



	<b>CITY OF GRAPEVINE</b>	<b>ADMINISTRATIVE POLICY</b>
<b>SUBJECT:</b>	<b>PROCUREMENT CARDS</b>	<b>SECTION: G NUMBER: 7.0</b>

## **7.1 Purpose**

The purpose of the City of Grapevine's Procurement Card Program is to establish a more efficient, cost-effective method of purchasing and paying for small dollar transactions as well as high-volume, repetitive purchases. The goal of the program is to reduce internal purchasing restrictions to the administrative costs associated with processing small purchases under \$3,000. The program is not intended to bypass appropriate purchasing or payment procedures. The intent of the program is to complement the existing purchasing program and must be used in conjunction with the City's Purchasing Policies.

### **(A) How the program benefits cardholders as well as the City:**

- Allows cardholders to obtain goods and services faster and easier
- Allows all groups and individuals involved in the program to be more effective and to focus on the value-added aspects of their jobs

### **(B) Why cardholders have been selected to receive a procurement card:**

- Job responsibilities require them to purchase certain types of goods or services
- Part-time employees will not be issued procurement cards unless approved by the Chief Financial Officer

### **(C) The City's policies and procedures governing the use of the procurement card:**

- Transaction and monthly credit limits
- Types of purchases are set within the parameters of the procurement card
- Ordering goods and services from vendors
- Handling credits, returns, and disputes
- Cardholders' responsibilities concerning monthly review and reconciliations

### **(D) Obtaining a procurement card:**

- The Department Head or equivalent will submit a new procurement card request form for an individual card or Department card through Laserfiche for each procurement card requested for processing
- The Chief Financial Officer or designee will approve the request
- The Purchasing Agent will coordinate with JP Morgan Chase for P-card issuance
- The card(s) will be sent to the Purchasing Agent who will then contact the cardholder(s) to read and sign the **CARDHOLDER CREDIT CARD AGREEMENT**



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- After signing the Cardholder's Agreement and completion of the training, the employees will then be authorized to use the procurement card
- To change a cardholder's limits, a *Request to change cardholder limits* must be submitted to the Purchasing Agent and approved by the City Manager's Office
- The card will have the cardholders' name or division name, city name, city logo, tax exempt number and account number embossed on it.

### **7.2 JP Morgan Chase Bank**

The procurement card program is serviced through JP Morgan Chase Bank. The Customer Service Center is available 24 hours a day, 7 days a week to assist the cardholder with general questions about the procurement card account. The customer service number is: 1-800-316-6056.

If a procurement card is lost, stolen or has non-valid transactions, immediately contact JP Morgan Chase Customer Service at 1-800-316-6056. After contacting the Bank, notify your Purchasing Agent (Purchasing Department). Prompt action can reduce your company's liability of fraudulent activity

JP Morgan Chase Bank customer service should only be contacted directly if you have lost your card, it has been stolen or if you have non-valid transactions. ALL OTHER CARD REQUESTS SHOULD BE FORWARDED TO THE PURCHASING DEPARTMENT.


### **Procurement card activation**

The cardholder must call 1-800-316-6056 to activate the procurement card before using it. You will need the card number and the last four digits of your social security number when prompted to complete the activation. You will need to create a 4-digit pin. This pin is not required when making purchases and the P-card holder can customize the PIN number during card activation. Upon receipt the cardholder should sign the back of the card and keep the card in a secure place.

### **7.3 Documentation and Approval Process**

The procurement card is issued in the employee's name or division name. All purchases made with the procurement card must be for the designated employee's Division/Department only.

**Approval Process** - Cardholders are designated by their Department Director to use the procurement card. Cardholders are responsible for following the guidelines provided by the City regarding purchases, selection of vendors, security of the card, and monthly reconciliation of the charges and coding of charges to the appropriate accounts. All purchases must be submitted

	
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through Laserfiche for review and approval. Each transaction must include a clear description of the business reason/purpose. **Each transaction must have a submitter and an approver from the department and will then be reviewed by Finance.** It is the procurement cardholder's responsibility to obtain itemized transaction receipts from the merchant or supplier each time the procurement card is used. Receipts must not be manipulated, changed, or covered up when uploaded into Laserfiche and must be completely legible.

**Purchases made with a procurement card are funded by taxpayer dollars. Ownership of a City procurement card is a privilege and NOT a right.** Cardholders are charged with making responsible, work-related purchases and with the prompt and complete submission of monthly card reconciliation documents. Cardholders who fail to meet these responsibilities will have their procurement card privileges revoked. Inappropriate procurement card use will result in disciplinary action as detailed in Section 7.8.

**7.4 Purchases prohibited with the procurement card**

*The procurement card is not for personal use.* City policy also prohibits loaning the procurement cards to any other person or employee (other than additional approved departmental employees, in the case of a departmental card). The procurement card is not intended to avoid or bypass appropriate purchasing or payment procedures. Cardholders shall not *separate* or *split* purchases to avoid the normal purchasing procedures. Any purchase over \$3,000 shall go through the requisition process and receive three quotes. This program complements the existing processes available.

**Separate Purchases** – Purchases made separately of items – that in normal purchasing practices, would be purchased in one transaction.

**Sequential Purchases** – Purchases made over a period of time, of items that in normal purchasing practices, would be purchased in one transaction.

Purchases of technology items are prohibited except by the Information Technology Department.

Employees who receive a monthly phone allowance cannot use the procurement card for any phone accessory purchases including but limited to cases, apps, etc. The monthly allowance is intended to cover those.

Employees who receive an automobile allowance, cannot use the procurement card for gas or other items for their personal vehicle. This is covered under the automobile allowance.

Procurement cards should not be used to purchase gift cards.



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Snacks/Drinks for employees should not be purchased using the procurement card.

Procurement cards should not be used to make donations.

The purchase of gifts for employees including but not limited to Christmas or other holidays or celebrations, are strictly prohibited with City funds.

Food, door prizes, decorations and other supplies for holiday parties, celebrations included but not limited to these examples are prohibited purchases with City funds.

No shipments should be mailed to personal address

All transactions must be in US dollars

Must not purchase any items from online auction houses such as eBay

Alcohol and tobacco purchases (exceptions to this may be approved by the City Manager or Assistant City Manager)

Cash advances

Hazardous materials


Gratuities in excess of 20%

All mobile payment Apps including but not limited to Apple Pay, Google Pay, Samsung Pay, PayPal and Venmo or other similar services are strictly prohibited by employees when using the City issued procurement card. A mobile payment app is used as a payment service for the purchase of a product or service through a portable electronic device such as a tablet or cell phone. Mobile payment technology can also be used to send money to friends or family members, such as with the applications PayPal and Venmo. In no case shall a City procurement card be attached to personal apps, stored on a personal mobile device or saved on any websites.

**7.5 Staffing Responsibilities**

**(A) Program Administrator – (Purchasing Agent)**

The Program Administrator for the City of Grapevine is the City’s Purchasing Agent. The Program Administrator has been designated by the City to answer questions, resolve problems and

	
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administer the program. This person will be knowledgeable on all procedures in the Cardholder User's Guide. All procurement card requests to JP Morgan Chase Bank must go through the Program Administrator. The procurement card must be returned to the Purchasing Department upon termination. If the employee is transferred to another department, the site administrator shall contact Purchasing to update the employee's information.

**(B) Department Directors**

The Department Director or equivalent, is responsible for designating the Departmental Administrator, all cardholders within the department, and is responsible for approving the cardholder's monthly procurement card statements to ensure they adhere to the City's policies. The Departmental Administrator will also be responsible for maintaining a department P-card in the case where there is only one card for use by approved employees within that department/division. Card limits are detailed in Section 7.6. Purchases in excess of \$3,000 must adhere to the PO process as detailed in the Purchasing Policy in the Purchase Orders Section G, 5.0.


**7.6 Procurement Card Controls**

**(A) Single Purchase Limits**

A Single Purchase Limit (SPL) is the amount available on the procurement card for a single transaction. The SPL for most cards is \$1,500. A transaction includes the purchase price, plus tax (if any) and freight. Purchases that exceed the cardholder's Single Purchase Limit will be declined. The City prohibits the use of repetitive transactions intended to circumvent the Single Purchase Limit. Card purchases will be audited to identify such transactions. Changes to the Single Purchase Limit must be approved by the Department Director and City Manager or Assistant City Manager and processed through the Purchasing Agent. **SPLIT PURCHASES IN ORDER TO AVOID THE LIMIT ARE STRICTLY PROHIBITED.**

**(B) Monthly Purchase Limits**

The Monthly Purchase Limit on most cards is \$3,000. This is the maximum amount available on the card per month. Any changes to the Monthly Purchase Limit must be approved by the City Manager or Assistant City Manager.

	
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**(C) Restricted Vendors**

The procurement card program may be restricted for use with certain types of vendors and merchants. If a procurement card is presented for payment to these vendors, the authorization request will be declined. **The City's procurement card is NOT to be used for alcohol, tobacco, or any personal purchases.** Food purchases are also restricted and must be approved by the Chief Financial Officer. Variations from this portion of the policy must be approved by the City Manager or Assistant City Manager. Any allowable meal purchases must include a list of names of persons participating in the meal along with the business purpose associated with the meal.

**(D) Security of the Procurement Card**


The cardholder is responsible for the security of the card and all purchases. City policy prohibits loaning the procurement cards to any other employee to make purchases. This card should be treated with the same level of care as the cardholder would use with his/her own personal charge cards. Guard the procurement card account number carefully. It should not be left out in the work area or left in a conspicuous place. The only person authorized to use the procurement card and account number is the cardholder whose name appears on the card or in the case of a departmental card, the user must be authorized/approved by the Department Head.

**(E) Employee Liability**

Employees do not pay their own monthly statement. The program does not affect the individual employee's credit rating in any way. If the card is accidentally used to purchase non-City business goods and services, notify Fiscal Services immediately.

**(F) Chip and Personal Identification Number ("PIN") Technology**

JP Morgan Chase procurement cards are enabled with chip and PIN technology to help reduce the occurrence of fraud for in-person transactions. At the time of chip card activation, the cardholder shall choose a 4-digit PIN. The PIN shall be kept confidential by the cardholder with the same level of security the cardholder provides to the PIN on a personal debit card. A cardholder with a chip card who is later reissued a new chip card has the option of keeping the existing PIN or setting a new PIN for the new card. The PIN may not be required on all merchant transactions; however, if prompted, the cardholder must enter the 4-digit PIN to complete the transaction.

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**(G) Traveling with the Procurement Card**

Please refer to the City Travel Policy.

**7.7 General Cardholder Guidelines**


Cardholders should promote and encourage positive interactions with suppliers. Honesty and courtesy are essential ingredients in all aspects of a buyer/supplier relationship. The City of Grapevine promotes the use of local Grapevine vendors whenever possible.

All cardholders should follow these guidelines below when using the procurement card:

1. Determine if the transaction is an acceptable use of the card, and if it is within the cardholder’s spending limit. Justify and defend every purchase. Identify the supplier and call, fax or visit the supplier to place the order.
2. If the order is by mail, specify cardholder name, company name, department name and shipping instructions. Also, specify the purchasing card number, expiration date and name as it appears on the card.
3. Inform the vendor that the City is tax-exempt. Forward a copy of the tax-exempt form, if requested. Confirm the pricing and freight. Make sure the combination of both does not exceed the single transaction limit.
4. Request that a copy of the pricing and freight be emailed or faxed to the cardholder and/or included in the shipment of supplies. Instruct the vendor not to send a copy of the itemized invoice to accounts payable in order to avoid duplicate payments.
5. Request that the supplier indicate your name and the words “Procurement Card” on all packing lists and box labels. This will enable the receiving department to facilitate delivery of your supplies. Shipments without this information may be refused and returned to the vendor.

**(A) Returns and Disputed Charges**

Should a problem arise with a purchased item, service or charges, the Cardholder should make every attempt to resolve the issue directly with the supplier. The Cardholder should note all returned, credited, or disputed items on their expense report.

	
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**Returns**

If an item needs to be returned to a supplier, the Cardholder must contact the supplier and obtain instructions for the return. Note that some suppliers may charge a restocking or handling fee for returns. All returns should be indicated on the expense report along with a notation of any restocking or handling fees.

If the item is accepted as returned by the supplier, a credit for this item should appear on the following month's statement.

**Disputed Charges**

Supplier Disputed Charges: If a cardholder finds a discrepancy on their statement, the cardholder should contact the supplier immediately. All disputed items should be indicated in the credit card report.

Fraudulent Charges: If a cardholder finds a fraudulent charge on their statement, the cardholder should contact JP Morgan Chase Bank immediately. Please call the number on the back of the card. The bank will ask a series of questions and if the charge is fraudulent the bank will open a case and the charge(s) will be credited back to the card. All fraudulent disputed items should be indicated in the credit card report.

If a cardholder cannot resolve a disputed item directly with the vendor, the cardholder should contact JP Morgan Chase Bank at 1-800-316-6056. The credit card vendor will place the charge in a "State of Dispute" and the account may be given a provisional credit until receipt of adequate documentation from the vendor. If the documentation appears to be in order, the transaction will be re-posted to the account and the dispute considered closed. If the charge is suspected to be fraudulent, the card will be immediately blocked by JP Morgan Chase Bank, and an investigation of the charge will continue. A new card will be re-issued to the cardholder, if appropriate.

Disputed charges must be handled in a timely manner in order to receive a credit. JP Morgan Chase Bank will not honor or try to help the City dispute transactions to merchants that are not reported on the proper form within 45 days of the date of the original transaction. If the City does not report the dispute within this time period, the City is responsible for the charge.

Disputed charges should be processed as follows:

- a. Once a discrepancy is detected, the cardholder should contact the supplier and attempt to resolve the problem.
- b. If the cardholder and merchant can resolve the dispute, a credit is to be issued and should appear on the next billing cycle statement. The cardholder should monitor the statement for the pending credit.





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c. If the credit does not appear on the next statement, the Departmental Administrator should code any unresolved disputed charges as "Approve (Dispute Pending)" on the monthly reconciliation.

d. The cardholder or Departmental Administrator should immediately advise the Purchasing Agent of the disputed charge via e-mail so that the appropriate forms may be submitted to the Bank.

e. Properly document the details of the disputed charge on the departmental transaction log and/or departmental files.

### **(B) Departmental Procurement Card Audits**

In addition to reviewing each transaction, the Fiscal Services Department conducts audits on all City departments throughout the fiscal year. The audit process evaluates compliance with the procedures outlined in the documents provided in this manual.

#### **Records are audited in the following areas:**

Completeness of records

Supporting documentation for each purpose

Sales tax paid and documentation of collection efforts

#### **Goods**

Documentation of purpose


If requested, existence of items

Use of procurement cards for prohibited items or at restricted vendors

#### **Travel**

Potential travel items may be crosschecked with accounting to verify that expense reports were completed

Upon completion of a departmental audit, a written report is completed and sent to the Departmental Administrator, the Department Director, the Purchasing Agent, and the Chief Financial Officer. The department shall provide a written response to the audit findings to the Chief Financial Officer. After review by Finance, a final report will be provided to the City Manager's Office.

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**7.8 Consequences for Card Abuse**

**Cardholders are reminded that purchases are funded with taxpayer dollars.** Therefore, it is imperative that the City’s procurement card program is above reproach. All transactions **MUST BE** strictly for work purposes and all documentation must be readily available.

Any inappropriate use of the procurement card will be forwarded to the City Manager for disciplinary action up to and including termination.

**Offenses may include but are not limited to:**

Late or incomplete reconciliation documents, including but not limited to missing itemized receipts, missing signatures, incomplete information, failure to resolve sales tax, loaning a card and/or PIN number to another person, and any other discrepancies within 15 days of notice by the Finance Department.

**Outstanding Purchase Card Transactions**

All employees will have 30 days to submit procurement card documentation. It is the responsibility of the cardholder to complete and forward the forms for approval on a timely basis so Finance can review, approve and record the transactions in the General Ledger. If the procurement card transactions are not submitted for review and approval within 30 days, the card will be terminated.

**NOTE: Unintentional mistakes resolved prior to the reconciliation process will not be considered as card misuse.**

**Cardholders are further cautioned that:**


In cases of more serious procurement card abuse, the City may, at its sole discretion, take more severe disciplinary measures based on the nature of the offense.

The policy outlined in this document does not supersede the Employee Manual or any Administrative orders related to Purchasing or Ethics.

Procurement cards may be suspended at any time at the discretion of the Department Director or the City Manager if improper use is suspected.

**7.9 Sales Tax**

The City of Grapevine is exempt from most sales and use tax as allowed by law. procurement cards have the City’s federal identification number printed on the card (lower bottom under the name of the cardholder), and the merchant should be reminded that sales tax should not be

	
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included in the transaction. The card does not automatically alert the merchant of the City’s tax-exempt status. Cardholders must tell the merchants at the time of the transaction that it is a tax-exempt purchase and no tax should be added to the sale. Cardholders should check the store receipt before leaving the store to ensure the sales tax is not included in the total. If tax was added to the sale, the cardholder will have the merchant credit the amount of the tax to the card.

Employees are responsible for ensuring exemption from sales tax. When sales tax is charged on the receipt in error, it is the responsibility of the Cardholder to obtain a tax credit. The Cardholder will have one opportunity to repay the City for erroneous sales tax charges. Upon the second offense, employee will repay the City and forfeit procurement card privileges. To avoid receiving a strike for this violation, sales tax must be cleared within 60 days of the statement date.

Exceptions: Sales tax on restaurant meals, air travel and parking. The cardholder should seek an exemption on sales tax at these locations, however, it is understood the exemption may not be granted. Cardholders should provide the tax-exempt forms, which are available from the Purchasing Agent and on The Loop under Purchasing and Purchasing Links, before the order is placed. City employees are not exempt from hotel lodging taxes.

**Note:** In some special cases, the City is required to pay tax. If there are any doubts about the tax or if the vendor requires that tax be paid even if they have received the tax-exempt form, contact Purchasing for additional instructions.

**Examples of Possible Violations**

1) A purchase is required that will cost \$3,050. The vendor has offered to bill \$1500 on one transaction and \$1550 on another in order to meet transaction limits. Is this a violation?

**Yes – this is considered to be splitting a transaction under Local Government Code 252.001 - Separate Purchases which are “Purchases made separately of items that, in normal practice, would be bought in one purchase.” Remember, transactions exceeding \$2,999.99 require a purchase order.**

2) What if the vendor splits the transaction and I didn’t know he was going to do it?

**Employees need to understand that regardless of intent, these types of purchases will be “deemed” a violation. In this example, the employee would have already known the purchase exceeded \$2,999.99 and should not have completed the transaction. On the other hand, if it is determined that a vendor intentionally split credit card transactions to circumvent the restrictions on the card, that vendor may be disqualified from transacting business with the City in the future.**



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3) A department needs generators for field operations. They purchase four generators totaling \$1,600 on Tuesday. On Wednesday and Thursday, they purchase an additional six generators totaling \$1,400 and \$1,200 respectively. Is this a violation?

**Yes – these types of transactions meet the definition of Sequential Purchases which are “Purchases made over a period of time that, in normal purchasing practice, would be bought in one purchase.” Employees need to understand that regardless of intent, these purchases will be “deemed” a violation.**

4) Merchandise has been ordered totaling \$2,800. At the last-minute, changes are deemed necessary that would raise the total of the order to \$3,300. What should I do?

**You must abandon the planned purchase with the procurement card and switch to the purchase order procedures (e.g. obtain three quotes) and complete a purchase requisition for this item.**

5) A pump costing \$2,750 is required to fix a water leak. The purchase is made and later in the afternoon it is necessary to return to the vendor for \$500 worth of pipes/valves to complete the repair. Is this a violation?

**No – This is an example of unforeseen damage. In the process of a repair it is possible that more parts may be necessary than expected. Please document as thoroughly as you are able to ensure that others reviewing this transaction in the future can see it was necessary.**

6) While obtaining hotel reservations, taxes are included on the bill. Is this a violation?

**No – City employees are not exempt from hotel tax. Tax on hotels should be paid.**