

City of Culver City, California
City Council Agenda Item Report

Meeting Date: 11/7/05		Item Number: <u>A-9</u>	
AGENDA ITEM: Consideration of Adoption of a Resolution Amending Council Policy Number 4209, "Executive/Purchasing Cards;" Rescinding Council Policy Number 4205, "Use of Credit Cards;" and Rescinding Resolution No. 2002-R028.			
Contact Person/Dept.: Nick Kimball, Management Analyst		Phone Number: (310) 253-5682	
Fiscal Impact: Yes ☐ No ☒		General Fund: Yes ☐ No ☒	
Public Hearing: ☐		Action Item: ☒ Attachments: ☒	
Public Notification: Master Notification List (11/2/05)			
Department Approval: Jerry Fulwood 11/1/05		CAO Approval: Jerry Fulwood 11/1/05	
City Controller Approval: N/A			
<u>RECOMMENDATION:</u> That the City Council adopt a Resolution amending Council Policy Statement Number 4209, entitled "Executive/Purchase Cards;" rescinding Council Policy Number 4205, "Use of Credit Cards;" and rescinding Resolution No. 2002-R028. <u>BACKGROUND/DISCUSSION:</u> On January 23, 1995, City Council approved twenty-seven (27) City Council policies with the passage of Resolution 95-R005. This Resolution included Council Policy Number 4205, "Use of Credit Cards" (Attachment 1). On December 16, 1996, Council Policy Number 4209, "Executive/Purchase Cards Policy," (Attachment 2) was established. It was later revised on March 25, 2002. The Executive/Purchase Cards Policy is a stand alone Council Policy that did not replace Council Policy 4205, "Use of Credit Cards". At the time, the staff report recommending adoption of the Executive/Purchase Cards Policy sought to improve the efficiency and control of purchasing practices for low-priced items in lieu of the administrative burden associated with using petty cash. Alternatively, the "Use of Credit Cards" Policy was adopted to facilitate business travel, lodging, and meal expenses. The proposed policy combines the Credit Card Policy and Executive/Purchasing Card Policy to form one consistent policy. For this reason, staff recommends that the proposed Executive/Purchase (Credit) Card Policy replace the "Use of Credit Cards" Policy. The remainder of this report refers only to the Executive/Purchase (Credit) Card Policy.			

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Currently, the City Treasurer's Office, Purchasing Division and Approving Official, such as a Department Head or Manager, review all Purchase Card expenses. Prohibited purchases are listed in the current policy and card use is limited to employees whose names appear on the Purchase Card.

The purpose of amending the Executive/Purchase Cards Policy is to create one consistent policy, increase employee accountability for expenses, further delineate responsibility for oversight of card expenses and issuance, and provide limited exceptions of card use to meet departmental needs.

Development of Policy

In developing the proposed amendments to the policy, staff reviewed current policies and procedures, evaluated past practice, and contacted other cities to obtain information about similar policies.

Information regarding purchasing card programs was gathered via an email survey using the Municipal Management Association of Southern California (MMASC) list serve. Staff also conducted phone interviews with Beverly Hills, Santa Monica, and West Hollywood and reviewed credit card policies mailed from other cities.

The proposed policy amendments were presented to the Budget Subcommittee on four occasions between June 2004 and August 2005. At these meetings, subcommittee members and a number of Department Heads reviewed the policy and suggested revisions. Staff incorporated the input received from the subcommittee members into the proposed policy.

Proposed Policy

The following amendments, suggested by the Budget Subcommittee and staff, have been incorporated into the proposed Executive/Purchase (Credit) Cards Policy (Attachment 3, Exhibit A):

1. Approving Official

- a. *Current Policy:* The Approving Official is responsible for reviewing charges to ensure that purchases are appropriate, comply with applicable policies, and are properly documented.
- b. *Proposed Policy:* Language is added to more explicitly define who may be an Approving Official, including Department Heads or a manager or supervisor that has been given authority by the Department Head. The City Treasurer's Office is responsible for reviewing Department Head and CAO Executive/Purchase card purchases.

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2. Executive/Purchasing Card Eligibility and Issuance

- a. *Current Policy:* Requests for Executive/Purchasing cards must be approved by the Responsible Official (i.e. CAO, Department Heads, City Clerk and City Treasurer) on a case-by-case basis.
- b. *Proposed Policy:* The administrative process is streamlined by establishing a list of positions within each department that are eligible for an Executive/Purchase card. The initial list was compiled by reviewing the current list of employees that have an Executive/Purchasing Card and soliciting feedback from Department Heads regarding which positions require a Purchase card. Once the proposed eligibility list is approved, amendments to the list must be approved by the Council. Additionally, it is the responsibility of the department to notify the Purchasing Office if an eligible position has been reclassified or has received a title change.

3. Use of Executive/Purchasing Card

- a. *Current Policy:* There are a number of provisions that govern the acceptable use of Executive/Purchasing cards, including restricting the use of the card to the employee whose name is embossed on the card.
- b. *Proposed Policy:* To allow flexibility for departments with multiple shifts, language is added to allow use of the card to an employee whose name is not embossed on the card if the employee is given authorization by the Department Head.
- c. *Current Policy:* The policy outlines conditions for use, telephone order and online purchase procedures, and documentation and payment procedures.
- d. *Proposed Policy:* The proposed policy amends the "Telephone Order Procedures" section and replaces it with "Telecommunications Order Procedures." The definition is expanded to include any form of telecommunications, including but not limited to, telephone, cell phone, or facsimile orders. Online purchase procedures are outlined in a separate section of both the current and proposed policy.
- e. *Proposed Policy:* Due to the special nature of their job, language is added to allow K-9 Police Officers to use Executive/Purchase cards for care of animals and other necessary related items (e.g. dog food and vet care).
- f. *Current Policy:* A single purchase limit of \$500 is imposed on Purchase cards purchases.
- g. *Proposed Policy:* The single purchase limit on Purchase cards is increased to \$1,000. The original single purchase limit has not been amended since the policy was originally adopted in 1996 and is insufficient for many current uses. For example, many employees use Purchase cards to cover travel expenses. Often times, employees must stay multiple nights at a hotel, exceeding the \$500 limit. Employees must often make up the difference using personal funds to be reimbursed later.

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4. Other Card Restrictions

- a. *Current Policy:* A number of purchases are prohibited, including cash advances, personal purchases, alcoholic beverages, and fixed or controlled assets.
- b. *Proposed Policy:* Language is added to clarify a fixed or controlled asset (items costing \$1,000 or more), which must be delivered to the City's warehouse for tagging and identification. Some flexibility is added by permitting the purchase of fixed or controlled assets, but only with prior approval or in emergency situations.

5. Terminating Employment

- a. *Current Policy:* Upon termination of employment, Executive/Purchase cards must be collected from the employee and destroyed. The City Treasurer is responsible for notifying the financial institution and closing the account.
- b. *Proposed Policy:* Language is added to state that employees who leave City service will not receive their final paycheck until their Executive/Purchase card is returned. The final paycheck is released once the bank has confirmed that there have been no additional charges on the card since the date of termination.

6. Miscellaneous

- a. *Current Policy:* The term "Bank", defined as the contractor who will issue the cards, supply billing reports, and other billing information as needed, is used throughout the policy.
- b. *Proposed Policy:* The term "Bank" has been replaced with "Financial Institution," with the same definition.

Additional format changes are made to increase the overall clarity and flow of the policy.

Resolution Adoption Procedures

City Council Policy 1001, entitled "Adoption of Council Policy Statements," allows City Council to adopt policies as a means to establish policies not already covered by ordinances, and to supplement or complement other resolutions or policies already in existence. The policies adopted cannot conflict with any ordinance or resolution of the City and require four affirmative votes of the City Council to become effective. The Council may also direct the creation or modification of a policy.

The resolution drafted to amend the Executive/Purchase Cards Policy would rescind previous resolutions affecting only this policy. Adopting this resolution would cancel

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previous versions of the policy and enact the amended draft of the policy presented for your consideration.

FISCAL ANALYSIS:

The proposed amendment to the Executive/Purchase Cards Policy increases the single purchase limit for Purchase cards from \$500 to \$1,000. This increase reflects the total overall increase in the cost of doing business since the original policy was adopted. If a single purchase exceeds \$500, employees are being reimbursed in some other manner (e.g. petty cash, submitting a reimbursement request, etc.); therefore, the proposed increase of the single purchase limit should not create any additional financial burden to the City, rather the administrative process for employees would be streamlined and employees would be reimbursed in a more timely manner.

ATTACHMENTS:

1. Current Council Policy Number 4205, "Use of Credit Cards"
2. Current Council Policy Number 4209, "Executive/Purchasing (Credit) Cards"
3. Proposed Resolution Number 2005-R____
Exhibit A: Proposed "Executive/Purchasing (Credit) Cards" Policy

MOTION:

That the City Council:

1. Adopt the Resolution amending Council Policy Statement Number 4209, entitled "Executive/Purchase Cards;" rescinding Council Policy Number 4205, "Use of Credit Cards;" and rescinding Resolution No. 2002-R028.

OR

2. Discuss this item and provide further direction to staff.

(A 4/5ths affirmative vote is needed to adopt the resolution and enact the policy)