

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on: 5/2/02
Department Name: Auditor-Controller
Department No.: 061
Agenda Date: 5/14/02
Placement: Administrative
Estimate Time: 0
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors
FROM: Robert W. Geis, C.P.A.
2101
STAFF CONTACT: Luci Rogers, C.P.A.
2873
SUBJECT: County Credit Cards

Recommendation(s):

That the Board of Supervisors:

1. Adopt Resolution for the use of County Department Credit Cards for small purchases of equipment, materials, supplies, certain travel arrangements, conference registration, training expense and services, and
2. Authorize the County Auditor-Controller to execute contracts with credit card service providers to implement the County's credit card policies.

Alignment with Board Strategic Plan:

The recommendations are primarily aligned by law or by routine business necessity.

Executive Summary and Discussion:

Mid-State Bank, a local vendor, has sold their commercial credit card service to MBNA America. The County has approximately 270 outstanding credit card accounts that are due to expire 05/31/02. We reviewed the services MBNA offers and do not believe that they would meet the needs of the County. The bank is an east coast processor, does not accept electronic payments, has no government clients in California and requires a \$30 annual fee per account. Most significantly, MBNA would require a major change in contract terms adversely and significantly affecting the County's liability for unauthorized credit card usage for 'Departmental credit cards'.

Under the Mid-State program, we have used 'Departmental credit cards' for departmental purchases of services and supplies not exceeding \$999.00 and for travel and other reimbursable expenses for the infrequent traveler. (Frequent travelers are encouraged to use their own personal credit card, although the

County does provide an American Express card to frequent travelers who prefer not to use their personal card). Departmental cards are currently issued in the name of the Department, rather than in the name of a particular individual. As a result, these cards become, in effect, 'bearer cards' and can be utilized by whomever possesses the card – regardless if such use might be unauthorized or even fraudulent.

The terms of the agreement proposed by MBNA shifts **all** liability for 'bearer cards' to the County. That is, if a card is lost or stolen, *any unauthorized and/or fraudulent charges, regardless of the amount or the credit card limit, will accrue to the County.* This liability policy is not unique to MBNA – we were unable to find any credit card processor who would offer any liability protection to the County on these 'bearer cards'.

The Auditor's office, after considering the needs of all the departments and the liability issues involved proposes a County credit card policy which includes:

- **Travel (and other reimbursable expenses)** - The use of American Express credit cards issued to frequent travelers (those traveling two or more times per year).
- **Departmental purchases, travel expenses for infrequent travelers, and centralized travel arrangements for frequent travelers** – The use of a Visa cards obtained from the State sponsored Cal-Card program. These cards would be issued in the name of the department and would also indicate the name of the departmental purchasing agent (employee name).
- **Use of Personal Credit Cards** – For those travelers (frequent or infrequent) who choose to use their own credit cards, the Auditor's office will implement an improved 'special-handling' process for reimbursement claims, which would utilize VendorLink to deposit expense reimbursements directly to employees' bank accounts in a timely manner.

The most significant change to the County's current program would result from an elimination of the bearer card program. These cards have provided desirable efficiencies, however, the liability issue and the potential exposure to the County requires additional evaluation. These cards may be unacceptable from a risk management standpoint.

As alternatives, we may propose utilizing departmental centralized travel arrangements, setting up and administering a more efficient travel advance program using VendorLink, speedy claims processing and perhaps increased departmental petty cash funds.

Mandates and Service Levels:

No change in program or service level.

Fiscal and Facilities Impacts:

The County used credit cards to make \$2.5 million in purchases under the department purchase card program and reimburses about \$250,000 annually on the AMX frequent traveler program. Both programs have proven to be cost efficient and cost effective for the County. The County should save approximately \$8,100 dollars in fees by switching to the Cal Card program for purchases.

Special Instructions: Signed Resolutions to the Auditor

Concurrence: County Counsel, County Administrator

