

## M E M O R A N D U M

DATE: December 19, 2000

TO: The Board of Supervisors

FROM: Stephanie Ahrendt, Purchasing Director

SUBJECT: Purchasing Card

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In 1999, an interdepartmental Purchasing Strategic Planning and Design Team was formed to review purchasing operations and provide recommendations to the Department of Financial and Management Services. One of the key recommendations that came out of that process was to implement a flexible purchasing mechanism such as a Purchasing Card. Interdepartmental surveys and a National Institute for Governmental Purchasing process review of the Purchasing Office also identified this need.

A County-wide cross functional team formed in April to research other purchasing card programs and develop policies and procedures governing its use in James City County. The Purchasing Card Policy and Procedures documents explain the guiding principles and detailed regulations of the program. The Team developed these documents using widely recognized best practices that allow for a flexible program without compromising security and financial control. The Team finished its work in July and presented the policy and associated procedures governing card use to the Executive Staff. Executive Staff comments and suggestions were incorporated into the policy and procedures documents. A copy of the Purchasing Card Policy is attached. Both of these documents will be incorporated into the James City County Purchasing Manual.

Purchasing Cards would be issued to individual employees with supervisor and department manager approval. Cardholders would complete an education and training program and sign a statement acknowledging they will abide by the rules governing card use. A daily limit of \$1,000 and a monthly limit of \$5,000 are placed on the amounts to be charged to each card. The daily limit corresponds to the small purchasing limits previously approved by the Board. Unapproved merchant categories such as jewelry stores, alcoholic beverage retailers, betting parlors, etc., will be blocked. Individual employees whose purchasing needs are less than the above amounts may be assigned lower card limits. Employees with unique needs, such as a high volume of travel, may be permitted to have higher daily limits, with approval by the County Administrator.

The County will have flexibility in assigning card parameters. Department managers will determine appropriate limits for spending, vendors, and commodities for each of their employees, subject to the confines of the Purchasing Policy.

Many efforts have and will be made to protect the County from fraudulent and stolen card use. The Purchasing Card Procedures clearly state the limits and approved uses. Violations will be handled according to the County personnel policy. The bank will reject all transactions that exceed the dollar limits or that are from unapproved merchants. Bank staff also monitors card use to look for patterns that suggest fraudulent use. The bank provides a 24-hour, 7-day a week toll free number for cardholders to report a lost or stolen card.

The program maintains required financial control and accountability through detailed management level reporting software. Department managers and Financial and Management Services (FMS) will review card activity on a monthly basis. The Purchasing Card would be introduced with a three-month pilot program, extended to two or three departments. The pilot program would begin on or around February 1, 2001, with full program implementation shortly thereafter.

Purchasing released the Request for Proposals for Purchasing Card services at the end of the summer. An evaluation committee selected Bank One from a field of five firms. Bank One is a nationwide Purchasing Card provider with an excellent reputation for customer service, financial professionalism, and technological innovation. They offer online account reporting and maintenance.

The attached resolution authorizes a James City County Purchasing Card program with Bank One. This program has many significant benefits. It will streamline the purchasing process by requiring less time, paper, and processing for each transaction. Last fiscal year, James City County processed 3,155 purchase orders and 29,484 invoices. Of these, 67 percent or 2,114 purchase orders and 90 percent or 26,535 invoices were under \$1,000. Most of these under \$1,000 transactions (28,649 total) can be eliminated by use of the Purchasing Card. Purchasing and Accounts Payable staff will have more time to spend on providing value-added service rather than processing repetitive purchase orders and invoices. Instead of writing many checks for each individual transaction, the County would make one monthly payment, saving paper, printing, and postage costs. This one monthly payment will also create more manageable cash flows that can translate to improved investment income.

Like many other financial institutions that offer Purchasing Card services, Bank One requires the Board of Supervisors to authorize the Purchasing Card program for James City County. Staff recommends approval of the attached resolution authorizing the Purchasing Card program.

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Stephanie Ahrendt

CONCUR:

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Attachment