

Letter No. 2-96
Credit Cards



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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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STATE TREASURER

NUMBERED LETTER 1996-02
(Revised)

Issued By: Community Engagement and Finance Division (CEFD)
Bureau of Local Government and School Services

Effective Date: January 19, 1996 (Revised DRAFT DATE)

TO: 1996-02 Credit Card Transactions

Intended Audience: County, City, Village and Township Clerks and
School Districts, Intermediate Schools, and Community
Colleges

FROM: Richard L. Baldermann CPA
Administrator
Local Audit and Finance Division

RE: Credit Card Transactions

Summary: Public Act 266 of 1995 became effective January 8, 1996. The act authorizes the use of credit cards by local units of government for appropriate expenses. The act also sets specific criteria which must be followed.—ⁱ

A local unit must have adopted by **resolution, a written policy** that provides all **of** the following:

- a.) A named officer or employee is responsible for the issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the credit card policy.
- b.) That the credit card may be used only by an officer or employee for the purchase of goods or services for the official business of the local unit.
- c.) The officer or employee using the credit card must submit documentation

detailing the goods or services purchased, cost, date of the purchase, and the official business.

- d) The officer or employee issued the card is responsible for its protection and custody and shall immediately notify the local unit if the card is lost or stolen.
- e) The officer or employee must immediately surrender the card upon termination.
- f) For a system of internal controls to monitor the use of the credit card.
- g) Approval of credit card invoices **before** payment.
- h) That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for not more than 60 days of the initial statement date. The local unit shall comply with this provision of the credit card policy.
- i) The policy must provide for disciplinary measures consistent with law for unauthorized use.
- j) Any other matters the governing body considers advisable.

The total combined authorized credit limit of all credit cards issued by a local unit shall not exceed 5% of the total budget of the local unit for the current fiscal year. The local unit may include in its budget the authorization to pay the balance due on any credit cards including the annual fee and interest.

After appropriate hearings, the Department of Treasury may issue an order limiting or suspending the authority of a local unit to issue and use credit cards for failure to comply with this act or the local unit's credit card policy.

Credit card arrangements currently in use may continue to be valid, but may not be used for credit card transactions after the effective date of this act unless the credit card policy has been approved by the legislative body and the 5% limit is not exceeded.

~~Enclosed~~Following is an entire copy of Public Act 266 of 1995 for your use.

If you need further assistance, please call (517) ~~373-3227~~335-7469 or write our office: Michigan Department of Treasury, ~~Local Audit~~Community Engagement and Finance Division, P.O. Box 30728, Lansing, Michigan 48909-8228-or email our office at TreasLocalGov@michigan.gov.

Act No. 266

Public Acts of 1995

Effective Jan. 8, 1996

STATE OF MICHIGAN
88TH LEGISLATURE
REGULAR SESSION OF 1995

Introduced by Rep. Brackenridge

Reps. Alley, Bodem, Brewer, Bullard, Cherry, Curtis, Dehart, DeMars, Dobronski, Freeman, Gagliardi, Geiger, Gilmer, Gnodtke, Goschka, Green, Hammerstrom, Harder, Hill, Horton, Jaye, Jellema, Jersevic, Johnson, Kaza, Kelly, Kukuk, Law, London, Lowe, McBryde, McManus, Middaugh, Oxender, Perricone, Randall, Rocca, Ryan, Scott, Tesanovich, Voorhees and Weeks named co-sponsors

ENROLLED HOUSE BILL NO. 5019

AN ACT to authorize and regulate credit card transactions involving local units of government, including the use of credit cards by officers and employees of local units of government; and to provide for powers and duties of certain state and local agencies, officers, and employees.

The People of the State of Michigan enact:

Sec. 1. As used in this act:

- (a) "Budget" means a plan of financial operation for a given period of time, including an estimate of all proposed expenditures from the funds of a local unit and the proposed means of financing the expenditures. As used in section 4(1), budget does not include any of the following:
- (i) A fund for which the local unit acts as a trustee or agent
 - (ii) An intragovernmental service fund.
 - (iii) An enterprise fund.
 - (iv) A public improvement or building and site fund.
 - (v) A special assessment fund.
- (b) "Credit card" means a card or device issued under a credit card arrangement by a person licensed under Act No. 379 of the Public Acts of 1984, being sections 493.101 to 493.114 of the Michigan Compiled Laws, by a person licensed under the consumer financial services act, Act No. 161 of the Public Acts of 1988, being sections 487.2051 to 487.2072 of the Michigan Compiled Laws, or by a depository financial institution as definition section 1a of the mortgage brokers, lenders, and services licensing act, Act No. 173 of the Public Acts of 1987, being section 445.1651a of the Michigan Compiled Laws.
- (c) "Credit card arrangement" means an unsecured extension of credit for purchasing goods or services from the credit card issuer or any other person that is made to the holder of a credit card and that is accessed with a credit card.
- (d) "Credit card policy" means a policy adopted by resolution of a local unit under section 3.
- (e) "Governing body" means any of the following:
- (i) The council, commission, or other entity vested with the legislative power of a village

- (ii) The council or other entity vested with the legislative power of a city.
 - (iii) The township board of a township.
 - (iv) The county board of commissioners of a county.
 - (v) The board of county road commissioners of a county
 - (vi) The board of education of a local school district
 - (vii) The board of education of an intermediate school district
 - (viii) The board of trustees of a community college district.
 - (ix) The official body to which is granted general governing powers over an authority or organization of government established by law which may issue obligations pursuant to Act No. 202 of the Public Acts of 1943, and which may expend the funds of the authority or organization.
- (f) "Local school district" means a school district organized under the school code of 1976, Act No. 451 of the Public Acts of 1976, being sections 380.1 to 380.1852 of the Michigan Compiled Laws, or a district governed by a special or local act.
- (g) "Local unit" means any of the following:
- (i) A village.
 - (ii) A city.
 - (iii) A township.
 - (iv) A county.
 - (v) A county road commission.
 - (vi) A local school district
 - (vii) An intermediate school district
 - (viii) A community college district
 - (ix) An authority or organization of government established by law may issue obligations pursuant to Act No. 202 of the Public Acts of 1943, and which may expend funds of the authority or organization.

Sec. 2. (1) Subject to sections 3 and 5, the governing body, of a local unit may enter into a credit card arrangement.

(2) A credit card arrangement or the use of credit cards under this act is not subject to the municipal finance act, Act No. 202 of the Public Acts of 1943, being sections 131.1 to 139.3 of the Michigan Compiled Laws, or to provisions of law or charter concerning the issuance of debt by a local unit.

(3) A local unit shall not be a party to a credit card arrangement unless the governing body of the local unit has adopted by resolution a written policy that provides all of the following:

- (a) That an officer or employee designated by the credit card policy is responsible for the local unit's credit card issuance, accounting, monitoring, and retrieval and generally for overseeing compliance with the credit card policy.
- (b) That a credit card may be used only by an officer or employee of the local unit for the purchase of goods or services for the official business of the local unit. In addition, the credit card policy may limit the specific official business for which credit cards may be used. This subdivision does not limit the applicability of chapter XXIVA or section 174, 175, 219a, or 490a of the Michigan penal code, Act No. 328 of the Public Acts of 1931, being sections 750.157m to 750.157w, 750.174, 750.175, 750.219a, and 750.490a of the Michigan Compiled Laws; section 1a of the code of criminal procedure, Act No. 175 of the Public Acts of 1927, being section 769.1a of the Michigan Compiled Laws; or any other laws, or ordinance, applicable to use of a credit card, issued by a local unit, for other official business of the local unit.
- (c) That an officer or employee using credit cards issued by the local unit shall submit to the local unit documentation described in the credit card policy detailing the goods or services purchased, the

cost of the goods or services, the date of the purchase, and the official business for which purchased.

- (d) That an officer or employee issued a credit card is responsible for its protection and custody and shall immediately notify the local unit if the credit card is lost or stolen.
- (e) That an officer or employee issued a credit card shall return the credit card upon the termination of his or her employment or service in office with the local unit.
- (f) For system of internal accounting controls to monitor the use of credit cards issued by the local unit.
- (g) For the approval of credit card invoices before payment.
- (h) That the balance including interest due on an extension of credit under the credit card arrangement shall be paid for within not more than 60 days of the initial statement date. The local unit shall comply with this provision of the credit card policy.
- (i) For disciplinary measures consistent with law for the unauthorized use of a credit card by an officer or employee of the local unit.
- (j) Any other matters of governing body considers advisable.

Sec. 4. (1) The total combined authorized credit limit of all credit cards issued by a local unit shall not exceed 5 % of the total budget of the local unit for the current fiscal year.

(2) The governing body of a local unit may include in its budget and pay the balance on any credit cards, including the annual fee and interest.

Sec. 5. After a hearing conducted under the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws, the department of treasury may issue an order limiting or suspending the authority of a local unit to issue and use credit cards under this act for failure to comply with the requirements of this act or with the requirements of the local unit's credit policy.

Sec. 6. A credit card arrangement entered into by a local unit before the effective date of this act is valid by may not be used for credit card transactions on or after the effective date of this act unless the requirements of sections 3 and 4 are complied with.

Sec. 7. This act shall take effect 6 months after the date of its enactment.

This act is ordered to take immediate effect.

¹ January 19, 1996 – Original letter

(Revised DRAFT DATE) – This numbered letter was updated with formatting changes, no major content edits.