\_\_\_ I cancelled the transaction with the merchant on \_\_\_\_\_. I was/ was not (circle one) informed of the merchant's cancellation policy, I have contacted the merchant and the response to the cancellation was \_\_\_\_\_.  
(Please include any contracts or correspondence to and from the merchant,)
- \_\_\_\_\_ I cancelled the hotel reservation on \_\_\_\_\_. My cancellation number is \_\_\_\_\_.  
(If no cancellation number was provided, please provide a telephone statement showing the cancellation call to the merchant.)

**Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

