



SOLANO COUNTY GRAND JURY
2014 - 2015

TO CHARGE OR NOT TO CHARGE

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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)

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