



OFFICE OF MAYOR RAHM EMANUEL
CITY OF CHICAGO

MEMORANDUM

TO: City of Chicago Department Heads
City of Chicago Sister Agencies

FROM: Theresa Mintle
Chief of Staff *TM*

FROM: Amer Ahmad
Comptroller, City of Chicago

DATE: July 6, 2011

RE: **City-Wide Employee Reimbursement Policy**

The primary means of purchasing valid goods and services necessary for conducting City of Chicago business should be through a competitively bid procurement process. Employee reimbursements may be necessary from time to time for essential, City-related activities, goods and services. The results of a review of both the existing credit card and employee reimbursement policies and related past spending of the City of Chicago Departments and Sister Agencies determined that the employee reimbursement control environment needed much improvement. The attached Employee Reimbursement Policy proposes a new, clear and transparent reimbursement process, and eliminates petty cash in its entirety.

Because City Departments do not have, and will continue to operate without credit cards, the Policy addresses credit/procurement cards for Sister Agencies only. Implementation of this Policy is expected by July 31, 2011. Primary components of the new Policy are as follows:

Employee Reimbursement Procedures

The City and half of the Agencies did not have formal employee reimbursement policies. This Policy includes the controls/procedures necessary for the reimbursement process, such as:

- Types of Unallowable Expenditures – The types of unallowable expenditures have been clearly enumerated in order to reduce the risk of inappropriate expenditures being paid for with taxpayer dollars. A major change is that local meals and meeting refreshments are no longer allowable.
- Limits on Individual Expenditures – No individual purchases are allowed for over \$250 without pre-approval by the employee's Commissioner/Department Head or the City Comptroller.



OFFICE OF MAYOR RAHM EMANUEL
CITY OF CHICAGO

- Proper Review and Approval Prior to Reimbursement – Approval of an expense reimbursement request is required from an employee’s Manager (*first-line approver*), Deputy/Senior Manager, and then Finance/Payment Department. Specific review and approval responsibilities are detailed in the Policy.

No Petty Cash Accounts

Petty Cash funds (*including Contingency funds*) will no longer be allowed for either Sister Agencies or City Departments. Large expenditures should be processed through normal procurement channels and, if necessary, small expenditures can be submitted for payment through the Employee Reimbursement process.

Limited Use of Procurement Cards for Sister Agencies

Procurement cards are not to be used as a regular vehicle with which to conduct City business. Although the City of Chicago does not use general credit or procurement cards, Sister Agencies will have limited use of procurement cards for emergency purposes only, or large transactions where purchase orders are not accepted by the merchant. All non-emergency expenditures shall be submitted for payment through the regular Employee Reimbursement process. If it is determined that an expenditure purchased with a procurement card is not for emergency purposes, the Agency’s access to procurement cards will be revoked. In addition to only being allowed for emergency purposes, the updated listing of Unallowable Types of Expenditures in the Employee Reimbursement section also applies to procurement card purchases.

QA/Monitoring/Audit Policy

A QA/Monitoring/Audit process will be developed/enhanced by each Agency and the City to ensure compliance with the Employee Reimbursement Policy and that expenditures are being properly processed and paid/reimbursed accurately. The monitoring and analytical review of expenditures and individuals are also important controls. This multi-tiered review process will be performed by Agency/City Finance departments; the Agencies’ individual Internal Audit departments, and the City of Chicago’s Internal Audit department.

Recurring Expenditures

Frequently recurring expenditures, such as office supplies, building materials and ‘big box’ store purchases, that are being consistently procured individually and not through a contracted purchasing agreement or the normal procurement procedures need to have purchasing agreements put in place in order to ensure that the Agencies and the City are obtaining these purchases as economically as possible. If a purchasing agreement is in place and these types of purchases continue to be made through the P-Card and/or Reimbursement process, reimbursement for the expenditures will be denied.



OFFICE OF MAYOR RAHM EMANUEL
CITY OF CHICAGO

Transparency

The City and Sister Agencies shall upload their individual employee reimbursement and procurement card information to the City of Chicago website on a monthly basis, starting with an initial year-to-date upload at the time of adoption of the Employee Reimbursement Policy. Proactive transparency increases disclosure of and accountability for City Department and Agency expenditures. It also serves as a deterrence mechanism for those employees who might otherwise be tempted to engage in inappropriate conduct or spending.

Post-Adoption Audit Review

This City-Wide Employee Reimbursement Policy shall be adopted by the City of Chicago Sister Agencies and City Departments to address the control weaknesses identified in the report. This Policy is not a voluntary consideration and adoption is expected by July 31, 2011. Upon the adoption of this policy, and within one year, an internal audit will be conducted to assess compliance with the Policy. The usage of procurement/credit cards will be a particular focus of these follow-up audits. If, at that time, it is determined that City or Sister Agencies are using credit cards in lieu of the competitively bid contracts, these cards may be entirely eliminated.