

**IMMEDIATE
ATTENTION**

EBAP/08/96

August 18, 2008

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Changes in the Delegation of Signatory Authority for Purchasing**

Attached for consideration by the Executive Directors is a paper on changes in the delegation of signatory authority for purchasing. It is not intended to publish this paper on the Fund's external website.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by the **close of business on Monday, August 25, 2008**. In the absence of such a request, the draft decision that appears on page 5 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. Leong, TGS (ext. 39889).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Changes in the Delegation of Signatory Authority for Purchasing

Prepared by the Technology and General Services Department

In consultation with the Finance and Legal Departments
and the Office of Budget and Planning

Approved by Frank Harnischfeger

August 15, 2008

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I. INTRODUCTION

1. This paper proposes a modification in the rules governing signatory authority with respect to the acquisition of goods and services by the Fund. The purpose of the modification is to permit the adoption of a best practice procurement tool—procurement cards for low-value transactions—without incurring the excessive administrative overhead that would be required by the current rules. This proposal requires revision of the decision approved by the Executive Board in 1990 (Annex A) concerning authorized signatories of the Fund and the process for designating signatory authority.¹
2. It is proposed that the Board authorize the Managing Director to grant the Director of Technology and General Services Department (TGS) the authority to delegate signatory authority to a limited number of staff in order to allow the use of purchasing cards (P-cards)² for low-dollar value transactions. The intention is that the Director of TGS would designate individuals in various departments to use P-cards, and such use would be subject to a dollar limit per transaction determined by the Managing Director.
3. The purpose of this proposed change is to achieve cost savings for the Fund through the delegation of routine, low-value procurements to departments, and thereby, streamline low-dollar value purchasing activity, while providing appropriate control mechanisms to ensure compliance with the fiduciary intent of the Board decision.

II. BACKGROUND

4. In response to changing Fund requirements, and as reflected in the FY2007 audit of TGS' procurement services, the Procurement Division is embarking on a broad transformation initiative aimed at enhancing the Fund's ability to control expenditures, improve spending transparency, and to streamline procurement operations. Annex B describes the main thrusts of the transformation effort. A principal goal of the transformation is to shift from a transactional to a more strategic approach where the Procurement Division of TGS adds value and reduces costs by focusing on major contracts and procurements. In order to achieve this objective, the Procurement Division needs to streamline the processing of routine and low-value transactions. P-cards are the main tool for achieving this objective.
5. As prescribed in the 1990 Decision, all instructions and instruments in writing that are binding on the Fund shall be signed by either the Managing Director or another official or officials whom the Managing Director designates in writing. However, such designations are

¹ Refer to EBAP/90/315, 11/30/90; and Decision No. 9605-(90/170), adopted 12/7/90 (hereinafter, the "1990 Decision").

² The purchasing card is a restricted-use corporate credit card that is widely utilized by a number of corporations (e.g., World Bank, Inter-American Development Bank, Citibank, and Morgan Stanley), with strict controls on the dollar-spending limit, suppliers, and types of goods and services that may be purchased.

not delegable. Although the 1990 Decision was directed in particular to the operation of accounts in the General Department and administered accounts, it was not limited to financial operations and transactions, and was intended to cover “any written instruments and instructions purporting to be binding on the Fund or to be an exercise of any right of the Fund.”

6. Accordingly, with respect to instruments or instructions needed for the procurement of goods and services in the ordinary business of the Fund, including contractual commitments on behalf of the Fund, it has been necessary to obtain a delegation of signatory authority from the Managing Director to another Fund official in order for such official to sign on behalf of the Fund; these delegations may not be sub-delegated or re-delegated to others.³ Because the use of a credit card issued in the Fund’s name is considered to be a commitment or instruction that is binding on the Fund, officials (whether by name or position) must be specifically authorized by the Managing Director before they may use such cards.

III. THE PURCHASING CARD INITIATIVE

7. With the P-card, end users can make low-dollar purchases directly in selected categories, subject to a supervisor’s approval, without incurring the transactional overhead of issuing Purchase Requisitions, Purchase Orders, and managing vendor invoices. P-cards serve the purpose of improving customer service, ensuring spend control and transparency while reducing the time and effort required for transactional purchases (e.g., in Procurement and the Joint Library).

8. TGS conducted a pilot test of the P-card, beginning in October 2007, in which fifteen staff members in TGS were given nonexclusive temporary authority by the Managing Director to execute, on behalf of the Fund, contractual purchase commitments for goods and services required by their respective division in TGS, using a P-card, up to an amount of US\$5,000 per transaction and not to exceed US\$10,000 per month. Assessment of the P-card pilot indicates that proceeding with a program expansion is justified. With management’s approval, TGS intends to implement a wider use of P-cards, as have other comparator financial institutions like the World Bank, CitiGroup, and Deutsche Bank. Depending on the business needs, Procurement is anticipating the issuing of 80 to 100 P-cards by the end of FY2009.⁴ Moving forwards, TGS, in collaboration with FIN and OIA, will closely monitor the program to assess compliance with P-card operational procedures and the need for any fine tuning adjustments.

³ These delegations are maintained in a Registry of Signatory Authority, which is periodically updated and re-issued by management.

⁴ At full implementation, approximately \$0.8 million in spend is expected to be purchased annually via 80 to 100 P-cards. This constitutes approximately 25 percent of all tactical transactions but less than 0.5 percent of the total \$300 million annual goods and services spend of the Fund.

9. If the P-card program were to operate under the 1990 Decision and the existing procedures for the delegation of signatory authority, each new card holder or increase in P-card purchasing threshold would require an elaborate review and approval process. The current rules require all changes to be approved by the Managing Director, after consultation and circulation of such delegation proposals to FIN, LEG, OBP, and TGS. Compliance with the existing policy would therefore entail administrative overhead that is not commensurate with the low-dollar value of these designations and with the Fund's goals of reducing overhead, adapting flexibly to changing needs, and reducing administrative costs.

10. The Proposed Decision would allow the Managing Director to grant the Director of TGS, who is responsible for Fund-wide procurement policy, to delegate signatory authority to other Fund officials, up to a pre-determined dollar threshold (currently set at US\$5,000 for P-cards), so as to enable the efficient administration of the P-card program. With this change, the Director of TGS will have authority to approve all ongoing changes to delegated signatory authority related to the P-card holders and their purchasing privileges. Such low-dollar P-card-related changes to the Registry of Signatory Authority will not require the approval of the Managing Director. The proposed policy will allow the streamlining of low-dollar value transactions and lay the groundwork for a more strategic approach to procurement.

11. In order to ensure accountability and transparency, all P-card purchases will need to be validated and approved by the immediate supervisors of authorized P-card users. To facilitate the appropriate crediting of departmental budgets, card holders will be required to assign the appropriate account code information for each purchase. All P-card purchases and payments will be subject to individual department budget constraints. The attached Annex C contains a detailed description of P-card authorization controls.

12. A key factor in the successful execution of the P-card program is the ability to routinely monitor usage and make real-time adjustments as appropriate. This would include, for example, issuing new cards as changing requirements dictate, suspending cards when staff move or change assignments, or changing authorized spending thresholds. TGS will be routinely monitoring usage and making changes on a quarterly basis as part of program administration. OIA will be conducting an independent audit of the P-card program within the current fiscal year.

IV. PROPOSED DECISION

In order to streamline and modernize the exercise of signatory authority with respect to the procurement process, it is proposed that the Board approve the following decision:

1. All instructions and instruments in writing purporting to be binding on the Fund or to be an exercise of any right of the Fund shall be signed for the Fund by either:
 - (a) the Managing Director; or
 - (b) such other official or officials of the Fund or other person or persons as the Managing Director shall designate in writing.
2. Authority to sign instructions and instruments for the Fund which is granted by a designation under sub-paragraph (b) of paragraph 1 of this decision shall not be delegable, except that the Managing Director may authorize the Director of the Technology and General Services Department to delegate in writing the authority to sign instructions and instruments needed for the procurement of goods and services by the Fund to another official or officials of the Fund, with respect to purchases up to a dollar threshold to be determined by the Managing Director.
3. Any signature pursuant to this decision may be a facsimile signature or other means of identification if it is authorized in writing by the Managing Director.
4. This decision supersedes all prior general signature authority decisions of the Executive Board without prejudice to action taken pursuant to them.

Annex A. Executive Board Decision No. 9605-(90/170) adopted 12/7/90**5. OPERATION OF FUND ACCOUNTS - AUTHORIZED SIGNATORIES**

1. All instructions and instruments in writing purporting to be binding on the Fund or to be an exercise of any right of the Fund shall be signed for the Fund by either:
 - (a) the Managing Director; or
 - (b) such other official or officials of the Fund or other person or persons as the Managing Director shall designate in writing.
2. Authority to sign instructions and instruments for the Fund which is granted by a designation under subparagraph (b) of paragraph 1 of this decision shall not be delegable.
3. Any signature pursuant to this decision may be a facsimile signature or other means of identification if it is authorized in writing by the Managing Director.
4. This decision supersedes all prior general signature authority decisions of the Executive Board without prejudice to action taken pursuant to them. (EBAP/90/315, 11/30/90)

Decision No. 9605, adopted
December 7, 1990

Annex B. A Summary of the Main Elements of the Procurement Transformation

Initiatives in the procurement transformation include:

Purchasing Cards

The Purchasing card (P-card) allows designated Fund officials to make direct low-dollar purchases (< US\$5,000) for specific pre-approved goods and services categories. The card streamlines the processing of low-dollar purchases by reducing the use for Purchase Requisitions and Purchase Orders.

Strategic Sourcing

This is a structured process for conducting major procurements (above \$100,000) focusing on optimizing total cost of ownership. Key activities include, strategy development, supply base analysis, total cost of ownership analysis, vendor workshops and competitive bidding via RFPs or e-auctions, negotiations. Strategic sourcing allows Procurement to achieve greater cost savings on major procurements.

Supplier Contract Management

This is a systematic process for ensuring that the Fund achieves best value, performance and transparency during the term of a supplier contract. Key activities include performance monitoring (scorecards), contract administration and value monitoring.

Annex C. Summary of P-card Controls

Mechanisms to control P-card purchases have been developed in consultation with OBP, FIN, and LEG and include:

i) Spending thresholds

Each card holder will be assigned dollar limits for single transactions and monthly spend. Initial analysis indicates that a single transaction limit of US\$5,000 and a monthly limit of US\$10,000 achieves that right balance between control and efficiency. Spend thresholds will be monitored and adjusted over time to reflect business needs. TGS will coordinate with OBP and FIN for any changes to overall spending limits.

ii) Controls on approval for new P-card holders

Issuance of P-cards to staff may only be granted by the Director of TGS upon request of the relevant department. TGS will consult with FIN in advance of the issuing new P-cards. In considering whether a P-card is an appropriate procurement vehicle, TGS will assess a variety of factors including historical purchasing volume, types of purchases made, absence or presence of other electronic purchasing or payment mechanisms, supervisory controls, and other relevant factors. TGS will consult as needed with OBP and FIN in the event of any significant proposed expansion of the P-card program to address workflow and workload issues. In accordance with the changes presented in this paper, Director of TGS shall have final decision rights on the issuance or non-issuance of a P-card.

iii) Restrictions on unauthorized merchants categories

The P-Card Program Users Manual contains strict guidelines on appropriate purchases. Examples of unauthorized purchases may include, travel services, seminar expenses, entertainment, chemicals, hazardous materials, country club dues and gift cards. Each P-card is configured to reject charges from unauthorized merchant categories. Merchant category codes will be periodically monitored and adjusted over time to reflect business needs.

iv) Requirement for supporting documentation and account code information

All purchases must be supported by valid receipts, invoices and credit card transactions slips. Cardholders are responsible for assigning IMF account code information (e.g., GL code, Department ID, Project ID) to each purchase so that costs can be charged to the correct departmental budget.

v) Requirement for supervisor approval

Supervisors are responsible for approving purchases and ensuring that card usage adheres to IMF policies and program guidelines. Prior to approval, the supervisor is required to (a) validate that charges are accompanied by valid receipts; (b) ensure that purchases conform to procurement policies; and (c) check that IMF account codes are correctly entered.

vi) Budget checking

All P-card purchases and payments will be subject to departmental budget constraints. P-card charges will be checked against departmental budgets via the PeopleSoft commitment control system prior to payment. Payments will not be issued until budget availability is confirmed.

The P-card processes are documented in the P-card User's draft Manual (DMSDR1S #3306104).