

SUBJECT: Authorizing the establishment of a county purchasing card program

COMMITTEE: County Affairs — committee substitute recommended

VOTE: 6 ayes — Ramsay, G. Lewis, Brown, Farabee, Salinas, Shields
0 nays
3 absent — Chisum, Hilderbran, Krusee

WITNESSES: For — John J. Cantwell, Dallas County
Against — None

BACKGROUND: Local Government Code, sec. 262.011 sets forth guidelines for the appointment and duties of a county purchasing agent.

DIGEST: CSHB 1619 would amend Local Government Code, sec. 262.011 to authorize county purchasing agents to establish a county purchasing-card program. Those authorized by the county purchasing agent to make purchases with a county purchasing card would be considered assistants to the county purchasing agent as long as they complied with rules and procedures prescribed for the use of the cards.

The county purchasing agent would adopt rules and procedures for using a county purchasing card under the agent's supervision and would apply notwithstanding the current requirement that county purchases be paid for by a warrant drawn from the county treasury or by competitive bid.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

SUPPORTERS SAY: CSHB 1619 is necessary to clarify the proper use of credit cards by county purchasing agents and their assistants. Current law is silent and outdated regarding this issue. In this age of digital commerce, it is unrealistic to expect county purchasing agents to draw warrants for every purchase. Credit cards

commonly are used by public and private sector businesses and should be available to county purchasing agents.

CSHB 1619 would allow for decentralization of purchasing by allowing the county purchasing agent to authorize personnel in other county departments to act as purchasing assistants. Currently, every county department must go to the purchasing office to get supplies. This is not always convenient or efficient, since often the departments are spread out across the county. CSHB 1619 would allow purchasing assistants in different departments to handle their department's respective needs as they arise.

For example, if the County Public Works Department was working on a road and some equipment broke, the person from the department who was assigned as purchasing assistant would be able to buy the needed equipment without waiting. Otherwise, the department would have to submit a requisition, and if the purchasing department did not have the needed item on hand, it could take several days to process the requisition order and obtain the product. A purchasing card would avoid such delays.

Purchasing cards also would help counties buy items from suppliers over the Internet, which usually require a credit card. Hard to find products could be ordered easily over the Internet if the purchasing agent had a credit card.

A purchasing card also would facilitate delivery of phone or mail order items that cannot be purchased over-the-counter. Because credit card purchases can be processed more quickly, vendors could ship the orders out sooner. CSHB 1619 also would allow the participation of more vendors and not just those known to the purchasing agent.

Purchasing cards would reduce the amount of inventory that is kept in the different departments because departments could more easily and quickly obtain the products they need. Otherwise, departments must stock up on supplies to make up for delivery lag time.

Use of purchasing cards would streamline the bill-paying process. Fewer individual invoices would reduce the number of checks that would need to be written because all transactions would be listed on the card's monthly

bills. One check could be issued for each department's purchases for the month.

The county purchasing agent would be responsible for adopting rules and procedures for proper use of purchasing cards to prevent their abuse. The purchasing agent could limit the amount that could be spent per transaction or limit the number of weekly or monthly transactions that could be made. The county purchasing agent then could review all card transactions monthly when reconciling the accounts.

Banks issuing the purchasing cards could indemnify the county against fraud. Thus, the county would not be liable for unauthorized purchases made by assistants. Providing a culpable employee was terminated, the cards' insurance policies could cover unauthorized purchases up to a certain limit.

OPPONENTS
SAY:

Allowing assistants to use purchasing cards could lead to abuse of the system. Having the ability to purchase their own items could cause the departments to be less frugal and purchase unnecessary or expensive items. Departments easily could exceed their purchasing limitations, and the consequences would not be apparent until the monthly bill arrives.

By decentralizing purchasing, economies of scale are lost when purchasing items that could normally be bought at a discount in large quantities. Buying items individually by department could result in higher costs for the county.

CSHB 1619 would create problems of accountability. It would be better to have one central department accountable for all purchases instead of many individual people.

NOTES:

The committee substitute removed a provision in the filed version that would have authorized the county commissioners court to contract with one or more credit card issuers for the county purchasing agent or assistants to use for county purchases. Instead, the county purchasing agent would be responsible for adopting and authorizing rules relating to the use of credit cards for county purchases. The substitute also eliminated a \$25,000 cap on county purchase expenditures.