

**CITY OF OAKLAND
AGENDA REPORT**

OFFICE OF THE CITY CLERK
2006 FEB 16 PM 1:07

TO: Office of the City Administrator
ATTN: Deborah A. Edgerly
FROM: Finance and Management Agency
DATE: February 28, 2006

RE: FOLLOW-UP REPORT ON CITY-GUARANTEED CREDIT CARDS USED BY
CITY OF OAKLAND EMPLOYEES AND ELECTED OFFICIALS

SUMMARY

On December 13, 2005, staff responded to concerns presented in the City Auditor's Interim Report on the Performance Audit of City-Guaranteed Credit Cards Issued to City of Oakland Employees and Council Members for the Period of March 30, 2004 through June 28, 2004. At that time, Council requested that staff provide a report containing a list of the titles of all purchasing card users and their expenditure limits; in this report, staff provides the requested list as Appendix A.

FISCAL IMPACT

This is an informational report; there is no fiscal impact.

BACKGROUND

Beginning in late 2002, the City of Oakland initiated a pilot purchasing card program, issuing a limited number of cards. The focus of the pilot program was primarily to test the cards' usefulness for three categories of purchases: small-scale administrative expenditures, hardware/maintenance supplies and equipment, and travel. The program includes approved City associates who require purchase cards to transact certain City business.

KEY ISSUES AND IMPACTS

In an effort to increase control and minimize fraud, the City Administrator revised AI 1055 (see attached) on July 1, 2005, to set uniform expenditure limits for various categories of City employees. These categories include the following:

1. \$500-\$2,500 for purchasing card users with small-scale purchases
2. \$2,500-\$5,000 for Department/Agency Heads
3. \$5,000-\$10,000 for the Finance and Management Agency Director, City Administrator's Office and elected officials

Based upon need, the Finance and Management Agency Director has the authority to revise the expenditure levels for purchasing card users. Expenditure limits for some City staff, including the Finance and Management Agency Director, may be increased to allow for emergency purchases.

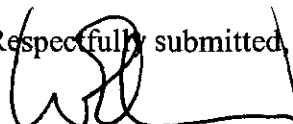
RECOMMENDATION(S) AND RATIONALE

Staff recommends that this informational report be accepted.

ACTION REQUESTED OF THE CITY COUNCIL

This is an informational report only; no action is requested of City Council at this time.

Respectfully submitted,



**William E. Noland, Director
Finance and Management Agency**

Prepared by:
Katano Kasaine
Treasury Manager

APPROVED AND FORWARDED TO THE
CITY COUNCIL



OFFICE OF THE CITY ADMINISTRATOR

Appendix A

**City of Oakland Purchasing Card Program
 Cardholders, 01/30/06**

<u>Dept/Agency</u>	<u>Position</u>	<u>Single Transaction</u>	<u>Monthly Amount</u>
CAO	Programming and Acquisitions Director - KTOP	500.00	2,500.00
FMA	Revenue Analyst	500.00	2,500.00
FMA	Microcomputer Systems Specialist II	500.00	2,500.00
FMA	Administrative Assistant II	500.00	2,500.00
FMA	Assistant Controller	500.00	2,500.00
FMA	Executive Assistant	500.00	2,500.00
OFD	Fire Division Manager	500.00	2,500.00
OFD	Fire Division Manager	500.00	2,500.00
OPL	Administrative Librarian	500.00	2,500.00
OPL	Administrative Manager II	500.00	2,500.00
PWA	Electrical Shop Supervisor	500.00	2,500.00
PWA	Electrical Services Manager	500.00	2,500.00
PWA	Training & Public Svc. Adm.	500.00	2,500.00
PWA	Construction & Maintenance Supervisor	500.00	2,500.00
PWA	Electrical Supervisor	500.00	2,500.00
PWA	Assistant Complex Manager	500.00	2,500.00
PWA	Equipment Services Manager	500.00	2,500.00
PWA	Accountant I	500.00	2,500.00
PWA	Building Services Manager	500.00	2,500.00
PWA	Electrical Shop Supervisor	500.00	2,500.00
PWA	Construction & Maintenance Supervisor	500.00	2,500.00
CAO	Marketing Manager	2,500.00	5,000.00
City Att'y	Legal Administrative Services Manager	2,500.00	5,000.00
City Clerk	City Clerk	2,500.00	5,000.00
FMA	Revenue Manager	2,500.00	5,000.00
FMA	Chief Technology Officer	2,500.00	5,000.00
FMA	Treasury Manager	2,500.00	5,000.00
FMA	Director of Personnel Resource Management	2,500.00	5,000.00
HHS	Senior Center Director	2,500.00	5,000.00
HHS	Senior Center Director	2,500.00	5,000.00
HHS	Senior Center Director	2,500.00	5,000.00
HHS	Senior Center Director	2,500.00	5,000.00
HHS	Director Human Services	2,500.00	5,000.00
OFD	Deputy Fire Chief	2,500.00	5,000.00
OFD	Fire Chief	2,500.00	5,000.00
OFD	Deputy Fire Chief	2,500.00	5,000.00
OPD	Director of Administration	2,500.00	5,000.00
OPD	Chief of Police	2,500.00	5,000.00
OPL	Library Director	2,500.00	5,000.00
OPR	Admin. & Fiscal Manager	2,500.00	5,000.00
OPR	Director of Parks and Recreation	2,500.00	5,000.00
PWA	Assistant Director PWA - Facilities and Environment	2,500.00	5,000.00
PWA	Information Systems Administrator	2,500.00	5,000.00
PWA	Director of Public Works Agency	2,500.00	5,000.00
PWA	Assistant Director PWA - Infrastructure and Operation	2,500.00	5,000.00
PWA	Equipment Parts Technician	2,500.00	5,000.00
PWA	Chief Stationary Engineer	2,500.00	5,000.00
PWA	Equipment Parts Technician	2,500.00	5,000.00
CAO	Deputy City Administrator	5,000.00	10,000.00
CAO	City Administrator	5,000.00	10,000.00
CAO	Assistant City Administrator	5,000.00	10,000.00
City Att'y	City Attorney	5,000.00	10,000.00
Council	Council Member	5,000.00	10,000.00
Council	Council Member	5,000.00	10,000.00
FMA	Director of Finance and Management Agency	5,000.00	10,000.00

Item #: _____

CITY OF OAKLAND
ADMINISTRATIVE INSTRUCTION



Subject:	Purchasing Cards	Number:	1055
Reference:	Resolution No. 75909 C.M.S.	Effective Date:	July 1, 2005
Supersedes:	A.I. 1055, issued April 15, 2000	Responsible Agency:	Finance and Management Agency

I. POLICY

The purchase of goods, services, and travel by the City should be accomplished as efficiently as possible.

II. PURPOSE

To provide a convenient, carefully controlled, cost-efficient method for purchasing low-dollar-volume goods, services, and travel. Purchasing Cards may be used in place of the normal City purchasing process to provide a more cost-effective method for certain purchases and to enable emergency and other authorized purchases within certain constraints. Purchasing Card purchases must comply with the City's Travel Policy (A.I. 120).

III. DEFINITIONS

<i>Term</i>	<i>Definition</i>
Cardholder	A City Officer or employee who has been issued a City of Oakland Purchasing Card.
Cardholder Agreement	A form signed by the Cardholder and his/her supervisor, describing the responsibilities and guidelines for use of the Purchasing Card.
Purchasing Card	A credit card issued to an individual City Officer or employee to be used for certain authorized work-related purchases.
Purchasing Card Manual	Purchasing Card Instructions and Information, as posted on the FMA Treasury Division intranet site.
Purchasing Card Reconciliation Administrator	The designated Finance and Management Agency (FMA) Accounting Division employee responsible for carrying out month-to-month administration and reconciliation of the City's Purchasing Card program.

Purchasing Card Program Coordinator	The designated FMA Treasury Division employee responsible for enrollments and cancellations in the City's Purchasing Card program.
Purchasing Card Application Form	A form prepared by FMA for use by Department/Agency heads to designate employees to be issued Purchasing Cards, and to designate for each Cardholder appropriate limits on the amount, frequency, and categories of eligible Purchasing Card transactions.
Cycle End Date	The date of each month on which the monthly Purchasing Card billing cycle ends.
Payment Date	The date on which payment is transmitted to the Bank for all Purchasing Card transactions recorded in the previous billing cycle; this date is approximately two weeks later than the Cycle End Date.
Account Record	A report, available from the Purchasing Card service provider on-line or in hard copy, detailing purchases by each Cardholder.
Monthly Transaction Packet	A packet of information related to a single Cardholder's Purchasing Card purchases for a single billing cycle, including a Transaction Log, a Bank account statement, and all required paperwork related to the purchase(s).
Bank	The bank with which the City has contracted to provide Purchasing Card services.

IV. PROCEDURES AND GUIDELINES

<i>Responsible Party</i>	<i>Action</i>
Director, Finance and Management Agency	<ol style="list-style-type: none"> 1. Designates Purchasing Card Program Coordinator and Reconciliation Administrator. 2. Approves Purchasing Card Manual. 3. As needed, revises definition of eligible purchases, including maximum allowable limits for each Cardholder. 4. Approves requests for Purchasing Card issuance.
Purchasing Card Program Coordinator	<ol style="list-style-type: none"> 1. Following approval by FMA Director, enrolls Cardholders in Bank's database (including default account codings and spending limitations). 2. Receives newly-issued cards, and distributes them to Cardholders. 3. Informs Bank of terminated or suspended Cardholders.

Purchasing Card Reconciliation Administrator	<ol style="list-style-type: none">1. Receives monthly transaction logs from Cardholders.2. Monitors Purchasing Card usage reports; provides usage analyses to FMA Director.3. In coordination with FMA Treasury Division, verifies that sufficient funds are available for electronic funds transfer on the Payment Date.4. As needed, drafts and revises the Purchasing Card Manual.5. Provides or coordinates Cardholder training.6. Confirms that Bank has received reports of lost or stolen cards.
Agency or Department Head	<ol style="list-style-type: none">1. Designates employees to be issued Purchasing Cards.2. Is responsible for ensuring that expenditures remain within Agency/Department budget.
Cardholder	<ol style="list-style-type: none">1. Completes and submits Cardholder Application and Cardholder Agreement to supervisor, for approval and forwarding to Purchasing Card Program Coordinator.2. Participates in Cardholder training and familiarizes him/herself with the Purchasing Card Manual.3. Uses Purchasing Card to make purchases of goods and/or services for the City as authorized and approved.4. Ensures that each Purchasing Card purchase conforms to City guidelines, and that sufficient funds are available in the appropriate account to be charged.5. For each purchase, obtains and retains a hard-copy receipt from the vendor.6. Prior to 10 calendar days after the Cycle End Date for any purchase:<ul style="list-style-type: none">• reviews account record on-line to verify purchase charges and accounting coding; as needed, inputs changes to correctly reflect the appropriate coding.7. Prior to 20 calendar days after the Cycle End Date:<ul style="list-style-type: none">• completes and signs Purchasing Card Transaction Log for that cycle;• packages together the Log, monthly Bank account statement, and all supporting paperwork (such as invoices, bids, and/or travel authorizations, as appropriate), and submits this Monthly Transaction Packet to supervisor or manager in time for approval and forwarding to Purchasing Card Reconciliation Administrator within 20 days after Cycle End Date.8. Immediately reports any lost or stolen Purchasing Card to the Bank and to supervisor.9. In the event of any disputed charge, attempts to resolve dispute with merchant; if dispute is not resolved by merchant, submits dispute form to the Bank within 60 days of Cycle End Date of the original purchase.

Cardholder's Supervisor/Manager	<ol style="list-style-type: none"> 1. Signs Cardholder Agreement, and forwards it with Cardholder Application to Agency/Department Head. 2. Participates in Cardholder training and familiarizes him/herself with Purchasing Card Manual. 3. Within 10 days after each Cycle End Date, reviews on-line any Purchasing Card purchases under his/her jurisdiction to ensure program compliance and account coding, and if needed, inputs coding changes(s). 4. Confirms availability of funds; initiates Budget Change Request if needed. 5. Within 20 days after each Cycle End Date, reviews Monthly Transaction Packet(s) under his/her jurisdiction, approves and signs Monthly Transaction Log(s), and forwards packet(s) to Purchasing Card Reconciliation Administrator. 6. Immediately informs Purchasing Card Reconciliation Administrator of any lost or stolen card.
Accounting Division	<ol style="list-style-type: none"> 1. Revises Purchasing A.I. and other instructions to reflect Purchasing Card procedures. 2. Monitors Purchasing Card usage reports, and analyzes cost-effectiveness of the program. 3. Reports any problems or discrepancies to the appropriate Department or Agency. 4. Requests appropriate analysis reports, including vendor reports, from Bank.
Treasury Division	<ol style="list-style-type: none"> 1. Ensures availability of sufficient funds for monthly payments to Bank on Payment Date.
City Auditor	<ol style="list-style-type: none"> 1. Reviews Purchasing Card procedures. 2. Performs periodic audits of Purchasing Card usage.

V. **ADDITIONAL INFORMATION**

Purpose

The Purchasing Card is a standard credit card, issued to an individual City Associate for purchase transactions which will be paid by the City. Use of the Purchasing Card is designed to (a) reduce the paperwork, effort, and expenses related to processing Purchase Orders and individual payments for many City purchases of goods, services, and travel, (b) increase convenience, speed, and flexibility in making City purchases, and (c) improve the flexibility and quality of reports on City purchasing activity.

Specificity

Each Department or Agency will designate employees for Purchasing Card issuance, based on the need or likelihood of their use of the Purchasing Card for eligible purchases. Each Cardholder will be issued a Purchasing Card, with specific limitations on the maximum dollar amounts and frequency of use. Transactions that exceed these limitations will be rejected.

Cardholder Responsibilities

Use of a Purchasing Card must follow the City's regular purchasing guidelines. Purchasing Cards may be used only for official City business. The Cardholder must obtain a hard-copy receipt of each transaction, identifying the sales tax amount (if any), and must forward all such receipts to the Accounting Division as part of the Monthly Transaction Packet. Use of a Purchasing Card for unauthorized purposes will result in disciplinary action against the Cardholder. Further information on the Cardholder's responsibilities is included in the Purchasing Card Manual, available on the Treasury Division intranet site.

Authorized Expenditures

Allowable Purchasing Card expenditures may include, but are not limited to:

- Payment of costs associated with travel on City business, in accordance with the City's Travel Policy (A.I. 120)
- Purchases over the Internet or by telephone.
- Acquisition of specialty items or items needed immediately.
- Emergency purchases as defined by the City's Purchasing Ordinance
- Fuel for rental vehicles, or for City-owned vehicles when Fleet refueling is not readily available.

Any such purchase must be within a department's delegated authority in accordance with the City Purchasing Ordinance.

Unauthorized Expenditures

Some of the expenses for which Purchasing Cards may not be used are:

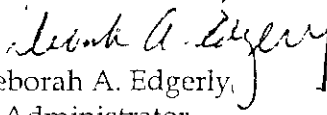
- Personal expenses
- Items not permitted under the City's Travel Policy
- Fuel for privately-owned vehicles, even when used on City business
- Items not within a department's delegated purchasing authority as outlined in the City's Purchasing Ordinance

Miscellaneous/Combined Charges

The City of Oakland recognizes that during the course of a business trip it is sometimes difficult and/or expensive to separate allowable costs from unallowable costs. For instance, an inadvertent charge for an unauthorized expense may appear on a hotel charge slip paid with the City Purchasing Card. In those instances, employees must submit a personal check made out to the "City of Oakland" for the cost of those items along with the Purchasing Card Transaction Log for the month of that expense. At no time will an employee of the City of Oakland be allowed to carry any unauthorized item on a City Purchasing Card. Failure to submit payment with the Purchasing Card Transaction Log will result in those charges being withheld from the employee's next paycheck and could lead to disciplinary action. All Cardholders will be required to sign a waiver prior to the issuance of a Purchasing Card, which grants the City the authority to withhold such equal amounts from

their paychecks for unauthorized charges that have not been properly processed as stated in this Administrative Instruction.

Please direct any questions regarding this A.I. to the Finance and Management Agency, Treasury Division, at 238-3201.


s/Deborah A. Edgerly,
City Administrator