

TO: Board of Commissioners

FROM: Administrator/Controller's Office

DATE: May 2, 2018

RE: Isabella County Financial Management Policy No. 411 – Credit Card Management Policy

BACKGROUND

The current policy for County Credit Card Management was approved in 2005 and amended in 2008. A review and rewrite of the policy has occurred by the Administrator/Controller's Office and is attached for your consideration. The recommended Credit Card Management Policy serves to maintain appropriate internal controls over the utilization of County credit cards.

As presented here, the recommended Credit Card Management Policy designates oversight of credit card utilization to the County Administrator/Controller. Approval of cardholders, credit card arrangements, and credit card account managers would be the responsibility of the County Administrator/Controller. Additional oversight duties would include maintenance of an authorized cardholders list by the Administrator/Controller's Office, as well as maintenance of receipts or other documentation of all credit card purchases to ensure compliance with the policy.

The recommended policy serves to formally establish that two (2) general administrative credit cards are maintained in the custody of the Administrator/Controller's Office. The general administrative credit cards are available to be logged out by authorized County employees on a temporary and "as needed" basis. The recommended policy deems that these credit cards must be formally logged out and the log is to be maintained by the Administrator/Controller's Office.

The recommended Credit Card Management Policy provides for more clear direction and specific guidance to the end user. It more clearly defines the allowable uses of County credit cards by incorporating internet and immediate needs purchases. The recommended policy also serves to tie credit card purchases to the requirements of the Procurement Policies and

Procedures. This helps to ensure that best purchasing practices are followed when utilizing credit cards for purchases, regardless of the dollar threshold.

Increased accountability on the end user is incorporated, as the recommended policy requires the end user to notify a merchant of the tax-exempt status of the County. This would include providing the merchant with the County tax identification number and following through on any paperwork required by the merchant to ensure a tax-exempt purchase. This will serve to ensure that taxpayer dollars are not unnecessarily spent on sales taxes for County purchases.

The recommendations also include enhanced prohibitions on credit card use. The attached recommendations strictly prohibit the use of credit cards for cash advances and gift card or prepaid card purchases. Additionally, the new language specifies that any promotional items or rebates obtained through the use of County credit cards would remain County property. These preventive controls serve to limit the exposure of the County related to such inappropriate purchases and to disallow personal gain through County credit card use.

The current Credit Card Management Policy includes some practices that remain appropriate and that have been retained in the attached recommendations. These include the requirement that County credit cards be used only by County employees or Elected Officials and only for the purchase of goods and services in conjunction with official County business. Also, the limitation for any credit card arrangement remains at \$50,000 and responsibilities for credit card account managers remain unchanged. The recommendations presented here, along with proven practices from the current policy, provide for a Credit Card Management Policy that supports employee credit card purchases while protecting County interests.

ALTERNATIVES

The County could choose not to adopt the recommended Credit Card Management Policy. This would serve to risk exposure to the guidance and prohibitions not currently incorporated.

FINANCIAL IMPACT

The attached recommendations should not pose any impact in terms of budgeted amounts for goods and services, rather they should serve to tie credit card purchases to the best practices within the County Procurement Policies and Procedures.

OTHER CONSIDERATIONS

In 2013 the Federal Office of Management and Budget (OMB) updated final guidance to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). One of the most significant changes was the substantial modification of the procurement requirements entities who expend Federal Awards must follow. Once the Procurement Policies and Procedures of the County were updated it resulted in the necessity to update the County Credit Card Management Policy. All purchases on County credit cards must strictly adhere to OMB Uniform Guidance and all appropriate County guidelines. The modifications and updates to the Credit Card Management Policy serve to align it with the new Procurement Policies and Procedures as well as the Uniform Guidance as detailed in 2 CFR 200. Since the County procures many goods and services throughout the year on credit cards, and some of those purchases may be charged to Federal grants, it was necessary for the Credit Card Management Policy to be in compliance with Uniform Guidance in order for the County to continue to expend Federal funding using credit cards.

RECOMMENDATIONS

Consider adopting the attached Isabella County Financial Management Policy No. 411 – Credit Card Management Policy to replace the current policy and take effect immediately upon adoption.

ATTACHMENTS

- Isabella County Financial Management Policy No. 411 - Credit Card Management Policy Final Draft with Tracking
- Isabella County Financial Management Policy No. 411 - Credit Card Management Policy Final Draft Narrative

Credit Card Management

Approved August 2, 2005
~~Amended August 5, 2008~~

A. General

The purpose of this policy is to establish a standard set of ~~guidelines regulations~~ pursuant to those established under the Credit Card Transactions Act (1995 PA 266, being MCL 129.241 – MCL 129.247), which regulates credit card transactions of local units of government. In order to maintain appropriate internal control over the utilization of credit cards ~~assure the total combined authorized credit accounts does not exceed the maximum allowed by statute~~, all credit card arrangements and credit accounts shall be approved by the ~~Board of Commissioners~~ County Administrator / Controller.

B. Definitions.

1. Cardholder means a County employee or ~~Elected~~ Official whose name appears on the credit account and is responsible for all charges made against that account. All cardholders must be approved by the ~~Board of Commissioners~~ County Administrator / Controller. A list of approved cardholders shall be maintained by the Administrator / Controller's office.
2. Credit Card means a card or device issued under a credit arrangement for the purpose of making authorized purchases on behalf of the County.
3. Credit Card Arrangement means an unsecured extension of credit for the purchasing of goods or services from the credit issuer or any other person that is made to the holder of a credit account. All credit card arrangements must be approved by the ~~Board of Commissioners~~ County Administrator / Controller.
4. ~~—~~ Credit Card Account Manager and Custodian is the applicable department head ~~or Elected Official~~ approved by the ~~Board of Commissioners~~ County Administrator / Controller. In addition, two (2) General Administrative credit cards, are maintained / in the custody of, the Administrator / Controller office. A current list of authorized card holders is maintained in the County Administrator / Controller's office. The following employee positions are designated as County Credit Card Account Managers and Custodians:

- ~~a. —~~ Administrator / Controller
- ~~b. —~~ Trial Court Administrator
- ~~c. —~~ County Clerk
- ~~d. —~~ Register of Deeds
- ~~e. —~~ Sheriff

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- ~~f. Community Development Director~~
- ~~g. Information Systems Director~~
- ~~h. Parks and Recreation Director~~
- ~~i. Commission on Aging Director~~
- ~~j. Central Dispatch Director~~
- ~~k. Emergency Management Director~~
- ~~l. Recycling Director~~

~~5. Vendor Credit Card means a credit card or credit account issued by a vendor or other third party which is only valid for purchases from that vendor. All sections of this policy apply to vendor credit accounts unless otherwise noted.~~

C. Policy/Procedures

Use of the credit card shall be in compliance with the following. Violation of these policies and procedures may result in disciplinary action and/or revocation of credit account privileges.

1. All cards specifically assigned to an employee / Elected Official must be maintained in their possession / control. There are 2 General Administrative credit cards maintained in the Administrator / Controller Office. When these credit cards are needed, they must shall be logged out and back in in and out by signature of an authorized County employee, in a custody log book or folder approved by the Administrator / Controller and maintained in that office.
2. A County credit card may be used only by a County employee / Elected Official.
3. County credit cards may be used only for the purchase of goods and services in conjunction with official County business.
4. Specific limitations on County credit card accounts and credit card use:
 - a. County credit card accounts are normally to be utilized by County employees / Elected Official to pay for travel expenses (lodging, meals, transportation, etc.). -internet purchases, immediate needs purchases, and any other purchases that are in the best economic and functional interest of the County to utilize a credit card as long as they are in conjunction with official County business and travel. Personal use of the credit card is strictly prohibited.
 - ~~b. County credit cards may be utilized to purchase goods and services with the specific approval of the account manager/custodian subject to compliance with the County's approved departmental budget and the limits/requirements as set forth in the County procurement policy. It is the users responsibility to notify the merchant that the County is a tax-exempt entity (MI Sales and Use Tax). the following purchase limits.~~

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Isabella County Credit Card Management Policy

i. ~~The single line item purchase price of goods or services may not exceed \$500, consistent with the County purchasing policy (Policy No. 410).~~

ii. ~~When a requirement exists to utilize the County credit card for the purchase of goods or services at a line item price above \$500, the County purchasing policy is to be followed.~~

b. Credit limit for any credit card arrangement shall not exceed \$50,000.

c. County credit cards may never be used for cash advances or purchase of gift cards or prepaid cards.

e.d. Promotional items obtained through the use of the County credit cards or obtained while serving in a County employee or Elected Official capacity are the property of Isabella County and must not be used for personal gain.

5. The following additional procedures and requirements apply to credit card use.

a. ~~Employees~~ Individuals entrusted with County credit cards are responsible for protection and custody of the card and will immediately notify their respective card account manager and the Administrator / Controller's office if the card is lost or stolen.

b. Not later than the first business day following the purchase of goods/services or the return from official travel, the user of the credit card will return the credit card to the account manager/custodian.

c. At the same time the credit card is returned or shortly thereafter, but no later than prior to the end of the next credit card period, an itemized Credit Card Expense Voucher (with receipts for all purchases attached) is to be provided to the account manager or directly to the Administrator / Controller's office.

d. Upon receipt of the itemized voucher, the account manager shall:

i. Authenticate each expense listed on the voucher.

ii. Verify that a receipt is included for each expense.

iii. Determine the appropriate budget line item to be charged for payment of each item on the voucher.

iv. Reconcile and validate approved departmental vouchers against the monthly credit card account statement when received.

v. Forward all documents to the Administrator / Controller's office for detailed review and approval/payment. The accounting department, once all charges are substantiated, will pay the

Isabella County Credit Card Management Policy

~~Director of Accounting Services who will liquidate~~ monthly credit card bills ~~immediately~~ so as to avoid interest payments necessitated by overdue account balances.

D. Oversight Authority

Oversight authority for credit card account management is the responsibility of the County Administrator/Controller. ~~The Director of Accounting Services, as the County's internal audit and fiscal monitoring agent~~ The County Administrator/Controller's office, will ~~periodically~~ constantly review departmental management of these accounts to ensure conformance with this policy.

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E. Disciplinary Measures

Disciplinary measures consistent with existing law and County policy will be taken in the event that County credit cards are used in violation of this policy.



ISABELLA COUNTY, MICHIGAN

Credit Card Management Policy

Financial Management Policy
No. 411

Adopted: xx/xx/xxxx
Revised: xx/xx/xxxx

1. GENERAL.

The purpose of this policy is to establish a standard set of guidelines pursuant to those established under the Credit Card Transactions Act (1995 PA 266, being MCL 129.241 – MCL 129.247), which regulates credit card transactions of local units of government. In order to maintain appropriate internal control over the utilization of credit cards all credit card arrangements and credit accounts shall be approved by the County Administrator/Controller.

2. DEFINITIONS.

Cardholder means a County employee or Elected Official whose name appears on the credit account and is responsible for all charges made against that account. All cardholders must be approved by the County Administrator/Controller. A list of approved cardholders shall be maintained by the Administrator/Controller's Office.

Credit Card means a card or device issued under a credit arrangement for the purpose of making authorized purchases on behalf of the County.

Credit Card Arrangement means an unsecured extension of credit for the purchasing of goods or services from the credit issuer or any other person, that is made to the holder of a credit account. All credit card arrangements must be approved by the County Administrator/Controller.

Credit Card Account Manager and Custodian is the applicable department head or Elected Official approved by the County Administrator/Controller. In addition, two (2) General Administrative credit cards, are maintained / in the custody of, the Administrator/Controller. A current list of authorized card holders is maintained in the County Administrator/Controller's Office.

3. POLICY/PROCEDURES.

Use of the credit card shall be in compliance with the following. Violation of these policies and procedures may result in disciplinary action and/or revocation of credit account privileges.

- A. All cards specifically assigned to an employee/Elected Official must be maintained in their possession/control. There are 2 General Administrative credit cards maintained in the Administrator/Controller's Office. When these credit cards are needed, they must be logged out and back in by signature of an authorized County employee, in a custody log book or folder approved by the Administrator/Controller and maintained in that office.

- B. A County credit card may be used only by a County employee/Elected Official.
- C. County credit cards may be used only for the purchase of goods and services in conjunction with official County business.
- D. Specific limitations on County credit card accounts and credit card use:
 - 1. County credit card accounts are normally to be utilized by County employees/Elected Official to pay for travel expenses (lodging, meals, transportation, etc.), internet purchases, immediate needs purchases, and any other purchases that are in the best economic and functional interest of the County to utilize a credit card as long as they are in conjunction with official County business and travel. Personal use of the credit card is strictly prohibited.
 - 2. County credit cards may be utilized to purchase goods and services with the specific approval of the account manager/custodian subject to compliance with the County's approved departmental budget and the limits/requirements as set forth in the County procurement policy. **It is the user's responsibility to notify the merchant that the County is a tax-exempt entity (MI Sales and Use Tax).**
 - 3. The credit limit for any credit card arrangement shall not exceed \$50,000.
 - 4. County credit cards may never be used for cash advances or purchase of gift cards or prepaid cards.
 - 5. Promotional items and/or rebates obtained through the use of the County credit cards or obtained while serving in a County employee or Elected Official capacity are the property of Isabella County and must not be used for personal gain.
- E. The following additional procedures and requirements apply to credit card use.
 - 1. Individuals entrusted with County credit cards are responsible for protection and custody of the card and will immediately notify their respective card account manager and the Administrator/Controller's Office if the card is lost or stolen.
 - 2. Not later than the first business day following the purchase of goods/services or the return from official travel, the user of the credit card will return the credit card to the account manager/custodian.
 - 3. At the same time the credit card is returned or shortly thereafter, but no later than prior to the end of the next credit card billing period, an itemized Credit Card Expense Voucher (with receipts for all purchases attached) is to be provided to the account manager or directly to the Administrator/Controller's Office.
 - 4. Upon receipt of the itemized voucher, the account manager shall:
 - (a) Authenticate each expense listed on the voucher.
 - (b) Verify that a receipt is included for each expense.

- (c) Determine the appropriate budget line item to be charged for payment of each item on the voucher.
- (d) Reconcile and validate approved departmental vouchers against the monthly credit card account statement when received.
- (e) Forward all documents to the Administrator/Controller's Office for detailed review and approval/payment. The accounting department, once all charges are substantiated, will pay the monthly credit card bills so as to avoid interest payments necessitated by overdue account balances.

4. OVERSIGHT AUTHORITY.

Oversight authority for credit card account management is the responsibility of the County Administrator/Controller. The County Administrator/Controller's Office, will review departmental management of these accounts to ensure conformance with this policy.

5. DISCIPLINARY MEASURES.

Disciplinary measures consistent with existing law and County policy will be taken in the event that County credit cards are used in violation of this policy.