



Dave Yost • Auditor of State

Bulletin 2018-003

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TO: All Political Subdivisions
All Independent Public Accountants

FROM: Dave Yost, Auditor of State

SUBJECT: House Bill 312 Amendments to Regulate the Usage of Credit and Debit Cards

Background

House Bill 312 amends Ohio Revised Code sections 505.64, 511.234, 940.11, 940.12, 1545.072, 1711.131, 2913.21, 3313.291, and 3375.392 and enacts sections 9.21, 9.22, 717.13, 3313.311, 3314.52, 3326.52, 3328.52, and 6119.60 of the Revised Code to regulate the use of credit and debit cards. The credit card requirements apply to all political subdivisions, except colleges and universities and counties. The debit card requirements apply to all political subdivisions, except law enforcement.

Written Policy Requirements

House Bill 312 establishes two separate internal control models for credit card usage by political subdivisions: the custody and control model and the compliance officer model. The bulletin describes these models below.

Not later than February 2, 2019, the legislative authority of a political subdivision that holds a credit card account must adopt a written policy for the use of credit card accounts. Otherwise, a legislative authority must adopt a written policy before the use of a card account. The policy must include provisions addressing all the following:

- The appointment of a compliance officer, where applicable;
- The officers or positions authorized to use a credit card account;
- The types of expenses for which a credit card account may be used;

- The procedures for acquisition, use, and management of a credit card account and presentation instruments related to the account including cards and checks;
- The procedure for submitting itemized receipts to the fiscal officer or the fiscal officer's designee;
- The procedure for credit card issuance, credit card reissuance, credit card cancellation and the process for reporting lost or stolen credit cards;
- The political subdivision's credit card account's maximum credit limit or limits; and
- The actions or omissions by an officer or employee that qualify as misuse of a credit card account.

These policy points are a minimum. Policies should be tailored to the specific needs of your entity.

Definitions

“Political subdivision” means a body corporate and politic that is responsible for government activities in a geographic area smaller than that of the state. ***Counties are excluded under Ohio Rev. Code §9.21 pertaining to credit card accounts, but are included under Ohio Rev. Code §9.22 pertaining to debit cards.***

“Credit card account” means any bank issued credit card account, store issued credit card account, financial institution-issued credit card account, financial depository-issued credit card account, or any other card or credit account allowing the holder to purchase goods or services on credit or to transact with the account, and any debit or gift card account related to the receipt of grant moneys.

We interpret credit card accounts to include online purchasing accounts (e.g., Amazon Business which include the ability for local governments to set internal controls over employee spending) and store gift cards (not related to the receipt of grant monies). Store gift cards are credit cards which are preloaded with a set dollar amount and may be used only at a specific retailer.

“Credit card account” does not include the following:

- Procurement card account – a card issued to designated users by a political subdivision to make purchases at selected businesses. Procurement cards can be tied to either a credit card or bank account. Security measures for procurement cards include setting per-purchase and per-month dollar limits. Procurement cards may also feature spending restrictions for the types of purchases allowed and merchant category codes which define where purchases can and cannot be made. ***A bank that manages a procurement card will issue payments to payees within days, while providing monthly invoicing to the local government.*** The appropriate local government supervisor or fiscal staff must review and approve these invoices prior to payment. This differs from a credit card

because use can be limited to specific businesses and dollar amounts. These accounts generate merchant invoices to local governments.

- Gasoline card – card utilized strictly for fuel and automotive parts or repairs purchases.
- Telephone credit card account – account utilized to enable users to make long distance phone calls.
- Any other card account, similar to a gasoline or telephone card, where a merchant category code limiting the type of good that may be purchased is in place as a system of control for use of the card account.

“Presentation instruments” means any card, check, or account number which can be used to purchase goods or services, including online purchasing accounts.

“Debit card account” means a card account issued by a financial institution which allows the holder to transfer money electronically to another bank account when making a transaction. For the purposes of this bulletin, a debit card account includes the following:

- A single-use cash gift card (not related to the receipt of grant monies). A cash gift card is a debit card account with a set dollar amount and may be accepted by any retailer, similar to a debit card. The cash gift card is void upon spending the balance or expiration.
- A prepaid gift card (not related to the receipt of grant monies). A prepaid gift card is a debit card account that is reloadable, unlike the cash gift card.

In both examples above, the gift cards act like cash or debit cards and do not have built-in restrictions over employee spending.

Custody and Control Model

The custody and control model is a system in which the treasurer or fiscal officer maintains physical control over all credit cards of the entity and may use a system requiring the cards to be “signed out” by authorized, designated users. Entities utilizing the custody and control model should specify the following items in their written policies, approved by the governing board:

- Who the authorized, designated users are,
- A reasonable length of time the card is allowed to be out of the control of the treasurer or fiscal officer for the transaction(s) to be completed,¹ and
- The procedures that should be followed to submit itemized receipts, as well as any other entity specific requirements that would fit the needs of a political subdivision.
- An officer or employee is liable in person and upon any official bond the officer or employee has given to the political subdivision to reimburse the treasury for the amount

¹ Auditors will evaluate the length of time a card is out of the control of the treasurer or fiscal officer for reasonableness on a case-by-case basis as part of the upcoming audits of political subdivisions.

for which the officer or employee does not provide itemized receipts in accordance with the credit card policy.

Compliance Officer Model

The compliance officer model is a system in which the treasurer or fiscal officer does not maintain physical control of the credit cards. In this instance, a political subdivision must appoint a compliance officer. The compliance officer should not be the treasurer or fiscal officer and should not be an authorized user of the card or authorize use of the credit card by an individual. In certain instances in which the compliance officer is authorized to use a credit card, the compliance officer must have their credit card statement reviewed by the executive or legislative body of the entity.

A quarterly review process should take place where the compliance officer reviews the number of cards the entity has, the number of active cards the entity has, and the credit limit for each card. (*See the entity specific sections below for specific requirements of the compliance officer model.*)

Additional General Requirements

The name of the political subdivision must appear on each presentation instrument related to the account including cards and checks.

The use of a credit card account for expenses beyond those authorized by the legislative authority constitutes misuse of a credit card account. An officer or employee of the political subdivision or a public servant as defined under section 2921.01 of the Revised Code who knowingly misuses a credit card account held by the legislative authority violates section 2913.21 of the Revised Code, which is a misdemeanor of the first degree.

The fiscal officer or the fiscal officer's designee annually must file a report with the legislative authority detailing all rewards received based on the use of the political subdivision's credit card account.

No political subdivision may hold or utilize a debit card account, except for law enforcement purposes. Possession or use of a debit card account by a political subdivision, except law enforcement, is a violation of section 2913.21 of the Revised Code.

The requirements set forth in House Bill 312 do not apply to debit card accounts related to the receipt of grant moneys.

Entity Specific Requirements:

Township Specific Requirements

If a township fiscal officer does not retain general possession and control of the credit card and the entity must utilize the compliance officer model, the following applies:

In a township that has adopted a limited home rule government under Chapter 504 of the Revised Code, the board must appoint a compliance officer to perform the duties as outlined under the policy requirements. The compliance officer may not use a credit card account and may not authorize an officer, employee, or appointee to use a credit card account, with the exception of a board of township trustees serving in the role of compliance officer, then they may use a credit card if so authorized under the policy adopted by the township and may authorize an officer, employee, or appointee to use a credit card account as provided in the policy requirements. The fiscal officer is not eligible for appointment as compliance officer.

In a township that has not adopted a limited home rule government under Chapter 504 of the Ohio Revised Code, the fiscal officer must present credit card account transaction detail from the month previous, monthly to the board. The board must review the credit card transaction detail and the chairperson of the board must sign an attestation stating the board reviewed the credit card account transaction detail.

The compliance officer, if applicable, and the board, at least once every six months, must review the number of cards and accounts issued, the number of active cards, and accounts issued the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The fiscal officer or the fiscal officer's designee annually must file a report with the board detailing all rewards received based on the use of the township's credit card account.

Municipal Corporations (Cities and Villages) Requirements

If a city auditor or village fiscal officer does not retain general possession and control of the credit card and the entity must utilize the compliance officer model, the following applies:

In a municipal corporation that has the authority to operate a mayor's court pursuant to Chapter 1905, of the Revised Code, the chief executive officer of the municipal corporation must appoint a compliance officer to perform the duties enumerated under the policy established. The compliance officer may not use a credit card account and may not authorize an officer or employee to use a credit card account. The village clerk or city auditor is not eligible for appointment as compliance officer.

In a municipal corporation that does not have the authority to operate a mayor's court pursuant to Chapter 1905 of the Revised Code, the village clerk or city auditor must present monthly the

legislative authority credit card account transaction detail from the previous month. The legislative authority must review the credit card account transaction detail and the presiding officer of the legislative authority must sign an attestation stating the legislative authority reviewed the credit card transaction detail.

The compliance officer, if applicable and the legislative authority at least quarterly must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The village clerk or city auditor, as applicable, or the designee of that applicable officer annually must file a report with the legislative authority detailing all rewards received based on the use of the municipal corporation's credit card account.

School District, Educational Service Center, or Information Technology Center Requirements

If a School District, Educational Service Center (ESC), or Information Technology Center (ITC) treasurer does not retain general possession and control of the credit card the governing authority must appoint a compliance officer.

Unless the compliance officer is a superintendent of a school district or chief administrator of an ITC, the compliance officer may not use the credit card account. The compliance officer may not authorize an officer or employee to use a credit card account. If a school district superintendent acting as compliance officer has authority to use a credit card account, the treasurer or the treasurer's designee, who must not be the school district superintendent, must review monthly the credit card account transaction detail and must sign an attestation stating the treasurer or designee reviewed the credit card account transaction detail. If the chief administrator of an ITC acting as compliance officer has authority to use a credit card account, the governing authority must review monthly the credit card account transaction detail and must sign an attestation stating the governing authority reviewed the credit card account transaction detail. The treasurer of the board of education, treasurer of the ESC, and chief fiscal officer of the ITC are not eligible for appointment as compliance officer. The superintendent of a school district or chief administrator of an ITC is eligible for appointment as compliance officer.

The compliance officer at least once every six months must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The treasurer or chief fiscal officer, as applicable, or the designee of that applicable officer annually must file a report with the board or authority detailing all rewards received based on the use of the credit card account.

Community School and STEM School Requirements

If a community or STEM school treasurer does not retain general possession and control of the credit card, the governing authority must appoint a compliance officer.

Except for a chief administrator of a community or STEM school serving as compliance officer, the compliance officer may not use a credit card account. The compliance officer may not authorize an officer or employee to use a credit card account. If a chief administrator acting as compliance officer has authority to use a credit card account, the governing authority must review the credit card account transaction detail monthly, and must sign an attestation stating the governing authority reviewed the credit card account transaction detail. The designated treasurer is not eligible for appointment as compliance officer. The chief administrator is eligible for appointment as compliance officer.

The compliance officer and the governing authority at least quarterly must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts credit limits.

The designated treasurer or the designated treasurer's designee annually must file a report with the governing authority detailing all rewards received based on the use of the community or STEM school's credit card account.

College Preparatory Boarding School Requirements

If the treasurer of the college-preparatory boarding school does not retain general possession and control of the cards, the board should appoint a compliance officer.

Except for a chief administrator of college-preparatory boarding school serving as compliance officer, the compliance officer may not use a credit card. If the chief administrator acting as compliance officer has authority to use a credit card account, the board must review the credit card account transaction detail monthly, and must sign an attestation stating the board reviewed the credit card account transaction detail. The treasurer is not eligible for appointment as compliance officer. The chief administrator is eligible for appointment as compliance officer.

The compliance officer and the governing body at least quarterly must review the number of cards and accounts issued, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The treasurer or the treasurer's designee annually must file a report with the board detailing all rewards received based on the use of the college-preparatory boarding school's credit card account.

Library Requirements

If the fiscal officer of a free public library or library district does not retain general possession

and control of the credit card account, and presentation instruments related to the account include cards and checks, the board must appoint a compliance officer.

The compliance officer may use a credit card account only upon authority from the fiscal officer of the free public library or library district, except the director of a free public library or library district serving in the role of compliance officer may use a credit card if so authorized under the policy. If the compliance officer has authority to use a credit card account, the fiscal officer or the fiscal officer's designee, who must not be the compliance officer, monthly must review the credit card account transaction detail and must sign an attestation stating the fiscal officer or designee review the credit card account transaction detail. The compliance officer may not authorize an officer, employee, or appointee to use a credit card account, except a director serving in the role of compliance officer may authorize an officer, employee, or appointee to use a credit card account. The fiscal officer of the free public library or library district is not eligible for appointment as compliance officer. The director is eligible for appointment as compliance officer.

The compliance officer must review the number of cards and accounts issued at least once every six months, the number of active cards and accounts issued, the cards' and accounts' expiration dates, and the cards' and accounts' credit limits.

The fiscal officer or the fiscal officer's designee annually must file a report with the board detailing all rewards received based on the use of the free public library's or library district's credit card account.

Summary

Political subdivisions, except colleges and universities, are required to implement a credit card policy by February 2, 2019, if they already hold a credit card account. All other entities subject to this legislation must adopt a credit card policy before obtaining a credit card account. The policy should address each point as outlined in the legislation, at a minimum, with additional specific policy points to fit the needs of the entity. No political subdivision may hold or utilize a debit card account, except for law enforcement purposes. Possession or use of a debit card account by a political subdivision, except law enforcement, is a violation of section 2913.21 of the Revised Code.

Questions

If you have any questions regarding this bulletin, please contact the AOS Center for Audit Excellence at (800) 282-0370.

A handwritten signature in blue ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State