

CITY COUNCIL

Pedro "Pete" M. Sanchez, Mayor
Lori Wilson, Mayor Pro-Tem
Jane Day
Michael J. Hudson
Michael A. Segala



CITY COUNCIL MEETING

First and Third Tuesday
Every Month

CITY OF SUISUN CITY

701 Civic Center Blvd.
Suisun City, California 94585

Incorporated October 9, 1868

August 12, 2015

Mr. Terry L. Riddle, Foreman
Solano County Grand Jury
Hall of Justice
600 Union Avenue
Fairfield, CA 94533

RE: Credit Card Usage.

Dear Mr. Riddle:

On May 21, 2015, you requested a response from the City of Suisun City regarding the Grand Jury's following recommendations about Credit Card Usage:

1. **Continue the use of cards.** That is the City's current policy and practice.
2. **All cities should seek to use financial institutions which offer cash rebates and pay all invoices on time to qualify for the rebates.** That is the City's current policy and practice.
3. **Continue the use of cards for travel.** That is the City's current policy and practice.
4. **All cities utilize a rebate program.** That is the City's current policy and practice.
5. **Cities continue their current methods for security, and determine if other measures may be available that may enhance cards security.** That is the City's current policy and practice.

The City appreciates the opportunity to comment on these recommendations.

Sincerely,

Suzanne Bragdon
City Manager

DEPARTMENTS: AREA CODE (707)

ADMINISTRATION 421-7300 ■ PLANNING 421-7335 ■ BUILDING 421-7310 ■ FINANCE 421-7320
FIRE 425-9133 ■ RECREATION & COMMUNITY SERVICES 421-7200 ■ POLICE 421-7373 ■ PUBLIC WORKS 421-7340
SUCCESSOR AGENCY 421-7309 FAX 421-7366

GRAND JURY



Hall of Justice
600 Union Ave
Fairfield, California 94533
(707) 435-2575
Fax: (707) 435-2566

cdclower@solano.courts.ca.gov

May 21, 2015

Sent via email

Brad Kilger, Benicia City Manager
Jim Lindley, Dixon City Manager
David White, Fairfield City Manager
Tim Chapa, Rio Vista City Manager

Suzanne Bragdon, Suisun City Manager
Laura Kuhn, Vacaville City Manager
Daniel Keen, Vallejo City Manager

RE: 2014-2015 Grand Jury Report Entitled: To Charge or Not to Charge

Enclosed please find a copy of the above named report by the 2014-2015 Solano County Grand Jury. This report is provided to you in advance of public release as provided for in Penal Code §933.05(f). Please note that Penal Code §933.05(f) specifically prohibits any disclosure of the contents of this report by a public agency, its departments, officers or governing body prior to its release to the public, which will occur on **Tuesday, May 26, 2015**.

You are required to respond in writing to the Presiding Judge and to provide an electronic copy in pdf form to the Grand Jury regarding the Findings and Recommendations contained in the report pursuant to Penal Code §933.05. This section of the Penal Code is very specific as to the format of the responses. The Penal Code is also specific about the deadline for responses. You are required to submit your response to the Grand Jury by **Monday, August 24, 2015** on signed letterhead.

The electronic copy should be sent to the Grand Jury office at cdclower@solano.courts.ca.gov.

Responses are public records. Should you have any questions, please contact Cheryl Clower, Administrative Assistant to the Grand Jury at (707)435-2575.

Sincerely,



Terry L. Riddle, Foreman
2014-2015 Solano County Grand Jury



SOLANO COUNTY GRAND JURY
2014 - 2015

TO CHARGE OR NOT TO CHARGE

To Charge or Not to Charge

2014-2015 Solano County Grand Jury

Summary

Previous Grand Jury investigations and reports, and independent investigators had discovered cases of misuse and criminally fraudulent use of city issued credit/purchasing cards. The 2014-2015 Solano County Grand Jury investigated the current policies governing the use of credit cards/purchasing cards (cards) by the seven cities in Solano County. Previous reports show that some cities had poorly written, or non-existent card usage policies. The Grand Jury recognized that poorly written, poorly explained and un-enforced policies of card usage could cause a misuse of cards resulting in a loss of city funds.

The 2014-2015 Solano County Grand Jury also investigated the use of cards' policies of the seven cities in Solano County. The cards are issued to employees to purchase goods and services needed to conduct city business in the course of their employment. The Grand Jury found that the use of cards has several major benefits, some of which are:

- Increases employee efficiency by reducing down time securing parts and services
- Reduces the necessity of return trips to job sites from headquarters or corporate yards thus improving service to the community
- Saves money eliminating the cost of processing purchase orders
- Simplifies the process of procuring travel arrangements for employees conducting city business

While there are many benefits to card use, the improper use of cards can lead to significant problems as stated above.

II. Introduction/Background

Before the use of cards the process of obtaining goods or services was expensive and time consuming. For example: an employee needs an item that is not in stock; the employee will fill out a request for the item with all the required information then forward it to a supervisor who forwards it to the department head for approval; the request will then go to Purchasing Department; Purchasing Department will check if the item is in stock, if not, they will check with local vendors for availability; if available then a voucher will be prepared for the item. In addition, the employee will have to go back to complete the job. The time and expense of this procedure is cumbersome and wasteful. The use of cards has streamlined the procurement process.

III. Methodology

Interviewed:

- City Managers
- Financial Managers

Reviewed:

- Each of the seven city's purchasing card policies and procedures
- One month's total cards' statements from each city
- Previous Grand Jury reports concerning credit card usage

IV. Statement of Facts

Card policies now exist in all seven cities in Solano County (Benicia, City of Suisun, Dixon, Fairfield, Rio Vista, Vacaville, Vallejo).

Since card policies have been instituted universally, there has been only one known instance of an employee exceeding the policy rules. In this case, the immediacy of necessary action and expediency caused the card holder to purchase a \$30 seat upgrade. Upon returning to his office, he immediately wrote a personal check for \$30 and attached it, with a note, to the receipt. That action was acceptable in his city and was approved.

Cities have agreements with various financial institutions for card services. Each card is identified by a unique number and is issued to individuals by name allowing for easier tracking of purchases. Each card has a set limitation which is dependent upon the rules and regulations and the approval of management and requirements of the agency. These limits cannot be exceeded without getting authorization. Daily and monthly monetary limits are established for each card. The financial institutions enforce the limits.

Each city has its' own method of assigning cards. The number of cards issued varies from as little as five cards to over two hundred cards depending on the policies of the city. Cards can be used only for city business and may not be used for the purchase of alcoholic beverages, medicines or firearms.

Some cities have arranged for a cash rebate on card purchases. These rebates return the fees to the city's general fund. Only two cities did not participate in rebate programs at the time of the Grand Jury investigation.

Each City has its' own method of ensuring that all charges on the statement were purchased by the employee for the use of conducting city business. Methods vary by city but in general require a receipt to match each item on the statement. The statement is then reviewed by a

supervisor. If the card belongs to the City Manager, the statement is reviewed by an individual who doesn't directly report to the City Manager. The use of purchasing cards to purchase gasoline for city owned vehicles varies by city; some cities have corporate yards with gasoline pumps while other cities have agreements with local service stations. Each purchase requires a card and unique code in order to obtain gasoline from the pump.

Use of cards increases employee efficiency and reduces down time.

On time payment to the card issuer may earn cash rebates.

Card usage aids the card holder with travel arrangements.

Some gasoline is dispensed into portable gasoline containers, rather than vehicles. Gasoline used for power equipment such as lawn mowers filled from a portable gas container, is difficult to track.

V. FINDINGS AND RECOMMENDATIONS

Finding 1

Card usage saves time and money by not having to process purchase orders and wait for the arrival of ordered goods.

Recommendation 1

Continue the use of cards.

Finding 2

The use of cards has a transaction fee which is passed on to the consumer. On time remittance of payment for card statements earn cash rebates which offset transaction fees.

Recommendation 2

All cities should seek to use financial institutions which offer cash rebates and pay all invoices on time to qualify for rebates.

Finding 3

The use of cards for travel expenses simplifies travel arrangements and reduces cost while keeping accurate purchasing records.

Recommendation 3

Continue the use of cards for travel.

Finding 4

Not all cities are using a card with a rebate program.

Recommendation 4

All cities utilize cards with a rebate program.

Finding 5

All seven cities now have cards usage policies and security measures to prevent improper or fraudulent use of cards.

Recommendation 5

Cities continue their current methods for security, and determine if other measures may be available that may enhance cards security.

Comments

The use of reward cards is a sound business practice for controlling accountability and using rebates for offsetting administrative fees when card issuer invoices are paid on time.

Required Responses

City Managers of:

- Benicia (All Findings)
- Dixon (All Findings)
- Fairfield (All Findings))
- Rio Vista (All Findings)
- City of Suisun City (All Findings)
- Vacaville (All Findings)
- Vallejo (All Findings)

Courtesy Copies

Clerk, Solano County Board of Supervisors