

Letter No. 2-96
Credit Cards

January 19, 1996

TO: 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

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. 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.

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

If you need further assistance, please call (517) 373-3227 or write our office: Michigan Department of Treasury, Local Audit and Finance Division, P.O. Box 30728, Lansing, Michigan 48909-8228.