

Orland School District 135

Procedures for Procurement Card

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PURPOSE

To provide guidance on the proper use of Orland School District 135 Procurement Card and establish procedures, which meet the following criteria:

- * Provide an efficient and cost effective method of purchasing and paying for goods and services, when other means are not available (i.e. Purchase orders, check, petty cash).
- * Ensure Procurement card purchases are in accordance with the policy and procedures of the District and School Code of Illinois.
- * Ensure that the District bears no legal liability from inappropriate use of Purchasing Cards.
- * Provide for disciplinary action if the Purchasing Cards are misused.

SCOPE

These procedures will apply to the Superintendent and Assistant Superintendent for Business Services participating in the program.

BACKGROUND

Certain controls have been developed for the Procurement card. These controls ensure that the card is used only for specific purchases, within specific dollar and transaction limits.

1. DEFINITIONS

Bank--The financial institution, which has entered into an agreement with the District to provide the Purchasing Card Program (currently MBNA).

Billing Cycle--The monthly billing period that begins on a set date of each month and ends on the same day the following month, with a twenty-day (20) grace period before payment is due.

Capital Equipment--Assets with a cost of \$5,000 or more and a useful life of one year or more, including but not limited to furniture, equipment, vehicles, and computer hardware.

Cardholder Agreement--Terms and conditions that define Cardholder use of the Procurement card.

Merchant Category Code (MCC) Limit--A method to control where spending is allowed. All Visa merchants are assigned an industry-specific MCC code, which the District can restrict from Purchasing Card access. Once an MCC code is blocked, all merchants within that category will be declined.

Monthly Limit--The maximum dollar value of charges a Cardholder is authorized to make during the billing cycle.

Procurement card--A charge card issued to an employee for the purpose of purchasing small dollar items.

Single Purchase Limit--The maximum value of charges a cardholder is authorized to make during a single transaction.

2. Responsibilities

A. Cardholder is responsible for the following:

- * Securing the Procurement card and card number;
- * Buying supplies and services;
- * Informing vendor of tax-exempt status prior to processing sale transaction;
- * Collecting and saving sales receipts;
- * Writing the account number, or narrative description of the account/project to be charged, on the back of each receipt or on the optional transaction log;
- * Receiving and inspecting all ordered materials and services;
- * Reporting discrepancies to vendor;
- * Reviewing/verifying charges;
- * Submitting statements and receipts to the Business Office by department deadline;
- * Complying with all Orland School District 135's policy and procedures.

B. Business Office is responsible for the following:

- * Receiving statements and supporting documentation for all transactions;
- * Performing a pre-audit over receipts and charges;
- * Reconciling monthly statements with receipts and supporting documentation;
- * Paying charges from the monthly statement;
- * Filing monthly statements and/or supporting documentation to the Board of Education;

C. Bank is responsible for the following:

- * Activating and deactivating Procurement cards at the request of the District;
- * Paying suppliers;
- * Controlling pre-defined Cardholder limits;
- * Providing monthly statements and reporting information;
- * Providing duplicate copies of sales receipts in case of disputed charges;
- * Providing customer service.

3. Processes

Using the Procurement card - General Information

The Cardholder may pick up supplies or services, or place an order for these by telephone, facsimile or electronically. Internet purchases must be made over a secured transmission. The supplies or services must be immediately available for pick up, shipped or delivered within the monthly billing cycle. The order should not be placed without this assurance. No **back ordering** is allowed when using the Procurement card.

Telephone Orders: The Cardholder must confirm that the vendor will charge the Procurement card when shipment is made so that receipt of the supplies may be certified on the weekly statement.

Prohibited Purchases: The Procurement card is to be used for Orland School District 135 authorized purchases only. The Procurement card cannot be used for any personal use. The Cardholder is the only person authorized to use their assigned Procurement card.

The following supplies and services shall **not** be purchased with the Purchasing Card:

- * Personal Items
- * Cash Advances
- * Gas (except for rental car on travel)
- * Entertainment
- * Telephone Calls
- * Capital Equipment
- * Medical Services
- * Legal Services
- * Cellular Phone
- * Gifts
- * Federal or State funded projects

* Any other restrictions that may be placed by the District

Sales & Use Tax: The District is exempt from paying any State of Illinois (and generally all other states') sales and/or use tax, even if the purchase is made with the Procurement card. The District's sales tax exemption number is printed on the front of the Procurement card. **It is the responsibility of the Cardholder to make the vendor aware that the sale transaction will be tax exempt prior to processing the sale.**

If the vendor charges sales tax, the Cardholder must contact the vendor and obtain a credit equal to the amount of the sales tax. **Do not permit the vendor to issue cash to settle a sales tax error.**

Documentation: For all transactions, the Cardholder must retain the original customer's copy of the charge slip, along with the detail receipt, which identifies every item purchased and the corresponding item cost. For telephone orders, the Cardholder must retain the receipt and/or packing slip. The Cardholder must also write the account number, or a narrative description of the account/project to be charged, on the back of each receipt.

Missing Documentation: Where supporting documentation is missing, the Cardholder must contact the vendor and request a duplicate receipt. Failure to provide adequate documentation will result in disciplinary action and employees may be required to make payment for such transactions.

Denied Purchase: The Cardholder needs to report a denied point of sale or other rejected purchases to the Business Office. Information to be provided includes Cardholder name and account number, vendor and date of declined sale. The Business Office shall inquire into the denied sale, take appropriate action and report back to the Cardholder. If a vendor refuses to accept a Procurement card, the Cardholder should report this fact to the Business Office. District purchasing procedures apply to the Procurement card as well.

Compliance:

Use of the Procurement Card does not relieve you from complying with Federal, State, Local laws, Statutes, regulations, or District policies and procedures.

For every purchase made, the respective Cardholder must be prepared to substantiate necessity or official use. Misuse of the Procurement Card shall be subject to the immediate revocation of Procurement Card privileges. The respective Department Head, Business Administrator, and Supervisor of Human Resources will handle resolution of situations involving improper use of the Procurement Card.

A. Reconciling Monthly Statements

1. **The Bank** will provide monthly statements for verification of charges and reconciliation.
2. **The Cardholder** is responsible for securing and delivering all necessary documentation (sales receipts, etc.) for every transaction to the Business Office. Receipts and related documentation are to be secured and delivered to the

Business Office. Each Cardholder is responsible for ensuring the subject receipts clearly show what has been purchased and at what price. Sales receipts that do not provide sufficient information must be supplemented with documentation from the vendor at the time of purchase. If a receipt is missing, it is the Cardholder's or Business Office's responsibility (depending on the circumstances) to contact the subject vendor and request a duplicate receipt and appropriate documentation. In the event the receipt cannot be secured, the Cardholder may be personally liable for the cost of the subject transaction and may be subject to disciplinary action.

3. **The Business Office** must review the Cardholder's monthly statement; verify the purchases were for a proper public purpose and verify/assign the account codes. Receipts and related documentation are to be secured and delivered to the appropriate Business Office. Such receipts will be reconciled with a monthly transaction report sent to Business Office on a monthly basis. Transactions involving fraud, disputed charges, and employee misconduct must be reported and brought to the attention of Business Office

Unauthorized purchases may result in disciplinary action and the employee will be required to make payment for any such transaction. When purchases are questioned, the Business Office is responsible for resolving the issue with the Cardholder. If the Business Office is not satisfied that the purchase was necessary and for official use, the Cardholder must provide either a credit voucher proving the item(s) were returned for credit or a personal check made payable to the Bank for the full amount of the purchase, plus applicable sales tax. Checks must be sent along with the statement to Business Office, with an explanation of why the violation occurred.

4. **Board of Education** will receive a copy of all charges along with a written description of said charges. A monthly reconciliation report will be provided documenting all purchases by each cardholder and by category.

B. Resolving Returns and Credits, Disputes and Erroneous Charges

A dispute occurs when a Cardholder questions a transaction that has been charged to their account. The Cardholder will initially contact the merchant in question about the transaction and seek to resolve the matter by requesting or supplying information as necessary. If the matter is not resolved immediately, the Cardholder will notify the Business Administrator, in writing, to request the charge be disputed. The Business Administrator will refer the matter to the Bank for disposition.

As a result of the dispute, the District remains obligated to pay for the disputed item(s); however, the next statement will be reduced by the amount of the disputed item(s) and the Bank will resolve the matter within 90 days.

C. Reporting a Lost or Stolen Purchasing Card

If a card is lost, stolen, or misplaced during normal working hours, the Cardholder must immediately notify the Business Office. If a card is lost, stolen or misplaced outside

normal working hours, the Cardholder must immediately notify the Bank directly and notify the Business Office the next working day. Upon such notification, access to the card will be immediately blocked. A new card will be mailed for the Cardholder on the next business day after receiving the notification at no cost to the Cardholder or the District.

D. Purchasing Card Termination

Terminated Employees: The Business Office is required to notify the Bank to cancel the card of a terminated employee within 24 hours of such termination.

During the exit interview, the respective Department will obtain the Procurement card from the terminated employee.

The Business Office must destroy returned Procurement cards. The Business Office will remit destroyed cards to the Bank.

Revocation of Card: Purchasing Card privileges may be revoked upon the Cardholder's failure to follow District's policy and procedures. The Business Office will immediately notify the bank to cancel any such cards.

E. Violations

The following actions are prohibited:

- * Purchases of items specifically prohibited by policy;
- * Purchases that exceed the Procurement card limits;
- * Not reporting lost or stolen cards;
- * Purchases from vendors that create a conflict of interest, (i.e., purchases from companies owned or operated by District employee(s) and/or their relatives, etc.);
- * Inadequate record keeping and/or documentation of purchases;
- * Acceptance of cash in lieu of a credit to the statement;
- * Splitting of purchases within the single purchase limit.

Failure to comply with this procedure may result in employee removal from the Procurement card Program and other disciplinary action as appropriate.