

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

622



FROM: Purchasing and Fleet Services Dept. and
Auditor-Controller

SUBMITTAL DATE:
May 9, 2005

SUBJECT: PROCUREMENT CARD PROGRAM

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the expansion of the "Procurement Card Pilot Program" to be offered to all County of Riverside departments and agencies and to include travel related expenses and;
2. Approve the assessment of \$45.00 annual usage fee, per card, to partially cover the administrative expenses for the County's Procurement Card Program.

BACKGROUND: In fiscal year 2000-2001, the Purchasing Department began investigating the use of procurement cards as a method to procure and pay for low value transactions. In August 2000, a formal RFP was issued to find a procurement card service to meet the County's needs. Seven responses were received, and the Cal-Card program administrated by US Bank was selected as the most responsive and responsible bidder. This program is the same program developed by the State of California and offered the most control, reporting capabilities, and best payment terms for the County.

(Continued on Page 2)

Robert E Byrd

Robert J. Howdyshell

ROBERT BYRD
Auditor-Controller

ROBERT J. HOWDY SHELL, Director
Purchasing and Fleet Services Department

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 3,555	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2005

SOURCE OF FUNDS: All County Departments/Agencies	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:
APPROVE

County Executive Office Signature *Robert J. Howdyshell*

Policy
 Policy
 Consent
 Consent
 Dept't Recomm.:
 Per Exec. Ofc.:

Prev. Agn. Ref.: May 15, 2001

District: All

Agenda Number: 3.34

3.35

BOARD OF SUPERVISORS
FORM 11: PROCUREMENT CARD PROGRAM
PAGE 2

On May 15, 2001 (ref. Item No. 3.34) the Board of Supervisor's approved the implementation of a Procurement Card Pilot Program, using the State of California's CAL-Card Procurement Card through US Bank. In August 2001, after detailed procedures, training and processes were developed, the initial pilot test utilizing five (5) departments and 45 cardholders was started. The test program was later expanded to include an additional eight (8) departments for a total of 79 card holders. It is estimated the County will spend \$640,000 through the card program this fiscal year.

The use of procurement cards makes it possible to speed-up the process of securing needed supplies and services by eliminating the "Purchase Order" for low dollar items while eliminating internal County processing costs for multiple Purchase Orders, vouchers, and warrants. In addition, lower costs for products may be obtained through the addition of Internet or other vendors who do not normally do business through the standard purchase order process. The supplier in turn receives payment from their "Bank" in 3 business days and has eliminated the sometimes-extended wait for the County's check, a win-win arrangement for the County and its suppliers. Certain buyers in Central Purchasing and departmental buyers may be authorized to exceed the \$2,500 limit under certain circumstances and emergency purchases. All purchasing rules must be observed as required by County Ordinance 459 (current revision) and as specified in the County's Purchasing Policy Manual and the Procurement Card Program "Procedure Handbook."

PROGRAM CONTROLS: Each user Department is required to attend educational and orientation meetings to determine if the County's Procurement Card Program will meet that Department's needs and expectations; and that the Department is willing to abide by and enforce the program requirements and buying rules. Before a department is approved to utilize the "Procurement Card" program, they will be required to submit their own internal department specific procedures to ensure compliance with all program policies and regulations.

If the Department Head endorses the County's Procurement Card Program, policies, and procedures; the Dept. Head will appoint Approving Official(s), a Fiscal Official, and the user Cardholders. Cardholder spending limits and merchant categories must be pre-approved by the Department Head or his/her designee.

The Approving Official(s), Fiscal Official, and user Cardholders must attend an orientation meeting before a Procurement Card is issued. The Cardholders must sign for the Procurement Card and that they understand their buying limits; merchant restrictions; procurement card policies and procedures; monthly "Statement of Account" reconciliation requirements and its timeliness; proper purchasing procedures and record keeping; and that penalties for miss-use of the Card will result in severe disciplinary action up to and including termination.

As new departments are added to the program, the Purchasing Department's coordinator for the County's Procurement Card Program will review each department's monthly "account package" before submittal to the Auditor/Controllers Department for final review, approval, and payment for a period of three months. These reviews look for proper approval documentation, receipts, account coding, signatures, and determination of proper County need. If there are no major

BOARD OF SUPERVISORS
FORM 11: PROCUREMENT CARD PROGRAM
PAGE 3

discrepancies, the new department will be allowed to submit their monthly account package directly to the Auditor/Controller's office for review, approval, and payment.

The program provides individual card controls for spending based on individual transaction, daily or monthly limits, as well as control by merchant type to limit the types of places the card can be used. In addition, the Purchasing Department's program coordinator has the ability to view transactions real time on-line as soon as they are posted to the card account. The coordinator has the ability to immediately adjust the credit card limit, or shut it off should the card be lost or stolen, or violation of policy or abuse is detected.

Program Audit: Last year, the Auditor Controller performed an internal audit of the procurement card program policies and procedures. On July 13, 2004, Agenda No. 2.8, the Board received the results of that audit. All recommendations of that audit have now been implemented and the County's Purchasing and Fleet Services Department and the Auditor Controller would like to open the Procurement Card Program to all interested departments and agencies. After each department's overview session has been given, and they have determined the procurement card will fit their needs, as well as accepting the Cards rules and procedures; a program will be put together for that department. Cardholders and Approving Officials are selected with pre-defined spending limits and types of purchasing activities. A comprehensive orientation is required of all Cardholders especially as we expand into departments and users with no prior purchasing experience.

PROGRAM COSTS: The County's Purchasing and Fleet Services Department would like approval to assess an annual usage fee of \$45.00 per card to user departments to partially cover the administration expenses for the County's "Procurement Card" program. This will only partially offset the expenses incurred to promote, administer, process, track, audit expenditures, and provide training for the "Procurement Card" Program. At this time, Purchasing and Fleet Services has absorbed the costs within the current program. However, these costs will rise as the program expands. This card assessment will be effective with the approval of this request for all existing and new departments.

Usage fees collected in FY04/05 are estimated to total \$3,555 upon Board approval of the assessment fee. With approximately 16 additional departments waiting for the program to advance from the pilot program and go countywide, potentially the program could expand to 300 cardholders by the end of next fiscal year. Usage fees collectible in FY 05/06 are estimated to total \$13,500.