



Administrative Policy PURCHASING CARD POLICY AND PROCEDURES

A.P. No: 5-6

Effective Date: Upon Approval

1. PURPOSE

- 1.1. To establish procedures for procuring goods and/or services using purchasing cards. Purchasing cards shall be for the exclusive purpose of making purchases for official City of Houston (City) business.

2. OBJECTIVE

- 2.1. To establish standards for:
 - 2.1.1. Purchasing limits;
 - 2.1.2. Allowable and prohibited purchases;
 - 2.1.3. Security;
 - 2.1.4. Change transaction declines;
 - 2.1.5. Merchandise returns;
 - 2.1.6. Monthly statements and reports;
 - 2.1.7. Reconciliation;
 - 2.1.8. Payment processing; and
 - 2.1.9. Records management.

3. SCOPE

- 3.1. This administrative policy applies to all City employees who are authorized to use a purchasing card. Use of purchasing cards is governed by this policy, the City of Houston Charter and Code of Ordinances, and the laws of the State of Texas.

4. DEFINITIONS

Approving Manager or Supervisor (Approving Manager): person responsible for the budget activity level to which the cardholder is assigned.

Cardholder: an employee who is approved to use the purchasing card to execute purchase transactions on behalf of the City.

Chief Procurement Officer (CPO): an executive role focused on sourcing, procurement, and supply management for the City.

Chief Information Officer (CIO): The HITS Department Director; responsible for coordinating selection, procurement, implementation and installation of information technology systems, solutions, and services, following citywide procurement policy. For the purposes of this policy the CIO is responsible for establishing guidelines for assignment of Technology purchasing profile and for reviewing and approving purchasing card exception requests for Technology.

Approved:

Date Approved:

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Page 1 of 11

Chief Technology Officer (CTO): The Chief Technology Officer classifications (Job Code 469.7 and 469.9) roles responsible for managing federated IT Divisions for the Houston Airport System, Houston Health Department, Houston Police Department, Houston Public Library and Houston Public Works Department.

Departmental Purchasing Card Coordinator (DPCC) or Designee: an individual approved by a department director to be the point of contact within the department and/or division responsible for the administration, management, and control of his/her department's and/or division's purchasing cards.

Furniture: items such as desks, tables, chairs, or cabinets.

Purchasing Card: a credit card used to purchase contract and non-contract goods and/or services necessary for official City business. A purchasing card is issued to an employee for purchases by that employee only.

Purchasing Card Program Administrator (Program Administrator): the CPO or designee(s) within the Finance Department Strategic Purchasing Division (SPD). This individual is responsible for the general oversight of the purchasing card program and facilitating mandatory training relative to the purchasing card program.

Rolling stock: Wheeled units used to transport people and/or equipment on roadways, including all motorized vehicles and trailers. Bikes are not considered rolling stock.

Technology: software, personal computers, laptops, notebooks, smart phones, tablets, and other hardware. For purposes of this policy, "technology" does not include purchases of less than \$200 per item for items such as, headsets, mice, monitors, keyboards, power cords, batteries, docking stations, digital books, cables, or digital subscriptions/ renewals provided HITS CIO or federated department CTO exception approval has been granted.

5. RESPONSIBILITIES

5.1. Strategic Procurement Division:

5.1.1. Develops procedures and administers a procurement plan for the use of purchasing cards in compliance with the City of Houston Charter and Code of Ordinances and the laws of the State of Texas.

5.1.2. Designates a program administrator(s) responsible for:

5.1.2.1. Serving as the primary contact with the bank for purchasing cards.

5.1.2.2. Approving and processing the City of Houston Purchasing Card Internal Cardholder Agreement Form (Cardholder Application) for the issuance of purchasing cards in compliance with the requirements of this policy.

5.1.2.3. Establishing guidelines and criteria for purchasing card transactions and cumulative dollar limits.

5.1.2.4. Establishing appropriate merchant restrictions through cardholder spending profiles and other available tools.

5.1.2.5. Maintaining records, in a secure manner, that identify cardholders, card numbers, and spending card limits.

5.1.2.6. Coordinating training on purchasing card usage, purchasing policies and procedures.

5.1.2.7. Reviewing and monitoring departmental purchasing card use and policy compliance

and submission of approved Monthly Cardholder Statement reconciliation.

- 5.1.2.8. Determining whether cardholders, approving managers, and DPCCs comply with this policy.
- 5.1.2.9. Suspending or canceling cardholder privileges for a violation of this policy or as requested by the department directors or their designees.
- 5.1.2.10. Retrieving cancelled and expired purchasing cards for secure disposal.
- 5.1.2.11. Defining and designating the time period for account cancellation due to policy infractions.
- 5.1.2.12. Assisting in the resolution of declined transactions.
- 5.1.2.13. Designating an employee to periodically conduct unannounced reviews of transactions made with purchasing cards.
- 5.1.2.14. Designing and executing a program to regularly review transactions, initiating a set of tests to identify suspicious activity, and maintaining records to support appropriate action when violations of this policy are suspected and/or identified for both the cardholder and approving supervisor.

5.2. User Departments:

- 5.2.1. Manage the department's purchasing card use by implementing levels of control sufficient to ensure consistent policy compliance. Ensuring appropriate and timely corrective action occurs in the event a DPCC, cardholder, or approving manager fails to adhere to this policy.
- 5.2.2. Designate the DPCC for their departments and/or divisions. DPCCs are responsible for:
 - 5.2.2.1. Completing the Cardholder Application when a purchasing card is requested for an employee.
 - 5.2.2.2. Determining each cardholder's spending limits for single and monthly transaction amounts and spending profile based upon his/her purchasing requirements.
 - 5.2.2.3. Determining whether cardholders and approving managers comply with this policy.
 - 5.2.2.4. Monitoring purchases made by their department's and/or division's cardholders.
 - 5.2.2.5. Verifying approvals and reporting monthly contract purchases by supplier/contract number (Monthly Cardholder Statement).
 - 5.2.2.6. Complying with the submission requirements for Monthly Cardholder Statement reconciliation.
 - 5.2.2.7. Adjusting expenditure entries between budget organizations as necessary.
 - 5.2.2.8. Providing funding information to the program administrator when requested.
 - 5.2.2.9. Facilitating full cooperation in the event of unannounced reviews of transactions made with purchasing cards.
 - 5.2.2.10. Requesting timely cancellation of purchasing cards by completing the Purchasing Card Information Record form.

- 5.2.2.11. Assisting cardholders in the resolution of declined transactions.
- 5.2.2.12. Attending initial training conducted by SPD, renewal training approved by SPD at least every two years, and off-cycle training approved by SPD as needed, such as in the event a revised or updated purchasing card policy is issued.
- 5.2.2.13. Ensuring purchasing card training is timely obtained by their cardholders. Maintaining documentation bearing the cardholder's signature and date, time, and place of the cardholder's training. Providing this supporting documentation to the program administrator upon request.
- 5.2.3. Appoint approving managers for each cardholder. Approving managers' responsibilities include:
 - 5.2.3.1. Reviewing and approving Cardholder Applications prior to submission to the DPCC.
 - 5.2.3.2. Attending training as specified by the DPCC and/or the program administrator.
 - 5.2.3.3. Reviewing receipts and Monthly Cardholder Statement reconciliations for policy compliance and departmental needs within three business days for submission to the program administrator.
 - 5.2.3.4. Recommending the suspension or cancellation of a purchasing card to the DPCC in the event the cardholder fails to adhere to this policy, to prevent misuse of the card, or as departmental needs dictate.
 - 5.2.3.5. Scanning cardholders' receipts in the banking system.
- 5.2.4. Assign purchasing card privileges to responsible department employees based on a need to procure goods and/or services.

5.3. Cardholders are responsible for:

- 5.3.1. Reading and completing the Cardholder Application prior to being issued a purchasing card.
- 5.3.2. Attending initial purchasing card training conducted by SPD, renewal training courses every two years, and off-cycle training in the event a revised or updated purchasing card policy is issued. Courses must be approved by SPD. Cardholders may request additional training or may be instructed to obtain additional training at the discretion of their DPCC or the program administrator.
- 5.3.3. Ensuring purchases made with the purchasing card are compliant with this policy and that no unauthorized purchases are made by the cardholder. The DPCC shall investigate and the program administrator or the Office of Inspector General may investigate any purchase which appears unauthorized. The cardholder shall cooperate fully in any such investigation, provide a written explanation of the events surrounding the transaction, and provide all documentation related to the transaction. If it is determined that the purchase was unauthorized, the cardholder's account may be suspended and/or terminated. The cardholder may be directed to attend another training class. For knowing violations of this policy by the cardholder, the appropriate department director may impose corrective action — up to and including indefinite suspension — on the cardholder.
- 5.3.4. Reporting any disputed vendor charges to the DPCC. The DPCC shall complete the City of Houston Purchasing Card Dispute/Resolution Form (Dispute/Resolution Form) and submit the form to the program administrator. The program administrator will notify the bank of the dispute. The cardholder and DPCC are responsible for resolving the dispute with the vendor as soon as

possible (no later than 60 days after the posting date).

Completing a report if a cardholder is advised by the bank that his or her purchasing card has been used fraudulently or by an unauthorized party. The cardholder shall complete the City of Houston Purchasing Card Declaration of Forgery or Unauthorized Use Form (Forgery or Unauthorized Use Form). The cardholder shall forward the form to his/her DPCC. The DPCC shall forward the form to the program administrator. The cardholder shall then submit the Dispute/Resolution Form.

- 5.3.5. Purchasing cards are for immediate transactions and should be used at the time goods or services are received. Purchasing cards shall not be used to pay unpaid invoices or past expenditures, unless approved by the CPO or designee.

6. PURCHASING LIMITS

6.1. Each user department shall establish spending limits for each individual purchasing card. The maximum amount of a single transaction must not exceed \$3,000 and the monthly maximum must not exceed \$10,000. Except when specifically stated, purchasing card limits must not exceed the limits defined in the City of Houston Charter and Code of Ordinances, the procurement laws of the State of Texas, and City policies and procedures. Any purchase over \$3,000 must have an approved AP5-11 justification form for exemptions of competitive bid or an approved AP4-11 Direct Payment form included in the file and uploaded with receipts to the P-Card system.

- 6.1.1. Splitting purchases, making sequential purchases, or approving such purchases to avoid exceeding the maximum for a single transaction, is strictly prohibited and shall result in removal of purchasing card privileges and corrective action up to and including indefinite suspension.
- 6.1.2. Sequential purchases for multiple work orders that exceed the established limits is prohibited.

6.2. The program administrator or designee shall review and approve departmental requests for the assignment of a purchasing card. With the prior concurrence of the program administrator, monthly spending limits may be above the maximum single/monthly spending limits of \$3,000 and \$10,000 set for individual purchasing cards. Such cardholders shall be subject to additional oversight.

6.3. The CPO or designee may authorize cardholders to make purchases beyond their authorized single/monthly transaction limits, and the formal bid limit established by the State of Texas, during incidents, which include, but are not limited to, emergency preparedness, inclement weather, disasters, and any other conditions that may affect the health and safety of the citizens of Houston. Any program administrator approval under this section shall be consistent with City policies and procedures for the issuance of emergency purchases or purchase orders and shall be submitted by the program administrator to City Council as soon as practicable, if Council approval is required.

7. PURCHASES ALLOWED WITH THE PURCHASING CARD

- 7.1. Purchasing cards may be used to purchase goods and/or services for use in conducting official City business, provided purchases are not prohibited by this policy or any other City procedure or policy approved by the Mayor or City ordinance. The total purchase with the purchasing card must not exceed the limits associated with each purchasing card.
- 7.2. No City employee shall use the purchasing card of another City employee. No City employee shall be issued more than one purchasing card.
- 7.3. Furniture may be purchased as required by Administrative Policy 7-4.

7.3.1 If GSD approves the furniture purchase, the department coordinator shall submit the approved Form

B to the P-Card Administrator before making the purchase, include the approved form in their file, and upload a copy to the P-Card system with the receipts.

7.3.2 If GSD advises that its approval is not required, the department coordinator shall submit documentation to the P-Card Administrator to support this determination. A copy of an e-mail is sufficient for this purpose.

7.3.3. Delivery and/or installation of any furniture purchased by P-Card shall be managed by the cardholder making the purchase.

8. PURCHASES PROHIBITED WITH THE PURCHASING CARD

8.1. The following types of purchases may not be made using a purchasing card and may result in a suspension of the purchasing card:

- 8.1.1. Cash advances
- 8.1.2. Personal expenditures
- 8.1.3. Food and travel (except for food and/or travel expenditures approved in writing by the Mayor's Office and department director pursuant to the City's then-current travel policy. Written approvals by department directors must be renewed at the beginning of each budget year; failure to submit letters will result in removal of profiles.)
- 8.1.4. Technology (without granted approval from the HITS CIO or federated department's CTO)
- 8.1.5. Sales tax
- 8.1.6. Gift cards
- 8.1.7. Car washes
- 8.1.8. Rolling stock
- 8.1.9. Hunting licenses
- 8.1.10. Toll tags or toll payments for personal vehicles. Purchases of toll tags or payment for tolls shall only be permissible for city-owned vehicles. Cardholders shall submit documentation from the Fleet Management Department confirming ownership.

8.2. The use of Venmo, PayPal, Zelle or any other payment application, is prohibited.

8.3 Cardholders shall not use their cards in order to take advantage of personal memberships, such as Amazon, Instacart, Sam's Club or Costco.

8.4 Amazon purchases can only be made through the City's Amazon Business Prime account.

8.5 Before any cardholder purchases food, the cardholder's name and approval of the Mayor's Office must be submitted to the Program Administrator.

9. SECURITY

9.1. Cardholders are responsible for the security of the purchasing card and should treat it with the same level of care as they would use with their own personal charge card(s). Unsolicited requests for account information should be verified prior to releasing any information.

10. SUPPORTING DOCUMENTATION FOR PURCHASING CARD PURCHASES

10.1. All purchasing card transactions must be supported by receipts and/or charge authorization slips.

10.1.1. When the receipt is lost, the cardholder must obtain a copy at his/her own expense from the supplier. Faxed or computer-generated invoices from the supplier will be acceptable.

10.1.2. Only in a case where the Monthly Cardholder Statement contains lower pricing will the amount be permitted to differ from the cardholder's printed receipt.

10.2. All purchasing card transactions made by or with knowledge of the cardholder must be supported by receipts and/or charge authorization slips. In instances where the receipt is lost by the cardholder, the cardholder

must obtain a copy at his/her own expense from the supplier or reimburse the City. Faxed or computer-generated invoices from the supplier are acceptable. Only in a case where the Monthly Cardholder Statement contains lower pricing will the amount be permitted to differ from the cardholder's printed receipt. **Knowing violations by the cardholder shall result in: (1) loss of card privileges, as determined by the program administrator, and (2) corrective action, which may include the cardholder being found personally responsible and required to reimburse the City, as determined by the appropriate department director, or corrective action up to and including indefinite suspension.**

- 10.3. Travel-related transactions shall be in strict compliance with the AP 2-5 Authorization and Reimbursement for Local and Out of Town Travel and Travel Related Expenses, unless a waiver is approved by the Mayor's Office.

11. DECLINED TRANSACTIONS

- 11.1. Occasionally a vendor will receive a "decline" response from the bank after attempting to complete a purchasing card transaction. The decline could be for multiple reasons: purchase exceeds spending limits (monthly remaining limit and/or single transaction limit), incorrect expiration date, incorrect billing address or purchase outside assigned spending profile. The cardholder will contact their DPCC and or Program Administrator to determine the reason(s) for the decline (After hours, if the cardholder cannot reach their DPCC or Program Administrator, they can call the bank.)
- 11.2. If the purchase is a one-time event, the cardholder shall contact the DPCC for resolution if the transaction is declined. The cardholder shall provide the DPCC with the following information: reason for decline (merchant category code if applicable), account number, and the cardholder's name.
- 11.3. For routine purchases, cardholders should contact their DPCC to modify their assigned spending profile as necessary by completing the Purchasing Card Information Record form.

12. USING THE CARD

- 12.1. Before using the purchasing card, the cardholder must determine whether the item is available for purchase under an existing contract and whether sufficient funding is available. If so, the item shall be purchased under the contract.
- 12.2. Whenever possible, in advance of making a purchase, cardholders should contact vendors certified as Minority, Women and Disadvantaged Business Enterprises by the City to obtain pricing.
- 12.3. Cardholders must ensure that sales tax is not included in the total purchase price.
- 12.4. Cardholders must annotate on the receipt the purpose of the purchase. Cardholders must retain the receipt, attach it to the Monthly Cardholder Statement, and forward it to their approving manager for review and subsequent submittal to their DPCC. All receipts and supporting documentation shall be kept in the department's cardholder files.
- 12.5. Purchases made with a purchasing card shall be delivered to a city office address. Cardholders are strictly prohibited from having purchases shipped to personal addresses.

13. RETURNS

- 13.1. Cardholders are responsible for obtaining a credit receipt or invoice from a supplier when the merchandise that was purchased with the purchasing card is returned to the supplier.
- 13.2. The credited amount shall be applied to the cardholder's account.

13.3. Cash refunds are prohibited.

14. MONTHLY BANK STATEMENTS AND REPORTS

- 14.1. Each department shall run its individual Monthly Cardholder Statements and a Transaction Summary Report. Cardholders shall use these documents to reconcile their purchasing card charges.
- 14.2. During the reconciliation process, each department shall ensure that all receipts are uploaded to the banking system. Failure to do so may result in suspension or cancellation of purchasing cards. If a cardholder claims a receipt is lost, it is the cardholder's responsibility to obtain a replacement receipt from the vendor.
- 14.3. Once the reconciliation process is complete, the DPCC will sign the last page of bank statement and forward it and the monthly checklist to the program administrator, due by the 5th of each month.
- 14.4. Failure to timely submit reports to the program administrator may result in suspension or cancellation of purchasing cards.
- 14.5. The program administrator sets the Monthly Cardholder Statement due date with the DPCCs and may delay the Monthly Cardholder Statement deadline based on holidays or operational requirements.
- 14.6. The program administrator shall forward a copy of Transaction Summary Reports to the Finance Department. The Finance Department shall forward the report to the Controller's Office for payment. If a cardholder is sick, on vacation, or is not at work due to prolonged absence, his/her manager or supervisor should complete and sign the monthly cardholder statement on behalf of the cardholder. This same principle applies to DPCCs who may review and sign for their approving manager. The statement must have a minimum of one signature level.

15. RECONCILIATION OF CARD PURCHASES

15.1. Cardholder: reconciles receipts against Monthly Cardholder Statement.

15.2. Approving Manager: reviews employee's Monthly Cardholder Statement reconciliation, including reasons for purchases.

15.3. Department Purchasing Card Coordinator:

15.3.1. Reviews employee's Monthly Cardholder Statement reconciliation.

15.3.2. Notes any individual Monthly Cardholder Statements not received by the reconciliation deadline.

15.3.3. Submits signed bank statements to program administrator. By signing, the DPCC attests that all individual Monthly Cardholder Statements have been received and reviewed in a timely manner unless otherwise noted. The reconciliation report shall also serve to confirm that all accounting processes have been appropriately documented in SAP, including the outline agreement, general ledger number, and cost center.

16. ACCOUNTING PROCESS

16.1. The program administrator shall make the necessary preparations to post monthly purchasing card transactions to SAP.

16.2. The program administrator submits the information to the Accounts Payable Section of the Finance Department.

16.3. The Accounts Payable Section enters the payment and works with the Controller's Office to post to the general ledger.

17. RECORDS MANAGEMENT

17.1. DPPCs are required to maintain records of purchasing card transactions, purchase documents and reconciliations, and purchasing card training received by department personnel.

17.1.1. Records, other than training records, shall be kept by billing cycle.

17.1.2. Records are considered as accounts payable transactions and shall be maintained in accordance with the established guidelines and policies for such documents. Documents should be destroyed through the appropriate contract source when archival period requirements have been satisfied.

17.1.3. All files shall include the following information before archiving:

17.1.3.1. All receipts.

17.1.3.2. Disputed items and all related documents (memos, forms, resolutions).

17.1.3.3. Cardholder's monthly detail and department Transaction Summary Report with receipts for each billing cycle with activity.

18. LOST OR STOLEN PURCHASING CARD

18.1. If purchasing card is lost or stolen:

18.1.1. The cardholder will contact the City's purchasing card helpline (832-393-8775) or email the program administrator. A member of the program administrator's staff will contact the bank to cancel the card.

18.1.2. The cardholder shall complete the City of Houston Purchasing Card Internal – Lost/Stolen Card Form (Lost/Stolen Card Form). The cardholder shall submit the form to the cardholder's approving manager for signature. Subsequently, the form shall be submitted to the DPCC for signature, and forwarded to the program administrator.

18.2. Lost or stolen purchasing cards must be cancelled immediately to minimize the City's exposure to liability for charges made using the lost or stolen card.

19. REQUEST TO ISSUE A PURCHASING CARD OR TO MAKE CHANGES TO EXISTING ACCOUNTS

19.1. The Purchasing Card Information Record form is used to request issuance of a new purchasing card and to make changes to an existing purchasing card account. Requested changes may include an increase or decrease to single transaction/monthly spending levels, profile additions or deletions, or the cancellation or suspension of charge privileges.

20. UNAUTHORIZED USE OF PURCHASING CARD

20.1. Purchases that department management or the program administrator deems inappropriate under this policy shall be referred back to the cardholder for justification. If unauthorized charges appear in a Monthly Cardholder Statement, the following shall occur:

20.1.1. The program administrator shall investigate the circumstances surrounding alleged misuse of a purchasing card. In cases where, in the judgment of the program administrator, there is evidence substantiating a procedure or policy violation, the program administrator shall provide that information to the appropriate authority for further investigation and/or corrective action.

20.1.2. In cases where there is evidence of negligence in the use of a purchasing card but no fraudulent acts have been committed, the cardholder shall surrender his/her purchasing card, and all further privileges shall be revoked for a period of time considered reasonable by the program administrator.

20.2. Any purchasing cardholder, approving manager or DPCC having knowledge of violations of this policy or any other procedure or policy governing the use of purchasing cards must immediately report such violations to the program administrator.

20.3. Cardholders, approving managers, or DPCCs suspected, accused, or found to have engaged in fraud, theft, or misuse may have their purchasing cards suspended or canceled. Further, appropriate corrective action may be taken against the employee in accordance with City policies and procedures and local, state, or federal laws.

20.3.1. Any cardholder who inadvertently makes a personal purchase shall be required to submit reimbursements immediately.

21. DISPUTED ITEMS

21.1. Cardholders are responsible for immediately resolving any disputes between themselves and a supplier related to purchased item(s). Failure to do so shall result in the charge(s) being expensed to a department's cost center, even if it is an incorrect charge.

21.2. If an item was returned for credit after the billing cycle closed, the current bank statement will not be used to dispute charges.

21.3. Charges on the current statement should not be disputed if an item was returned for credit after the billing cycle is closed. The credit should appear on the next statement.

22. REVOCATION

22.1. The use of a purchasing card will be revoked when:

22.1.1. The DPCC and/or a cardholder's approving manager issues a request to the program administrator;

22.1.2. The cardholder violates approved policies and procedures regarding the use of purchasing cards; or

22.1.3. The cardholder is no longer employed by the City.

22.2. The Chief Procurement Officer may revoke or cancel the account with the bank.

22.3. When a purchasing card is to be revoked, the DPCC shall complete the Purchasing Card Information Record form, attach the purchasing card to the form, and forward the form to the program administrator. The program administrator shall destroy or deface the card and verify the account's cancellation with the bank.

22.4. A department is responsible for any charges incurred by an employee who no longer works for that department, if the delay to cancel the purchasing card results from the department's actions or failure to act.

23. RELATED DOCUMENTS

- City of Houston Purchasing Card Internal Cardholder Agreement Form
- City of Houston Purchasing Card Internal – Lost/Stolen Card Form

- City of Houston Purchasing Card Dispute/Resolution Form
- City of Houston Purchasing Card Declaration of Forgery or Unauthorized Use Form
- Purchasing Card Information Record