



## **Sponsor Testimony**

**Representatives Kirk Schuring and Dave Greenspan**

### **House Bill 312**

Chair Blessing, Vice-Chair Reienke, Ranking Member Clyde and Members of the House Government Accountability & Oversight Committee, we stand before you today as the sponsors of a very important piece of legislation – House Bill 312.

House Bill 312 provides new safeguards to taxpayer dollars by establishing uniform protocols for the use of credit cards and debit cards by political subdivisions in Ohio.

Currently, Ohio lacks a uniform, comprehensive policy regarding the use of credit cards in local government. The need for transparent, accountable and practical safeguards to protect the integrity of our local communities, and the responsible stewardship of taxpayer dollars is paramount to building and sustaining the public's trust.

In July of 2017, the Auditor of State's office officially released findings of an anonymous survey from 1,646 local governments. The findings in the survey contain red flags that many entities may be flirting with financial danger by failing to take basic steps to ensure that government credit and debit cards are not misused.

Of the subdivisions who participated in the survey:

1. 10% do not have a policy for the use credit cards
2. 27% have 6 or more credit cards
3. 7% have over 20 or more credit cards
4. 17% have over 15 people listed as authorized users
5. 5% actively engage in the use of debit cards for official business

Recently, poor oversight and controls allowed a public employee to misspend \$724,239 from the Village of Mt. Sterling in Madison County, of which about \$331,000 involved credit cards; \$479,800 from the Perrysburg Exempted Village School District in Wood County, of which almost \$92,000 involved credit cards; and \$10,523 of credit-card misspending at the STAR Community Justice Center in Scioto County. The prevalence and perceived ease in the misuse of public dollars exacerbates the need for a sound state policy regarding the use of credit cards by political subdivisions.

This bill is not intended to add administrative burden to our subdivisions, 90% of which have existing policies. Instead, House Bill 312 will provide the necessary protocols to protect public assets, and help make certain all subdivisions are compliant with a uniformed protocol. House Bill 312 revises current state statute and establishes models for oversight in the following ways:

- 1. Custody and Control Model** - Treasurers who have physical control over all credit cards, utilize a system for individual use of the card, and have the name of the entity on the card will be allowed to operate as they currently do. The entity would be required to enact a credit card policy, if they have not already done so.
  - a.** This particular model allows an entity to utilize a system to check out cards and requires the individual using the card to present an itemized receipt upon returning the card to the treasurer. Failure to do so shall result in the employee paying the balance back to the entity. Any unpaid outstanding balances will constitute misuse of a credit card.
- 2. Compliance Officer Model** - Treasurers who do not have physical control of the credit cards and have the name of the entity present on the card shall do all of the following:
  - a.** Enact a credit card policy which will include:
    - i.** The procedure for use of a credit card
    - ii.** Who can use them
    - iii.** How often cards are to be reissued
    - iv.** Credit limits on each card being issued
    - v.** A quarterly review process by which the compliance officer and governing/legislative body reviews the number of cards the entity has, the number of active cards the entity has, and the credit limit for each card.
    - vi.** Address what qualifies as an allowable expense
    - vii.** Appoint a compliance officer that may not be the treasurer of the entity to and perform the quarterly review process
    - viii.** The compliance officer shall not have the ability to authorize the use of a credit card by an individual nor shall they be authorized to use a credit card

**3. Creates the definition of “Credit Card” in the Ohio Revised Code:**

- a. "Credit card" is defined as a bank-issued credit card, store-issued credit card, and any other card allowing the holder to purchase goods or services on credit
- b. Credit card in this section does **not** mean a procurement card, gasoline or telephone credit card, or any other card where merchant category codes are in place as a system of control for use of the card

**4. Establishes Credit Card Reward Reporting Standards:**

- a. The bill directs the State Auditor to establish a procedure directing local governments as to how they should disclose these items

**5. Enacting a Penalty for Misuse of a Credit Card**

- a. *“The use of a credit card for expenses beyond those authorized by the authority constitutes misuse of a credit card. Misuse by an officer or employee of a credit card held by the legislative authority, with purpose to defraud, is a violation of section 2913.21 of the Revised Code.”*

**6. Prohibit the Use of a Debit Card**

- a. Except for law enforcement purposes-i.e. ATM withdrawals for drug task force activity.

**7. Exemption for Home Rule Townships and Small Villages**

Each of the aforementioned provisions in this bill are crafted with one goal in mind, the protection for our local governments and taxpayers from those wishing to defraud them.

Throughout the summer, our offices have conducted a number interested party meetings with impacted stakeholders including, but not limited to, the CCAO, OML, OLC, OTA, and the OBL. We are strongly encouraged by the support for such a needed reform, and the willingness for each key organization to work with our offices and the office of the Auditor of State.

Thank you your consideration of this bill and we are available for your questions.