

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 25, 2013

Item 9, Report No. 8, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on June 25, 2013.

9 PURCHASING CARD POLICY AND AWARD OF CONTRACT

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Interim City Manager and the Director of Purchasing Services, dated June 10, 2013:

Recommendation

The Interim City Manager and the Director of Purchasing Services recommend:

1. That the Proposed Purchasing Card Policy be approved;
2. That the City of Vaughan enter into a contract for the provision of purchasing cards through the local municipality sharing provisions in the York Purchasing Co-operative Contract with U.S. Bank Corporate Payment Systems' for the remaining one year term; and
3. That staff report back to Council with an audit report following a P-Card pilot project prior to the corporate wide implementation.

Contribution to Sustainability

Not applicable

Economic Impact

The US Bank P-Card, under the terms of the York Purchasing Co-operative (YPC) Contract and York Region has no cost associated with it. However U.S. Bank can offer a small rebate to the City based on achieving a minimum annual dollar volume (\$3M).

Communications Plan

Not applicable

Purpose

The purpose of this report is to obtain approval of the Proposed Purchasing Card Policy and approval to enter into a contract with U.S. Bank Corporate Payment Systems for the provision of purchasing cards through the YPC.

Background Analysis and Options

On October 30, 2012, Council approved the Consolidated Purchasing Policy and a recommendation from staff that a Purchasing Card (P-Card) Policy be developed and provided to Council in the fall of 2012. Subsequently, in December 2012, a Draft Purchasing Card Policy was provided for Council's comments and input.

The proposed policy sets out the responsibilities of staff involved in the P-Card program. The cardholder is responsible for adhering to the policy, securing the card, and maintaining and submitting supporting documentation regarding the use of their card. Non-compliance with the P-Card Policy or related procedures can result in withdrawal of P-Card privileges or other disciplinary action, in accordance with Human Resource's Employee Code of Conduct.

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Department Heads or Designates are responsible for assessing the need for an employee to have a P-Card, establishing spending limits for the card, determining which merchant access is appropriate to that employee, and reviewing and approving all purchases charged under their area of responsibility.

The Finance Department is responsible for ensuring that the P-Card bill is paid promptly to avoid interest charges.

As part of the 2013 Budget, funding was redeployed from Financial Services' Department budget for a vacant position to permit the establishment of a full time position for a P-Card Program Administrator in the Purchasing Services Department. The new job description, which sets out the responsibilities for managing the P-Card program, as well as other improvements in the Purchasing Services Department, is complete and the employment opportunity will be posted for recruitment shortly. The goal is to have the new position filled over the summer months.

As was noted in the December 2012 report to Council, the P-Card program implementation will begin with a pilot project in one City department, which will be audited prior to the roll-out to the corporation at large.

Staff are recommending that the contract for the P-Cards and online program be awarded to US Bank Corporate Payment Systems, through the YPC contract, as permitted under the City's Consolidated Purchasing Policy. US Bank has been providing P-Cards and an online control system to the Region of York since 2009. The contract, which is extended to local municipalities in York Region, is valid until April 2014.

Some of the control features of the U.S. Bank program are as follows:

- Control features on the card may be selected at the corporate level, department level or cardholder level. All cards may have the same controls or each cardholder may have a different set of control features. Most client organizations choose to have a set of control parameters that act as a default category. Alterations are made either at a cardholder level or at a higher level, such as department or division. Controls include: Corporate Spending limit, Monthly spending limits, Daily Spending limits, Daily Number of transaction limits, Dollar value per transaction limit, Merchant category or SIC code limits and Cash Advance limits.
 - Merchant Blocking by Card Holder
 - Cash Withdrawal Block/Limit
 - Country Code Blocking

Relationship to Vaughan Vision 2020

Not applicable

Regional Implications

The City of Vaughan joining YPC Contract for Corporate Purchasing Card with other agencies, York Region, Town of Newmarket and Town of Aurora will likely enhance the future rebates.

Conclusion

It is recommended that the Proposed Purchasing Card Policy be approved and that the City enter into a contract with U.S. Banks to provide P-cards to the City of Vaughan through YPC's contract extension.

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Attachments

Attachment 1 – Proposed Corporate Purchasing Card Policy

Report prepared by:

Barb Cribbett, CMA
Interim City Manager

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

FINANCE AND ADMINISTRATION COMMITTEE - JUNE 10, 2013

PURCHASING CARD POLICY AND AWARD OF CONTRACT

Recommendation

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Attachment 1 – Proposed Corporate Purchasing Card Policy

Report prepared by:

Barb Cribbitt, CMA
Interim City Manager

Respectfully submitted,

Asad Chughtai
Director of Purchasing Services

Barbara Cribbitt, CMA
Interim City Manager

**CITY OF VAUGHAN
POLICY MANUAL**

SECTION: FINANCE	(To be completed by Clerk's Dept. following Council approval) POLICY NO.: XXXX
(To be completed by Clerk's Dept)XXXXX	
DEPARTMENT: PURCHASING SERVICES	SUBJECT: PURCHASING CARD POLICY

POLICY STATEMENT:

A policy to provide Corporate Purchasing Cards to designated City employees.

APPLICATION:

To all city employees who are involved in the P-card program, including cardholders, department heads or designates, and the Program Administrator, as described in this policy

PURPOSE:

The purchasing card program is designed to improve internal controls and improve the efficiency of the payment process for low value purchases, as per the City of Vaughan's approved Consolidated Purchasing Policy.

Employees approved by their Department Heads (or designate) are authorized to use the Purchasing Card to purchase low-value goods and services in support of sound business practices.

The use of the Corporate Purchasing Card is subject to the provisions of the City's Consolidated Purchasing Policy, a policy to provide for the purchase of goods and services, the payment of accounts and the reporting of financial matters.

DEFINITIONS

"Cardholder": Any employee of the City of Vaughan issued a P-Card under this policy

"City": Refers to the Corporation of the City of Vaughan

"Department Head": Refers to a senior manager of a Department within the City who is a superior of a Cardholder

GENERAL TERMS

The City, not the individual cardholder, assumes liability for all authorized charges on the Purchasing Card.

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DEPARTMENT: PURCHASING SERVICES	SUBJECT: PURCHASING CARD POLICY

The Purchasing Card Program will be administered by the Purchasing Services Department, through the Program Administrator.

The Purchasing Card will be issued once the employee has read, signed and submitted the Purchasing Card Agreement Form to the Program Administrator, which sets out in writing the employee's responsibilities and restrictions regarding the use of the P-card.

The Purchasing Card shall **not** be used:

- In conjunction with a personal Air Miles card or similar awards program;
- For personal purchases of any nature;
- When a contract or tender is in effect for the goods and/or services, unless otherwise authorized by the Director of Purchasing Services;
- For computer hardware or software as all such purchases must be approved by Information Technology Management;
- When the total purchase price exceeds the single purchase limit on the card;
- When a competitive bid is required under corporate purchasing policy regulations;
- For telecommunications equipment such as telephones, cellular phones and mobile radios;
- For any purchase of Goods and/or Services that may be prohibited under any other policy approved by Council; or
- For cash advances.

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All P-Cards issued under this policy will be subject to:

- A maximum allowed single transaction limit
- A maximum allowed accumulated monthly transaction limit
- Blocking of specific Merchant Category Codes to prevent unauthorized purchases

The dollar limit for single purchases and a monthly accumulated spending limit for each employee will be determined by the respective Department Head or designate based on the expected level of purchases and type of products purchased.

Any fee associated with the Purchasing Card will be charged to the Departments.

Vendors will not be rejected as a result of their non-acceptance of Purchasing Cards

ACCOUNTABILITY:

Commissioners or other designated Department Heads are accountable for the proper use of P-Cards in their respective areas of responsibility.

RESPONSIBILITIES:

Cardholder:

- Adhering to and understanding all conditions and restrictions imposed on the Purchasing Card by the City of Vaughan and the Corporate Banker. Misuse of the card will result in disciplinary action;
- Submitting the Cardholder Agreement form to the Program Administrator;
- Ensuring that the Purchasing Card, monthly statement and other documents bearing the card number are kept in a secure location with controlled access;
- Immediately notifying the Corporate Banker, the Department Director and the Program Administrator of any loss or theft of the card;
- Informing the Program Administrator of cancellation, changes in business address or area of responsibility, and/or telephone number through the

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Department Director;

- Maintaining a Purchasing Register, on a monthly basis, for all purchases made with the Purchasing Card;
- Resolving disputed charges with the assistance of the Corporate Banker and Program Administrator as required;
- Keeping supporting documentation (i.e. cash register, sales slips, invoices and credit card receipts, vendor notices, purchasing register etc.) related to all purchases made with the Purchasing Card for reconciliation; and
- Submitting all supporting documentation and a reconciled purchasing register to their Department Head (or designate) for approval at the end of each billing cycle.

Department Heads or Designates:

- Assessing the need for Purchasing Cards based on operational requirements;
- Identifying the employee(s) who will be authorized to make low-dollar-value purchases through the use of a Purchasing Card;
- Establishing the single purchase transaction limit and monthly spending limit for each cardholder;
- Preparing and submitting the appropriate bank forms and other pertinent information to the Program Administrator for the issuance or cancellation of cards, changes in limits or blocked merchant codes, change of address or change in department or area of responsibility;
- Ensuring that each cardholder is informed of his or her responsibilities regarding the use of the Purchasing Card;
- Ensuring that the use of the Purchasing Card conforms to department and corporate policy and procedures;
- Monitoring and controlling the utilization of Purchasing Cards within their

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department or area of responsibility;

- Reviewing and approving, on a monthly basis, Purchase Registers for all cardholders and transmitting them to Finance within two working days of month end; and
- Reviewing and approving, on a monthly basis, all purchases charged to their budget.

Finance Department:

- Processing the Purchase Register upon receipt to update the various departmental budgets;
- Paying the monthly P-Card bill within the negotiated days allowed, to ensure that no interest is paid;
- Charging purchase card transactions to default accounts for all departments who have not transmitted their Purchase Registers to Finance within two working days after month end; and
- Ensuring all information is available for HST rebate forms and for subsidy claims.

Program Administrator:

- Transmitting all documents to the Corporate Banker;
- Distributing forms and cards;
- Providing co-ordination with respect to monitoring the overall utilization of Purchasing Cards within the City of Vaughan;
- Assisting employees with disputes as required;
- Updating, developing and amending the corporate P-Card procedures as required in consultation with the Director of Purchasing Services;
- Ensuring that the conduct of all purchasing activity is done in accordance with approved Purchasing and Accounts Payable policies and procedures;

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- Establishing which Merchant Category Codes (MCC) will be blocked from all Purchasing Cards for the City; and

- Periodically update forms relating to the administration of the policy.

NON-COMPLIANCE WITH POLICY:

All Purchasing Cardholders are expected to know and comply with this policy and the associated procedures. Failure to comply with the conditions and restrictions of the Purchasing Card Program by the cardholder will result in disciplinary action, including withdrawal of purchasing card privileges.

PURCHASING POLICY REVIEW

This Corporate Purchasing Card Policy shall be reviewed and evaluated for effectiveness as deemed necessary.

PURCHASING CARD PROCEDURES

The Commissioner of Finance & City Treasurer and the Director of Purchasing Services shall have the authority to approve procedures to implement this policy.

REFERENCE:

Consolidated Purchasing Policy approved by Council on October 30, 2012

CONTACT:

Asad Chughtai, Acting Director of Purchasing Services

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