



AGENDA

**ADVISORY COUNCIL ON STATE PROCUREMENT MEETING #029
TUESDAY, AUGUST 2, 2016 – 2:00 P.M.
TN TOWER – 3rd FLOOR, NASHVILLE ROOM**

AGENDA ITEM		PAGE #
I.	Call to Order	--
II.	Approve Minutes from May 31, 2016 Meeting..... (see attached documentation)	3
III.	New Business Proposed revisions to the following Central Procurement Office documents (see attached documentation): (1) Iran Divestment Act Provision in Configurator, FA Template, and PO Template Terms and Conditions..... (2) Iran Divestment Act Provision – New Bid Factor in Edison and Request For Qualifications (RFQ) and Request For Proposals (RFP) Templates - Statement of Certifications and Assurances (3) Iran Divestment Act Certification – New..... (4) Click-Wrap Agreement Approval Request..... (5) <i>Procurement Procedures Manual of the Central Procurement Office – Section 4.3,</i> <i>Identification Codes</i> (6) <i>Procurement Procedures Manual of the Central Procurement Office – Section</i> <i>5.13.2, Tied Responses – Resolution</i> (7) Central Procurement Office Policy Number 2013-002, <i>Procurement Methods</i> <i>Policy and Procedures</i> , Section 17 – Tie Responses (8) Central Procurement Office Policy Number 2015-010, <i>Statewide Purchasing Card</i> <i>Policy and Procedures</i> (9) State Agency P-Card Procedures Model.....	 15 17 26 28 32 36 40 44 81
IV.	Other Business	--
V.	Adjournment	--

**MINUTES OF MAY 31, 2016
MEETING**

MINUTES
ADVISORY COUNCIL ON STATE PROCUREMENT MEETING #028
TUESDAY, MAY 31, 2016 – 1:30 P.M.
TN TOWER – 3rd FLOOR – NASHVILLE ROOM

Members in Attendance:

Shannon Howell, Jason Mumpower, Buddy Lea, Ted Hayden, Sondra Howe, Rick Peppers, Stewart Shunk, Terry Anderson, Michelle Lane

Members Participating by Telephone:

Terry McKee

Others in Attendance:

Stroud Vaughn, Christopher Ivey, Paul Krivacka, Bryan Chriske, Laylah Smith, Elizabeth Millsaps, Andy Kidd, Kaci Stewart, Charlotte McKinney

I. Call to Order: Shannon Howell, Deputy Chief Procurement Officer, announced that Mike Perry, Chief Procurement Officer, was out of town and that she would serve as Chairperson for the meeting. Ms. Howell called the meeting to order and recognized that a quorum of members was present.

II. Minutes from the February 29, 2016 Meeting: Ms. Howell asked if there were any corrections or additions to the minutes from the February 29, 2016 meeting. Seeing none, a motion was made by Jason Mumpower, Chief of Staff, Office of the Comptroller of the Treasury, to accept the minutes as presented. The motion was seconded by Buddy Lea, Assistant Commissioner, Department of Finance and Administration. All members voted in favor – none opposed.

III. New Business: Ms. Howell asked Paul Krivacka, Lead Attorney/Director of Category Management, Central Procurement Office, to present the Central Procurement Office (“CPO”) documents from the New Business section of the agenda.

(1) Request for Qualifications (RFQ) and Request for Proposals (RFP) Templates - Statement of Certifications and Assurances

Mr. Krivacka summarized the following points with regard to Request for Qualifications (RFQ) and Request for Proposals (RFP) Templates - Statement of Certifications and Assurances:

- This request is to remove the Federal Employer Identification Number (“FEIN”) or social security number line from the RFP and RFQ Template at the Statement of

Certifications and Assurances. This change will reduce the risk of sensitive personal identifying information being included in an open procurement file.

Mr. Krivacka asked for any questions or discussion. Seeing none, Mr. Lea made a motion to recommend Request for Qualifications (RFQ) and Request for Proposals (RFP) Templates - Statement of Certifications and Assurances as presented to the Procurement Commission for approval. Mr. Mumpower seconded the motion.

(2) Edison Document Naming Convention Model

Mr. Krivacka presented the following points with regard to Edison Document Naming Convention Model:

- The Edison Document Naming Convention Model is a new document that was created in collaboration with CPO, Office of Comptroller of the Treasury ("COT"), and agency personnel.
- The use of this naming convention is a model and therefore is not mandatory. It is an organizational tool that will help to expedite the review process.
- The purpose is to standardize the method of naming all contract documents uploaded into Edison so that all of the attachments will be organized in a logical, standardized order making it very easy to locate any given document.
- The "phase number" prefix groups documents related to similar phases of the review process for easy review.

Mr. Krivacka asked for any questions or discussion. Seeing none, Mr. Mumpower made a motion to recommend the Edison Document Naming Convention Model as presented to the Procurement Commission for approval. The motion was seconded by Mr. Lea.

Mr. Mumpower requested that agenda items (3) and (4) be presented together since they are closely related.

At this point, it was brought to the attention of the Advisory Council that votes were not taken on agenda items (1) and (2) after the motions for approval were made and seconded. At this point, a vote was taken on agenda item (1) Request for Qualifications (RFQ) and Request for Proposals (RFP) Templates - Statement of Certifications and Assurances and agenda item. All members voted in favor - none opposed. A vote was taken on agenda item (2) Edison Document Naming Convention Model. All members voted in favor - none opposed.

- (3) FA Template - Revised Instructions to include Liquidated Damages Request
(4) Liquidated Damages Request Document

Mr. Krivacka summarized the following points with regard to agenda item (3) FA Template - Revised Instructions to include Liquidated Damages Request:

- Additional instructions have been added to the optional language in the FA Template. In particular, using the Liquidated Damages provision will now require an approved Liquidated Damages Request.

- The new Liquidated Damages request will provide additional oversight and guidance to ensure that inclusion of the Liquidated Damages are in the best interest of the State and enforceable in court. It will memorialize how the liquidated damages amount was determined, which was recommended by Mr. Ted Hayden, Executive Director of Compliance, State of Tennessee Real Estate Asset Management, based on his previous practice experience.
- Additionally, deviations from the Template language shall require an approved Rule Exception Request.

Mr. Krivacka summarized the following points with regard to agenda item (4) Liquidated Damages Request Document:

- The new Liquidated Damages Request was suggested by COT and will document how the agency or procurement professional calculated the liquidated damages amount and determined it to be a reasonable estimate of the non-breaching party's damages prior to entering into the contract.
- This additional step will document the justification for including the Liquidated Damages provision.

Mr. Krivacka asked for any questions or discussion. Mr. Lea commented that the Liquidated Damages Request is good for the procuring agency as well as the oversight agencies. The Liquidated Damages Request will give procuring agencies a format to follow to justify and explain the need for liquidated damages.

Seeing no additional questions or comments, Mr. Mumpower made a motion to recommend agenda item (3) FA Template – Revised Instructions to include Liquidated Damages Request, and agenda item (4) Liquidated Damages Request Document as presented to the Procurement Commission for approval. Mr. Hayden seconded the motion. All members voted in favor – none opposed.

(5) *Procurement Procedures Manual of the Central Procurement Office - Section 11.2, General Information*

Mr. Krivacka summarized the following points with regard to the *Procurement Procedures Manual of the Central Procurement Office - Section 11.2, General Information*:

- This is the section of the manual that serves as a reference for the numerous models, templates and administrative documents that are available on the intranet. It has been updated to reflect some of the new procurement documents such as the Liquidated Damages Request, Click-wrap Approval Request, and Edison Document Naming Convention Model.

Mr. Krivacka asked for any questions or discussion. Mr. Lea asked if the updates included only changes that had been approved by the Procurement Commission and not changes that were being presented at this Advisory Council meeting. Mr. Krivacka stated that the updates included only those already approved by the Procurement Commission.

Seeing no additional questions or comments, a motion was made by Mr. Lea to recommend the *Procurement Procedures Manual of the Central Procurement Office* - Section 11.2, General Information as presented to the Procurement Commission for approval. The motion was seconded by Mr. Mumpower. All members voted in favor – none opposed.

(6) Governmental Grant ("GG") and GR Templates - B#. Optional Federal Pre-Award Authority Language

Mr. Krivacka noted that COT had submitted several questions regarding this agenda item in advance of the meeting. Mr. Krivacka stated that he would summarize the following points with regard to the Governmental Grant ("GG") and GR Templates - B#. Optional Federal Pre-Award Authority Language and then would address the questions from COT.

- This optional grant contract provision will help State agencies take full advantage of the federal funding available to them.
- Federal pre-award authority is a method of federal funding where a federal agency informs a state department or agency of a specific amount of funding that is intended to be allocated for a particular program, and then permits the State to begin incurring costs against that award sum prior to the finalization of the federal award.
- In order to cause a grant contract's term to embrace the federal pre-award authority period (which normally is several months prior to the term), the agency executes a grant contract, and then drafts and submits to the CPO a rule exception request and a grant contract amendment, which are used to change the term itself so that it extends further back in time, coextensively with the pre-award authority period. This proposal will alleviate some of the burden of documentation needed.
- In order to use this optional provision in a grant contract, the agency must follow a three step process:
 - i. First, identify the start date of federal pre-award authority for the State agency.
 - ii. Second, the State agency's highest legal authority (in most cases the agency general counsel) must draft and sign a certification that the agency is lawfully exercising legitimate federal pre-award authority.
 - iii. Third, the agency will add the federal pre-award authority "start date" into Subsection (f) of the optional provision, and insert the entire provision into the grant contract.
- This will obviate the current practice of using amendments to change the term of a grant contract after the finalization of the federal award in order to reflect the pre-award authority period.
- This proposal is consistent with overall CPO policy for all contracts to include start and end dates and that the State does not incur obligations prior to a contract start date. CPO authority in policies and procedures with respect to amendments rely on the fact that the CPO is internally consistent in not incurring obligations prior to a start date except for those in writing, signed, and approved by all parties. This proposal accommodates CPO policy but also recognizes that the federal government is providing funds and federal programs may not always be in step with State programs.

- The systemic impact is the overall number of rule exception requests and grant contract amendments will be reduced while simultaneously making it easier for agencies to use their federal grant dollars.

Mr. Krivacka then addressed the following questions that were submitted by COT regarding agenda item (6):

Q1. Please explain federal pre-award authority, to include which federal agencies use it.

A1. Federal pre-award authority is a method of federal funding whereby a federal agency informs a state department or agency (normally via an "award letter") of a specific amount of funding that is intended to be allocated for a particular program, and then permits the State to begin incurring costs against that award sum prior to the finalization of the federal award.

Q2. What is the risk if federal pre-award authority is not included in a contract?

A2. Currently, federal pre-award authority provisions are not included in any Tennessee grant contracts in such a way as to permit the incurrence of expenses toward a contract's scope prior to the beginning of that contract's term. Despite this fact, many Tennessee agencies receive federal grant funding from federal agencies operating under a pre-award authority framework. The current practice is for a State agency to execute a grant contract, and then submit a Rule Exception Request and a Grant Amendment document in order to backdate the contract. By approving CPO's proposal that practice will no longer be needed.

Q3. How will agencies that do not currently use federal pre-award authority know if they should include this language?

A3. Agencies that have been granted pre-award authority by their federal funding agency are already aware of this fact. They are familiar with the current process of submitting Rule Exception Requests and Grant Amendments to gain the ability to reimburse subrecipients' and contractors' expenses which were incurred prior to the term of a given contract. These State agencies also receive an "award letter" that establishes the effective date of their pre-award authority at least annually.

Agencies that are not familiar with whether their corresponding federal agency has granted pre-award authority have not been granted such authority by the federal government; if they had, they would have received award letters.

Q4. How will agency legal counsel communicate his/her certification of the legitimacy of the pre-award authority?

A4. In order for an agency to use the optional pre-award authority provision in a grant contract, that agency's general counsel must submit a certification that the agency is lawfully exercising legitimate federal pre-award authority. Before the attorney so certifies, the attorney should conduct some degree of due diligence to ensure that the

attorney is fully aware of the limitations that the relevant federal agency has set in place regarding pre-award expenses. The certification should be uploaded into Edison as an attachment to the contract in which the provision will be used.

Mr. Krivacka stated that the following federal agencies use pre-award authority:

- Federal Transit Administration
- Federal Department of Health and Humans Services
- U.S. Department of Housing and Urban Development
- National Institute of Health
- National Science Foundation

Mr. Krivacka asked for any questions or discussion. Mr. Mumpower thanked Mr. Krivacka for addressing some of the issues previously raised by COT and stated that one of the points COT was trying to make was awareness that these are pre-awards and the federal money has not been received yet. Mr. Mumpower stated that it is rare that the federal money would not follow but the risk is there. Mr. Krivacka agreed and stated there is always a chance that for whatever reason the federal government intends to authorize the money but Congress does not. Mr. Krivacka indicated that he did not recall that ever happening in his experience but one thing that the Department of Economic and Community Development ("ECD") does is include a disclaimer in its letters to recipients that states if the funds are not appropriated ECD is under no obligation to provide funds. Mr. Krivacka added that similar letters may need to be issued at the state agency level when doing these awards.

Mr. Mumpower thanked Mr. Krivacka for his responses to COT questions for the record.

Ms. Howell asked if there were any additional questions or comments regarding Governmental Grant ("GG") and GR Templates - B#. Optional Federal Pre-Award Authority Language. Seeing none, Mr. Mumpower made a motion to recommend the Governmental Grant ("GG") and GR Templates - B#. Optional Federal Pre-Award Authority Language as presented to the Procurement Commission for approval. Mr. Lea seconded the motion. All members voted in favor - none opposed.

(7) Debarment and Suspension Language - Revised in various templates and models

Mr. Krivacka noted that COT had submitted several questions regarding this agenda item in advance of the meeting. Mr. Krivacka stated that he would summarize the following points with regard to Debarment and Suspension Language - Revised in various templates and models and then would address the questions from COT:

- This proposed change extends the Contractor's continuing duty to disclose. Currently solicitations ask if a respondent has had certain civil or criminal events occur in the past three years. There is a corresponding provision in contract documents but it was not entirely clear that there was a continuing duty to disclose these events during the term of the contract, not just as part of the response process. This proposal will make it very clear that disclosure is required if at any time during the contract term a Contractor has been debarred, suspended, sued for fraud, unfair trade practices, anti-trust, etc. This disclosure allows the State to make a business decision about

continuing to do business with the vendor. There are certain business risks associated in doing business with vendors who have engaged in price fixing, unfair trade practices, or anti-trust, or vendors who are currently being indicted, have pled guilty, or no contest to criminal offenses. This does not mean that the State would automatically exclude a contractor if these facts became known, but it allows the State to perform due diligence about whether or not to continue doing business with a vendor under these circumstances.

Mr. Krivacka then addressed the following questions that were submitted by COT regarding agenda item (7):

Q1. Given the context of sections a. through d., would replacing “presently fall under any of the above sections a-d” with the following (or similar language) be more appropriate as to the intent:

- no longer comport with any of the above sections a-d; or
- fail the condition tests in sections a-d

A1. Mr. Krivacka stated that either language option above would be acceptable but that he would suggest keeping the language as it was proposed because it is a simpler read.

Mr. Mumpower stated that he had two additional questions. Mr. Mumpower referenced the redline document on page 42 of the agenda packet and pointed out that the language used at the beginning of points a. through d. started with either “are not” or “have not”. Mr. Mumpower then referenced the last sentence on page 42 that reads:

The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances, its principals or the principals of its subcontracts are excluded, disqualified, or presently fall under any of the above sections a-d.

Mr. Mumpower pointed out that if a Contractor “fell under any of the above” then they a). are not presently debarred, b). have not within a 3 year period been convicted of a civil judgment, c.) are not presently indicted, or d.) have not within a 3 year period had one or more public transactions terminated for cause or default. Mr. Mumpower indicated that the State would want Contractors to fall under sections a. through d. as they are written and that was the reason for the suggested language change submitted by COT.

Mr. Krivacka agreed that the point made by COT was a good one. Mr. Mumpower stated that the fault is really with the way that sections a. through d. are written with negative connotations. Mr. Mumpower restated the two language options proposed by COT above but indicated that he was open to other suggestions on how it could be written.

Mr. Krivacka agreed that the language should avoid double negatives. Mr. Hayden suggested using “does not presently fall under any of the prohibitions of sections a. through d.” Mr. Hayden stated that indicates that the Contractor does not fall under the entirety of a. through d. but only references the portions of a. through d. that contain the prohibitions.

Mr. Krivacka indicated that Mr. Hayden's proposed language would be acceptable as long as it is clear that if any of the conditions in a. through d. occur that the Contractor has a continuing duty to disclose. Mr. Mumpower agreed that Mr. Hayden's proposed language would be acceptable and stated that he had one more question before moving forward.

Ms. Howell asked Mr. Hayden to please repeat the suggested language for the record. Mr. Hayden proposed to change the last sentence on page 42 of the agenda packet to read:

The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances, its principals or the principals of its subcontracts are excluded, disqualified, or presently fall under any of the prohibitions of sections a-d.

Mr. Mumpower stated that the next question pertained to sections b. and d. on page 42 of the agenda packet.

Q2. Based on the legislation that passed this session (Public Chapter 730) requiring vendors to notify the Chief Procurement Officer if they have been indicted, convicted or pled guilty to certain offenses, should the language "within a three (3) year period preceding this Contract" be deleted from sections b. and d.?

Mr. Mumpower stated that section b. reads "have not within a three (3) year period preceding this Contract been convicted of, or had a civil judgment rendered against them. . . ." Mr. Mumpower stated that section d. reads "have not within a three (3) year period preceding this Contract had one or more public transactions. . . ." However, Mr. Mumpower stated that Public Chapter 730 was adopted by the legislature in 2016. A new section of the law, Title 4, Chapter 56, Title 12, Section 1, (b), reads: "If a vendor is indicted for or convicted of, or pleads guilty or nolo contendere to, any violation. . . ." Mr. Mumpower stated that this language seems to indicate that there is no time limit for disclosure and asked if it was in conflict with the three (3) year period time limit included in sections b. and d.

A2. Mr. Krivacka responded that it was not in conflict with the new statute. The statute and the CPO disclosure language perform very different functions. In talking with sponsors of the legislation, the statute was intended to protect the State against doing business with contractors who are indicted, pled guilty or pled no contest. Mr. Krivacka continued that the statute was very different from the very broad CPO continuing duty to disclose language which not only covers criminal but many civil matters. The intent was to have a limited window because some contractors are multi-national corporations or have business dealings with many different states. Mr. Krivacka stated that if there was no time limit the State would get push-back from some of the larger vendors and he believes that the three year limit is a reasonable period of time that allows vendors a fair window to report and disclose.

Mr. Mumpower stated that his question was about ensuring that the disclosure provision was not creating an inherent conflict with the statute and that Mr. Krivacka's response addressed his concern.

Ms. Howell asked if there were any additional questions or comments. Seeing none, Ms. Howell

asked for a motion to accept the amended language to the last sentence of the Debarment and Suspension Language on page 42 of the agenda packet as proposed by Mr. Hayden. For the record, Mr. Mumpower asked that the proposed amended language be restated.

Mr. Hayden stated that the proposed amended language would read:

The Contractor shall provide immediate written notice to the State if at any time it learns that there was an earlier failure to disclose information or that due to changed circumstances, its principals or the principals of its subcontracts are excluded, disqualified, or presently fall under any of the prohibitions of sections a-d.

A motion was made by Mr. Lea to accept the amended language change to the last sentence of the Debarment and Suspension Language on page 42 of the agenda packet as proposed by Mr. Hayden. The motion was seconded by Mr. Mumpower. Ms. Howell clarified that this vote was only to accept the amended language. All members voted in favor – none opposed.

Ms. Howell asked if there were any additional questions or comments regarding agenda item (7) Debarment and Suspension Language - Revised in various templates and models as amended. Seeing none, Mr. Mumpower made a motion to recommend agenda item (7) Debarment and Suspension Language - Revised in various templates and models as amended for approval by the Procurement Commission. Mr. Lea seconded the motion. All members voted in favor – none opposed

(8) *Procurement Procedures Manual of the Central Procurement Office – Section 8.4.4., Continuing Duty to Disclose*

Mr. Krivacka summarized the following points with regard to the *Procurement Procedures Manual of the Central Procurement Office – Section 8.4.4., Continuing Duty to Disclose*:

- This item is related to agenda item (7) in that the procurement procedures manual has also been updated to reflect that a Contractor has ongoing duty to disclose certain events as outlined in section a. through d. of agenda item (7) if they occur during the term of the contract.

Seeing no comments or questions, Mr. Lea made a motion to recommend *Procurement Procedures Manual of the Central Procurement Office – Section 8.4.4., Continuing Duty to Disclose* as presented to the Procurement Commission for approval. Mr. Mumpower seconded the motion. All members voted in favor – none opposed.

(9) FA Template – Insurance Provision

Mr. Krivacka summarized the following points with regard to the FA Template – Insurance Provision:

- This request allows for the consideration of additional coverage provided by an umbrella policy to achieve the required coverage levels.

- Previously, the existence of an umbrella policy could not be considered when determining if a vendor possessed sufficient insurance coverage as required by the contract. With the change, an umbrella policy may supplement an otherwise deficient coverage area.
- For example:
 - Contract requires \$2 million in auto coverage.
 - Vendor holds a \$1 million auto policy and \$5 million umbrella policy.
 - Under those circumstances, that vendor would have more than sufficient coverage to handle any loss anticipated by the contract. They would have \$4 million more than what the State is asking for.
 - Under the way that the language is currently written, that would be insufficient coverage and from a business standpoint the State should be fine with umbrella policy limits.

Seeing no comments or questions, Mr. Hayden made a motion to recommend FA Template – Insurance Provision as presented to the Procurement Commission for approval. Mr. Mumpower seconded the motion. All members voted in favor – none opposed.

(10) GR Template - Insurance Provision

Mr. Krivacka summarized the following points with regard to the GR Template – Insurance Provision:

- This request removes references to “all states coverage” which is an outdated term and also allows for the consideration of an umbrella policy to achieve the required coverage levels.
- “All states coverage” is something that the State most likely cannot obtain as many insurance companies operate only regionally and categorically will not write a policy covering “All Other States.”

Seeing no comments or questions, Mr. Lea made a motion to recommend GR Template – Insurance Provision as presented to the Procurement Commission for approval. Mr. Mumpower seconded the motion. All members voted in favor – none opposed.

(11) Request for Qualifications (RFQ) and Request for Proposals (RFP) Templates - Section A., Mandatory Requirement Items

Mr. Krivacka summarized the following points with regard to the Request for Qualifications (RFQ) and Request for Proposals (RFP) Templates - Section A., Mandatory Requirement Items:

- This request revises the questions aimed at determining a respondent’s financial responsibility in Section A – Mandatory Requirement Items of the RFQ and RFP Templates.
- The new template language now provides more flexibility to the respondent to provide “any information” that may assist the State in determining that the

Respondent possesses the financial ability to carry out the contract for the entire term." The State will now take a more holistic approach.

- As the mandatory section is a pass/fail that could result in the disqualification of a Respondent if they are unable to provide the documents – this change will provide more flexibility to determine that the State is protected while also encouraging competition by not unnecessarily disqualifying capable respondents.

Seeing no comments or questions, Mr. Lea made a motion to recommend Request for Qualifications (RFQ) and Request for Proposals (RFP) Templates - Section A., Mandatory Requirement Items as presented to the Procurement Commission for approval. Mr. Mumpower seconded the motion. All members voted in favor – none opposed.

IV. Other Business: Ms. Howell asked if there was any other business to be brought before the Council and saw none.

V. Adjournment: Seeing no other business, a motion for adjournment was made by Mr. Hayden and seconded by Mr. Mumpower. All members voted in favor – none opposed.

**IRAN DIVESTMENT ACT PROVISION IN
CONFIGURATOR, FA TEMPLATE, AND
PO TEMPLATE TERMS AND
CONDITIONS**

REQUEST: Add the following "Iran Divestment Act" as a contract term in the document configurator, a Mandatory contract term in the Fee for goods or services contract (FA) Template, and to the terms and conditions for POs issued under an agency's local purchase authority.

Contract Term:

D.#. Iran Divestment Act. The requirements of Tenn. Code Ann. § 12-12-101, et. seq., addressing contracting with persons with investment activities in Iran, shall be a material provision of this Contract. The Contractor agrees, under penalty of perjury, that to the best of its knowledge and belief that it is not on the list created pursuant to Tenn. Code Ann. § 12-12-106.

**IRAN DIVESTMENT ACT PROVISION –
NEW BID FACTOR IN EDISON AND
REQUEST FOR QUALIFICATIONS (RFQ)
AND REQUEST FOR PROPOSALS (RFP)
TEMPLATES - STATEMENT OF
CERTIFICATIONS AND ASSURANCES**

REDLINE VERSION

REQUEST: Add the following "Iran Divestment Act" as a new bid factor (IRAN_DIVEST_ACT) in Edison and revise the Statement of Certifications and Assurances, included in substantially similar formats in the RFP and RFQ Templates, to address the new requirements of Tenn. Code Ann. § 12-12-101 et. seq.

Bid Factor:

Iran Divestment Act. By submission of this bid, each bidder and each person signing on behalf of any respondent certifies, and in the case of a joint bid each party thereto certifies as to its own organization, under penalty of perjury, that to the best of its knowledge and belief that each bidder is not on the list created pursuant to Tenn. Code Ann. § 12-12-106.

RFP Template language:

RFP ATTACHMENT 6.1.

RFP # NUMBER STATEMENT OF CERTIFICATIONS AND ASSURANCES

The Respondent must sign and complete the Statement of Certifications and Assurances below as required, and it must be included in the Technical Response (as required by RFP Attachment 6.2., Technical Response & Evaluation Guide, Section A, Item A.1.).

The Respondent does, hereby, expressly affirm, declare, confirm, certify, and assure ALL of the following:

1. The Respondent will comply with all of the provisions and requirements of the RFP.
2. The Respondent will provide all services as defined in the Scope of Services of the RFP Attachment 6.6., *Pro Forma Contract* for the total contract period.
3. The Respondent, except as otherwise provided in this RFP, accepts and agrees to all terms and conditions set out in the RFP Attachment 6.6., *Pro Forma Contract*.
4. The Respondent acknowledges and agrees that a contract resulting from the RFP shall incorporate, by reference, all proposal responses as a part of the contract.
5. The Respondent will comply with:
 - (a) the laws of the State of Tennessee;
 - (b) Title VI of the federal Civil Rights Act of 1964;
 - (c) Title IX of the federal Education Amendments Act of 1972;
 - (d) the Equal Employment Opportunity Act and the regulations issued there under by the federal government; and,
 - (e) the Americans with Disabilities Act of 1990 and the regulations issued there under by the federal government.
6. To the knowledge of the undersigned, the information detailed within the response submitted to this RFP is accurate.
7. The response submitted to this RFP was independently prepared, without collusion, under penalty of perjury.
8. No amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Respondent in connection with this RFP or any resulting contract.
9. Both the Technical Response and the Cost Proposal submitted in response to this RFP shall remain valid for at least 120 days subsequent to the date of the Cost Proposal opening and thereafter in accordance with any contract pursuant to the RFP.
10. The Respondent affirms the following statement, as required by the Iran Divestment Act Tenn. Code Ann. § 12-12-111: "By submission of this bid, each bidder and each person signing on behalf of any bidder certifies, and in the case of a joint response each party thereto certifies as to its own organization, under penalty of perjury, that to the best of its knowledge and belief that each Respondent is not on the list created pursuant to § 12-12-106." For reference purposes, the list is currently available online at: <http://www.tn.gov/generalservices/article/Public-Information-library>.

9.

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By signing this Statement of Certifications and Assurances, below, the signatory also certifies legal authority to bind the proposing entity to the provisions of this RFP and any contract awarded pursuant to it. If the signatory is not the Respondent (if an individual) or the Respondent's company *President or Chief Executive Officer*, this document must attach evidence showing the individual's authority to bind the Respondent.

DO NOT SIGN THIS DOCUMENT IF YOU ARE NOT LEGALLY AUTHORIZED TO BIND THE RESPONDENT

SIGNATURE:

PRINTED NAME & TITLE:

DATE:

RESPONDENT LEGAL ENTITY
NAME:

STATEMENT OF CERTIFICATIONS AND ASSURANCES

An individual responding in his or her individual capacity or legally empowered to contractually bind the Respondent must complete and sign the Statement of Certifications and Assurances below as required, and this signed statement must be included with the response as required by the Request for Qualifications.

The Respondent does, hereby, expressly affirm, declare, confirm, certify, and assure ALL of the following:

- 1. The Respondent will comply with all of the provisions and requirements of the RFQ.
2. The Respondent will provide all specified goods or services as required by the contract awarded pursuant to this RFQ.
3. The Respondent accepts and agrees to all terms and conditions set out in the contract awarded pursuant to this RFQ.
4. The Respondent acknowledges and agrees that a contract resulting from the RFQ shall incorporate, by reference, all Response responses as a part of the contract.
5. The Respondent will comply, as applicable, with:
6. the laws of the State of Tennessee;
7. Title VI of the federal Civil Rights Act of 1964;
8. Title IX of the federal Education Amendments Act of 1972;
9. the Equal Employment Opportunity Act and the regulations issued there under by the federal government; and,
10. the Americans with Disabilities Act of 1990 and the regulations issued there under by the federal government.
11. To the best of the undersigned's knowledge, information or belief, the information detailed within the Response to the RFQ is accurate.
12. The Response submitted to the RFQ was independently prepared, without collusion, and under penalty of perjury.
13. No amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Respondent in connection with the request or any potential resulting contract.
14. The Response submitted in response to the RFQ shall remain valid for at least 120 days subsequent to the date of the Response opening and thereafter in accordance with any contract pursuant to the RFQ.

14.15. The Respondent affirms the following statement, as required by the Iran Divestment Act Tenn. Code Ann. § 12-12-111: "By submission of this bid, each bidder and each person signing on behalf of any bidder certifies, and in the case of a joint response each party thereto certifies as to its own organization, under penalty of perjury, that to the best of its knowledge and belief that each Respondent is not on the list created pursuant to § 12-12-106." For reference purposes, the list is currently available online at: http://www.tn.gov/generalservices/article/Public-Information-library.

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By signature below, the signatory certifies legal authority to bind the responding entity to the provisions of this request and any contract awarded pursuant to it. The State may, at its sole discretion and at any time, require evidence documenting the signatory's authority to be personally bound or to legally bind the responding entity.

DO NOT SIGN THIS DOCUMENT IF YOU ARE NOT LEGALLY AUTHORIZED TO DO SO BY THE ENTITY RESPONDING TO THIS RFQ.

SIGNATURE & DATE:

PRINTED NAME & TITLE:

LEGAL ENTITY NAME:

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**NEW BID FACTOR IN EDISON AND
REQUEST FOR QUALIFICATIONS (RFQ)
AND REQUEST FOR PROPOSALS (RFP)
TEMPLATES - STATEMENT OF
CERTIFICATIONS AND ASSURANCES**

CLEAN VERSION

REQUEST: Add the following “Iran Divestment Act” as a new bid factor (IRAN_DIVEST_ACT) in Edison and revise the Statement of Certifications and Assurances, included in substantially similar formats in the RFP and RFQ Templates, to address the new requirements of Tenn. Code Ann. § 12-12-101 et. seq.

Bid Factor:

Iran Divestment Act. By submission of this bid, each bidder and each person signing on behalf of any respondent certifies, and in the case of a joint bid each party thereto certifies as to its own organization, under penalty of perjury, that to the best of its knowledge and belief that each bidder is not on the list created pursuant to Tenn. Code Ann. § 12-12-106.

RFP Template language:

RFP ATTACHMENT 6.1.

RFP # NUMBER STATEMENT OF CERTIFICATIONS AND ASSURANCES

The Respondent must sign and complete the Statement of Certifications and Assurances below as required, and it must be included in the Technical Response (as required by RFP Attachment 6.2., Technical Response & Evaluation Guide, Section A, Item A.1.).

The Respondent does, hereby, expressly affirm, declare, confirm, certify, and assure ALL of the following:

1. The Respondent will comply with all of the provisions and requirements of the RFP.
2. The Respondent will provide all services as defined in the Scope of Services of the RFP Attachment 6.6., *Pro Forma Contract* for the total contract period.
3. The Respondent, except as otherwise provided in this RFP, accepts and agrees to all terms and conditions set out in the RFP Attachment 6.6., *Pro Forma Contract*.
4. The Respondent acknowledges and agrees that a contract resulting from the RFP shall incorporate, by reference, all proposal responses as a part of the contract.
5. The Respondent will comply with:
 - (a) the laws of the State of Tennessee;
 - (b) Title VI of the federal Civil Rights Act of 1964;
 - (c) Title IX of the federal Education Amendments Act of 1972;
 - (d) the Equal Employment Opportunity Act and the regulations issued there under by the federal government; and,
 - (e) the Americans with Disabilities Act of 1990 and the regulations issued there under by the federal government.
6. To the knowledge of the undersigned, the information detailed within the response submitted to this RFP is accurate.
7. The response submitted to this RFP was independently prepared, without collusion, under penalty of perjury.
8. No amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Respondent in connection with this RFP or any resulting contract.
9. Both the Technical Response and the Cost Proposal submitted in response to this RFP shall remain valid for at least 120 days subsequent to the date of the Cost Proposal opening and thereafter in accordance with any contract pursuant to the RFP.
10. The Respondent affirms the following statement, as required by the Iran Divestment Act Tenn. Code Ann. § 12-12-111.: "By submission of this bid, each bidder and each person signing on behalf of any bidder certifies, and in the case of a joint response each party thereto certifies as to its own organization, under penalty of perjury, that to the best of its knowledge and belief that each Respondent is not on the list created pursuant to § 12-12-106." For reference purposes, the list is currently available online at:
<http://www.tn.gov/generalservices/article/Public-Information-library>.

By signing this Statement of Certifications and Assurances, below, the signatory also certifies legal authority to bind the proposing entity to the provisions of this RFP and any contract awarded pursuant to it. If the signatory is not the Respondent (if an individual) or the Respondent's company *President* or *Chief Executive Officer*, this document must attach evidence showing the individual's authority to bind the Respondent.

DO NOT SIGN THIS DOCUMENT IF YOU ARE NOT LEGALLY AUTHORIZED TO BIND THE RESPONDENT

SIGNATURE:

PRINTED NAME & TITLE:

DATE:

**RESPONDENT LEGAL ENTITY
NAME:**

STATEMENT OF CERTIFICATIONS AND ASSURANCES

An individual responding in his or her individual capacity or legally empowered to contractually bind the Respondent must complete and sign the Statement of Certifications and Assurances below as required, and this signed statement must be included with the response as required by the Request for Qualifications.

The Respondent does, hereby, expressly affirm, declare, confirm, certify, and assure ALL of the following:

1. The Respondent will comply with all of the provisions and requirements of the RFQ.
2. The Respondent will provide all specified goods or services as required by the contract awarded pursuant to this RFQ.
3. The Respondent accepts and agrees to all terms and conditions set out in the contract awarded pursuant to this RFQ.
4. The Respondent acknowledges and agrees that a contract resulting from the RFQ shall incorporate, by reference, all Response responses as a part of the contract.
5. The Respondent will comply, as applicable, with:
6. the laws of the State of Tennessee;
7. Title VI of the federal Civil Rights Act of 1964;
8. Title IX of the federal Education Amendments Act of 1972;
9. the Equal Employment Opportunity Act and the regulations issued there under by the federal government; and,
10. the Americans with Disabilities Act of 1990 and the regulations issued there under by the federal government.
11. To the best of the undersigned's knowledge, information or belief, the information detailed within the Response to the RFQ is accurate.
12. The Response submitted to the RFQ was independently prepared, without collusion, and under penalty of perjury.
13. No amount shall be paid directly or indirectly to an employee or official of the State of Tennessee as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Respondent in connection with the request or any potential resulting contract.
14. The Response submitted in response to the RFQ shall remain valid for at least 120 days subsequent to the date of the Response opening and thereafter in accordance with any contract pursuant to the RFQ.
15. The Respondent affirms the following statement, as required by the Iran Divestment Act Tenn. Code Ann. § 12-12-111.: "By submission of this bid, each bidder and each person signing on behalf of any bidder certifies, and in the case of a joint response each party thereto certifies as to its own organization, under penalty of perjury, that to the best of its knowledge and belief that each Respondent is not on the list created pursuant to § 12-12-106." For reference purposes, the list is currently available online at: <http://www.tn.gov/generalservices/article/Public-Information-library>.

By signature below, the signatory certifies legal authority to bind the responding entity to the provisions of this request and any contract awarded pursuant to it. The State may, at its sole discretion and at any time, require evidence documenting the signatory's authority to be personally bound or to legally bind the responding entity.

DO NOT SIGN THIS DOCUMENT IF YOU ARE NOT LEGALLY AUTHORIZED TO DO SO BY THE ENTITY RESPONDING TO THIS RFQ.

SIGNATURE & DATE:

PRINTED NAME & TITLE:

LEGAL ENTITY NAME:

**IRAN DIVESTMENT ACT
CERTIFICATION**

NEW



**STATE OF TENNESSEE
IRAN DIVESTMENT ACT CERTIFICATION**

SUBJECT CONTRACT NUMBER(S):	
CONTRACTOR LEGAL ENTITY NAME:	
EDISON SUPPLIER IDENTIFICATION NUMBER:	

The Iran Divestment Act, Tenn. Code Ann. § 12-12-101 et. seq. requires a person that attempts to contract with the state, including a contract renewal or assumption, to certify at the time the bid is submitted or the contract is entered into, renewed, or assigned, that the person or the assignee is not identified on a list created pursuant to § 12-12-106.

Currently, the list is available online at the following website: <http://www.tn.gov/generalservices/article/Public-Information-library>.

The Contractor, identified above, certifies by signature below that it is not included on the list of persons created pursuant to Tenn. Code Ann. § 12-12-106 of the Iran Divestment Act.

CONTRACTOR SIGNATURE

NOTICE: This certification MUST be signed by an individual with legal capacity to contractually bind the Contractor.

PRINTED NAME AND TITLE OF SIGNATORY

DATE

CLICK-WRAP AGREEMENT APPROVAL REQUEST

REDLINE VERSION

Click-wrap Agreement Approval Request

Procurement professionals should use this document to seek approval to enter into a click-wrap agreement associated with a proposed one-time purchase made under an Agency’s local purchase authority. This document cannot be used to modify an existing contract, even a contract executed under an Agency’s local purchase authority. See sections 4.1. and 5.15.3.3. of the *Procurement Procedures Manual of the Central Procurement Office* for more information about click-wrap agreements.

Attach a copy of the proposed click-wrap agreement to this document and send the completed request in PDF format to: Agsprs.agsprs@tn.gov

APPROVED	APPROVED
CENTRAL PROCUREMENT OFFICE	STRATEGIC TECHNOLOGY SOLUTIONS
DATE	DATE

Agency request tracking #	
1. Requisition ID #	
2. Procuring Agency	
3. Agency Contact (Include name and email address)	
3.4. Vendor ID #	
4.5. Contractor	
6. Contractor Contact (Include name and email address to where proposed changes can be sent.)	
5.7. Click-wrap agreement’s proposed Effective Date (This is the anticipated date for entering into the click-wrap agreement.)	
6.8. Click-wrap agreement’s proposed End Date	
7.9. Description of goods or services	

CLICK-WRAP AGREEMENT APPROVAL REQUEST

CLEAN VERSION

Click-wrap Agreement Approval Request

Procurement professionals should use this document to seek approval to enter into a click-wrap agreement associated with a proposed one-time purchase made under an Agency’s local purchase authority. This document cannot be used to modify an existing contract, even a contract executed under an Agency’s local purchase authority. See sections 4.1. and 5.15.3.3. of the *Procurement Procedures Manual of the Central Procurement Office* for more information about click-wrap agreements.

Attach a copy of the proposed click-wrap agreement to this document and send the completed request in PDF format to: Agsprs.agsprs@tn.gov

APPROVED	APPROVED
CENTRAL PROCUREMENT OFFICE	STRATEGIC TECHNOLOGY SOLUTIONS
DATE	DATE

Agency request tracking #	
1. Requisition ID #	
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5. Contractor	
6. Contractor Contact (Include name and email address to where proposed changes can be sent.)	
7. Click-wrap agreement’s proposed Effective Date (This is the anticipated date for entering into the click-wrap agreement.)	
8. Click-wrap agreement’s proposed End Date	
9. Description of goods or services	

PROCUREMENT PROCEDURES
MANUAL OF THE CENTRAL
PROCUREMENT OFFICE
SECTION 4.3, IDENTIFICATION CODES

REDLINE VERSION

REQUEST: Revise section 4.3. of the *Procurement Procedures Manual of the Central Procurement Office* as follows:

4.3. *Identification Codes.*

The ~~National Institute of Government Purchasing (NIGP)~~ United Nations Standard Products and Services Code (UNSPSC) ~~codes are~~ is the standard item codes utilized in Edison. ~~NIGP UNSPSC codes are~~ is viewable in Edison and on the Central Procurement Office website. Any item that is on a contract or is an asset must have an Edison Item ID. If an item does not have an Edison Item ID, it can be requested from the Central Procurement Office Content Group.

PROCUREMENT PROCEDURES
MANUAL OF THE CENTRAL
PROCUREMENT OFFICE
SECTION 4.3, IDENTIFICATION CODES

CLEAN VERSION

REQUEST: Revise section 4.3. of the *Procurement Procedures Manual of the Central Procurement Office* as follows:

4.3. *Identification Codes.*

The United Nations Standard Products and Services Code (UNSPSC) is the standard item code utilized in Edison. UNSPSC is viewable in Edison and on the Central Procurement Office website. Any item that is on a contract or is an asset must have an Edison Item ID. If an item does not have an Edison Item ID, it can be requested from the Central Procurement Office Content Group.

***PROCUREMENT PROCEDURES
MANUAL OF THE CENTRAL
PROCUREMENT OFFICE***
**SECTION 5.13.2, TIED RESPONSES –
RESOLUTION**

REDLINE VERSION

REQUEST: Revise section 5.13.2. of the *Procurement Procedures Manual of the Central Procurement Office* as follows:

5.13.2. Tied Responses – Resolution.

A tie exists when two or more respondents offer goods or services that meet all specifications, terms and conditions at identical prices including cash discount offered for prompt payment. A tie will be broken by considering the following factors, in descending order:

- First preference shall be given to a “Tennessee BidderRespondent.” Pursuant to Tenn. Code Ann. § 12-~~34-1~~11321(c)(2), a “Tennessee BidderRespondent” means a business that is:
 - Incorporated in this State;
 - Has its principal place of business in this State; or
 - Has an established physical presence in this State.
- Second preference shall be given to certified DBE respondents.
- Third preference shall be given to the respondent who was the low cost bidder respondent on other items being bid for the same requisition.
- Fourth preference shall be given to the respondent who offers the best delivery.
- Fifth preference shall be given to further negotiations to break the tie.
- If a tie remains, it shall be broken by lot or coin toss.

***PROCUREMENT PROCEDURES
MANUAL OF THE CENTRAL
PROCUREMENT OFFICE***
**SECTION 5.13.2, TIED RESPONSES –
RESOLUTION**

CLEAN VERSION

REQUEST: Revise section 5.13.2. of the *Procurement Procedures Manual of the Central Procurement Office* as follows:

5.13.2. Tied Responses – Resolution.

A tie exists when two or more respondents offer goods or services that meet all specifications, terms and conditions at identical prices including cash discount offered for prompt payment. A tie will be broken by considering the following factors, in descending order:

- First preference shall be given to a “Tennessee Respondent.” Pursuant to Tenn. Code Ann. § 12-3-1113(c)(2), a “Tennessee Respondent” means a business that is:
 - Incorporated in this State;
 - Has its principal place of business in this State; or
 - Has an established physical presence in this State.
- Second preference shall be given to certified DBE respondents.
- Third preference shall be given to the respondent who was the low cost respondent on other items being bid for the same requisition.
- Fourth preference shall be given to the respondent who offers the best delivery.
- Fifth preference shall be given to further negotiations to break the tie.
- If a tie remains, it shall be broken by lot or coin toss.

**CENTRAL PROCUREMENT OFFICE
POLICY NUMBER 2013-002,
*PROCUREMENT METHODS POLICY
AND PROCEDURES*, SECTION 17 – TIE
RESPONSES**

REDLINE VERSION

REQUEST: Revise section 17., "Tie Responses" of Policy Number 2013-002 *Central Procurement Office Procurement Methods Policy and Procedures*

17. Tie Responses.

A tie will exist where two or more respondents offer goods or services that meet all specifications and terms and conditions at identical prices, including cash discount offered for prompt payment. A tie will be broken by considering the following factors, in descending order:

- First preference shall be given to a "Tennessee Respondent." Pursuant to Tenn. Code Ann. § ~~12-3-1113(c)(2)~~ ~~12-4-121(e)(2)~~, a "Tennessee Respondent" means a business that is:
 - o Incorporated in this State;
 - o Has its principal place of business in this State; or
 - o Has an established physical presence in this State.
- Second preference shall be given to certified disadvantaged business enterprise ("DBE") respondents.
- Third preference shall be given to the respondent who was the low cost respondent on other items being procured for the same solicitation.
- Fourth preference shall be given to the respondent who offers the best delivery.
- Fifth preference shall be given to further negotiations to break the tie.
- If a tie remains, it shall be broken by lot or coin toss.

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**CENTRAL PROCUREMENT OFFICE
POLICY NUMBER 2013-002,
*PROCUREMENT METHODS POLICY
AND PROCEDURES*, SECTION 17 – TIE
RESPONSES**

CLEAN VERSION

REQUEST: Revise section 17., “Tie Responses” of Policy Number 2013-002 *Central Procurement Office Procurement Methods Policy and Procedures*

17. Tie Responses.

A tie will exist where two or more respondents offer goods or services that meet all specifications and terms and conditions at identical prices, including cash discount offered for prompt payment. A tie will be broken by considering the following factors, in descending order:

- First preference shall be given to a “Tennessee Respondent.” Pursuant to Tenn. Code Ann. § 12-3-1113(c)(2) , a “Tennessee Respondent” means a business that is:
 - o Incorporated in this State;
 - o Has its principal place of business in this State; or
 - o Has an established physical presence in this State.
- Second preference shall be given to certified disadvantaged business enterprise (“DBE”) respondents.
- Third preference shall be given to the respondent who was the low cost respondent on other items being procured for the same solicitation.
- Fourth preference shall be given to the respondent who offers the best delivery.
- Fifth preference shall be given to further negotiations to break the tie.
- If a tie remains, it shall be broken by lot or coin toss.

**CENTRAL PROCUREMENT OFFICE
POLICY NUMBER 2015-010,
*STATEWIDE PURCHASING CARD
POLICY AND PROCEDURES***

REDLINE VERSION

Policy Number 2015-010
Central Procurement Office
Statewide Purchasing Card Policy and Procedures

Revised: ~~March-August 1824~~, 2016

Prepared by: The Central Procurement Office of the State of Tennessee

1. PROGRAM OVERVIEW.

The State of Tennessee Purchasing Card Program streamlines the State's payment process for goods and services by eliminating the administrative burdens and costs associated with the State's traditional payment methods. The Program's objective is to simplify the documentation necessary for State Agency purchases by placing P-Cards in the hands of Cardholders. Cardholders may use the P-Card to purchase the types of goods and services subject to this Policy. Personal purchases are prohibited and all rules, policies, and procedures of the Central Procurement Office applicable to the procurement of goods and services must be followed unless exempt.

2. DEFINITIONS.

"Agency Term Contract" means a State Agency contract in which a source or sources of supply are established for a specified period of time at an agreed upon unit price or prices.

"Bank" means ~~Citibank, NA, or any of its subsidiaries~~ the entity issuing the State's P-Card or any of its -subsidiaries as the context may require.

"Cardholder" means the State Agency employee who is issued a physical P-Card to initiate payments on behalf of the State.

"Cardholder Agreement" means the document signed by the Cardholder to verify that he or she completed P-Card training, received a copy of the P-Card Policy, and understands the Policy.

"Cardholder Application" means the application completed by the Cardholder that is approved by the Cardholder Supervisor and the *State Agency P-Card Program Coordinator* that is required before a P-Card Account will be assigned to a Cardholder.

"Cardholder Supervisor" means the State Agency employee with supervisory authority over the Cardholder.

~~"CitiManager@" means the online portal that provides Cardholders, State Agency P-Card Program Coordinators, and the Statewide P-Card Program Administration Team the ability to view and download statement information, update and manage accounts, set limits and permissions, reset passwords, and process Cardholder requests.~~

"Central Fiscal Office P-Card" means the P-Card assigned to a Cardholder with a Single Transaction Limit of up to fifty thousand dollars (\$50,000).

“Central Procurement Office” or “CPO” means the State office established and empowered by Tenn. Code Ann. § 4-56-104.

“Cycle (Credit) Limit” means the spending limit that restricts the total value of purchases a Cardholder can make in one billing cycle.

“Fiscal Director” means that State Agency employee, regardless of his or her particular title, who serves as the Agency’s chief financial officer.

“Merchant Category Codes” or “MCCs” means the specific Merchant Category Code, assigned by an acquiring financial institution, that identifies the primary goods or services a ~~vendorsupplier~~ provides.

“Online Banking Program” means the Bank’s online portal that provides Cardholders, State Agency P-Card Program Coordinators, and the Statewide P-Card Program Administration Team the ability to view and download statement information, update and manage accounts, set limits and permissions, reset passwords, and process Cardholder requests.

“P-Card Account” means the unique account number assigned to a Cardholder as determined by the Bank.

“P-Card Program” means the program established by the State and managed by the Central Procurement Office whereby Cardholders and Virtual P-Card Users make purchases on behalf of the State of Tennessee.

“Purchasing Card” or “P-Card” means a commercial card that allows organizations to take advantage of the existing credit card infrastructure to make electronic payments for goods or services. A P-Card is similar to a consumer credit card, but the card-using organization must pay the card issuer in full each month. In this Policy, the term “Purchasing Card” or “P-Card” shall also include “Virtual Purchasing Cards” or “Virtual P-Cards” as the context requires.

“Purchasing Card Profile” means the unique profile associated with a Cardholder that contains monetary or MCC limits on the Cardholder’s ability to make purchases on behalf of the State.

“Single Transaction Limit” or “STL” means the mandatory-maximum dollarspending limit, per that restricts the amount of a single purchase transaction, that can be assigned to the physical P-Card regardless of the Cycle Limit on the card. The STL is assigned per Cardholder at the discretion of the Fiscal Director. This Policy establishes the STL for the designated State Agency Central Fiscal Office P-Card as up to fifty thousand dollars (\$50,000) and for all other physical P-Cards as up to ten thousand dollars (\$10,000) without Statewide P-Card Program Administrator approval.

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“State” means the State of Tennessee, including its departments, agencies, and entities that fall under its purview.

“State Agency” means the departments, agencies, and entities of the State of Tennessee other than units of the University of Tennessee or Board of Regents systems.

“State Agency P-Card Program Coordinator” means the employee within the State Agency who manages the P-Card Program at the State Agency level.

“State Agency Approver” means the State Agency Employee who approves P-Card or Virtual P-Card Transactions.

“Statewide Contract” means a contract for goods or services established by the Chief Procurement Officer that all State Agencies must utilize and that may be used by local governments, higher education and authorized not-for-profit entities.

“Statewide P-Card Program Administrator” means the employee within the Central Procurement Office who is responsible for managing and overseeing the P-Card Program.

“Statewide P-Card Program Administration Team” means the team within the Central Procurement Office that is responsible for overseeing the P-Card Program.

“State Agency Reconciler” means the State Agency employee responsible for all the functions associated with post-purchase processing P-Card Transactions including account allocation and providing a business purpose when required.

~~“Vendor”~~ Supplier” means a person or legal entity with the legal capacity to enter into contracts and sue and be sued who provides goods or services to the State through a contract or a purchase order.

“Transaction” means the purchase of goods or services through use of a P-Card or Virtual P-Card.

~~“Vendor” means a person or legal entity with the legal capacity to enter into contracts and sue and be sued who provides goods or services to the State through a contract or a purchase order.~~

“Virtual Purchasing Card” or “Virtual P-Card” means the unique credit card account number, embedded within Edison, which is assigned to a State Agency for payment of vendorsuppliers authorized to accept P-Card as the form of payment for approved Edison purchase orderswith an existing relationship with the State.

“Virtual P-Card User” or “User” means the State Agency employee who has a buyer or e-procurement role in Edison, has undergone training on reconciliation, and is authorized to use a Virtual P-Card to initiate payment transactions on behalf of the State.

3. TYPES OF ACCOUNTS.

This Policy recognizes two general account types: P-Card Accounts and Virtual P-Card accounts. P-Card Accounts and Virtual P-Card accounts can be used only for official State business as set forth in this Policy. P-Cards must be surrendered or Virtual P-Card account's

~~access closed-cancelled~~ upon the Cardholder's transfer to another State Agency, separation from state employment, or upon demand by the Cardholder Supervisor, the State Agency P-Card Program Coordinator or the Statewide P-Card Program Administrator.

3.1. P-Card Accounts.

P-Card accounts are those that involve the issuance of a P-Card Account to an individual Cardholder to further the official business of the State. Cardholders are limited to one active physical P-Card.

3.2. Virtual P-Cards.

Virtual P-Cards are cardless accounts that allow State Agencies to pay for approved, Edison purchase order transactions initiated by Virtual P-Card Users. The account number is "embedded" in the Edison P-Card module and is securely transmitted to the ~~vendor~~Supplier upon Edison-based approval of a User's purchase order transactions. A Virtual P-Card may be used for payments to any ~~vendor~~Supplier that is registered in the State's ~~vendor~~supplier registration system whose payment method has been activated to "P-Card" in Edison. Virtual P-Card accounts allow for greater ease of use (multiple buyers can leverage the same payment device), as well as enhanced control through absence of a physical card and spending limits. The State Agency P-Card Coordinator should contact the Statewide P-Card Program Administrator for more information on Virtual P-Cards.

The ten thousand dollar (\$10,000) STL that applies to all physical P-Cards does not apply to Virtual P-Cards or Central Fiscal Office P-Cards; the STL for a Central Fiscal Office P-Card is fifty thousand dollars (\$50,000) and there is no STL for purchases made with a Virtual P-Card. The Bank determines the Cycle Limit for Virtual P-Cards. Each State Agency is limited to one (1) Virtual P-Card Account.

3.2.1. Records Retention Requirements.

The Office of the Secretary of State oversees Tennessee's Records Management Division, the State Agency that provides guidance on disposition, retention, and destruction of state records. Records Disposition Authority (RDA) SW23 applies to all P-Card documents. RDA SW23 requires that State Agencies maintain documents related to P-Card issuance and use for five (5) years and destroy them at the end of the five-year period. P-Card documents may be maintained in either paper or electronic format, so long as the electronic content has been verified for completeness, accuracy, and usability. RDA SW23 is available in its entirety at <http://www.tnsos.net/rmd/rda/index.php>.

3.2.2. Internal Revenue Service 1099 Reporting.

In 2011, the Internal Revenue Service announced changes to the Internal Revenue Code, Section 6050W, which shifted the burden of payment reporting requirements from the purchaser to the ~~vendor~~Supplier's bank when the P-Card is the payment method for a reportable transaction. Because of the shift in responsibility, participants in the ~~P-Card~~ Program are no longer required to report total P-Card transactions in excess of six hundred dollars (\$600) with certain

~~vendor~~Suppliers. Reporting for all other payment methods, including checks, Automated Clearing House, or other means, will remain the responsibility of the State Agency making payment. Cardholders should consult the tax specialists at their State Agency for further information or details regarding Internal Revenue Service 1099 reporting requirements.

4. OVERVIEW OF P-CARD PROGRAM ROLES AND RESPONSIBILITIES.

The CPO is the State Agency that is primarily responsible for managing, overseeing, and coordinating the P-Card Program. The Statewide P-Card Program Administrator is the employee within the CPO who has the direct, day-to-day responsibility for managing, overseeing, and coordinating the P-Card Program between the CPO and State Agencies. The State Agency P-Card Coordinator is the employee within each State Agency who has been appointed to supervise Cardholders and manage and coordinate the P-Card Program within his or her State Agency in compliance with this Policy. The Cardholder Supervisor is the State Agency employee with supervisory authority over the Cardholder who ensures that transactions are properly reconciled and reported to the Department of Finance and Administration ("F&A"), Division of Accounts. State Agency Reconcilers are the employees within a State Agency who are responsible for reconciling P-Card transactions. The State Agency Approver is the employee within the State Agency who approves P-Card Transactions. The Cardholder is the specially-trained employee within a State Agency responsible for purchasing goods or services on behalf of the State of Tennessee using a physical P-Card. In the interests of segregating duties and responsibilities, State Agency Reconcilers shall not be Cardholders.

5. P-CARD PROGRAM ROLES AND RESPONSIBILITIES.

5.1. P-Card Processing Cycle Overview.

The typical cycle for P-Card usage is:

- An individual Cardholder, with State Agency approved spending limits, initiates a purchase using a P-Card;
- The individual Cardholder retains an original, legible copy of the purchase's receipt for use in reconciliation (see Section 10.2 for more information on receipts);
- Transactions are typically posted in the Edison P-Card module within 24-72 hours after the purchase is made;
- The Cardholder will log into the Edison P-Card module on a weekly basis to review transactions and account coding and take necessary action to correct errors in the purchase details;
- The Cardholder ~~and~~ or his or her State Agency Approver confirms or disputes Transactions posted to the card account;
- The credit line is replenished for the amount of the Transactions;
- The Cardholder will receive a ~~hard-copy~~ Bank statement, as described in their State Agency's internal Procedures, monthly;
- The ~~hard-copy~~ Bank statement and ~~original~~ receipts will be sent to the State Agency Reconciler for final reconciliation;

- The State Agency Reconciler will reconcile all Transactions in accordance with the State Agency P-Card Policy; and
- The State Agency Reconciler prepares all documentation for retention.

5.2. Statewide P-Card Program Administrator.

The Statewide P-Card Program Administrator serves as the primary point-of-contact in the CPO for the P-Card Program. The Statewide P-Card Program Administrator's role, duties and responsibilities include:

- Establishing written internal procedures to ensure compliance with state procurement statutes, rules, policies and procedures, including this Policy, and reviewing each State Agency's internal P-Card ~~policy~~Procedures;
- Developing written internal procedures for requesting exceptions to either state or internal policy requirements;
- Ensuring that State Agency Transactions are ~~audited~~reviewed at least annually;
- Developing State Agency specific training for all Cardholders, State Agency Approvers, State Agency Reconcilers, and State Agency Supervisors;
- Developing appropriate refresher training to be delivered at least annually; and
- Notifying State Agency P-Card Program Coordinators of changes in state rules, policies or procedures.

5.3. State Agency P-Card Program Coordinator.

The State Agency P-Card Program Coordinator serves as the main point-of-contact between the State Agency and the Statewide P-Card Program Administration Team.

The State Agency must provide the Statewide P-Card Program Administrator written notice within one (1) business day of any changes in status of the State Agency P-Card Program Coordinator.

The State Agency P-Card Program Coordinator's role, duties, and responsibilities include:

- Collaborating with the Agency's Fiscal Director to develop and maintain the State Agency's internal P-Card ~~policy~~Procedures to address policy areas unique to the State Agency or that are not covered by this Policy;
- Working with State Agency management to identify job titles, positions, or Edison roles that require use of a P-Card or Virtual P-Card;
- Working with State Agency management to determine appropriate Cardholder spending limits based on budget restrictions, job requirements, historical spending patterns, and overall procurement practices;
- Evaluating Cardholder spending limits against actual usage at least annually;
- Terminating a Cardholder's status if necessary (e.g., due to separation from employment, transfer to another State Agency, low P-Card usage) and cancelling a P-Card;

- Ensuring Agency-wide reconciliation procedures provide for timely payment and for allocation of Transactions to the general ledger chart of accounts at least monthly; and
- Ensuring that Transactions are reconciled and supported by adequate documentation, including use of Edison or CitiManager®, the Online Banking Program, as appropriate.

5.4. Cardholder Supervisors.

The Cardholder Supervisor responsible for supervising Cardholders must have a thorough knowledge of the Cardholders' job responsibilities in order to determine if purchases are job-related or otherwise authorized by CPO rules, policies or procedures. The Cardholder Supervisor's role, duties, and responsibilities include:

- Before approving the P-Card transactions, either by signing a transaction log or statement or signing off on transactions electronically, carefully reviewing all documentation to ensure that all documentation meets the minimum requirements as set forth in this Policy;
- Approving or; rejecting; or disputing all Transactions within the scheduled timeframe;
- Ensuring that all documentation is submitted according to the State Agency's internal procedures and this Policy;
- Maintaining knowledge of State Agency internal procedures and policies and this Policy; and
- Requesting reasonable spending limits in accordance with State Agency internal procedures and policies and this Policy.

5.5. State Agency Reconciler.

The State Agency Reconciler is the State Agency employee responsible for all the functions associated with post-purchase processing of P-Card Transactions including account allocation and providing a business purpose when required. A Reconciler CANNOT make purchases using the P-Card belonging to a Cardholder for whom he or she reconciles.

5.6. State Agency Approver.

The State Agency Approver is the State Agency employee who approves purchases made by the Cardholder to which he or she is assigned. This role may also be performed by the Cardholder Supervisor. By approving each P-Card transaction, the Approver exercises critical control by ensuring authorized and appropriate P-Card use and correct allocation of expenses in accordance with related policies of F&A, Division of Accounts. State Agency Approvers should also review receipts where appropriate to ensure compliance with this Policy and F&A, Division of Accounts policies. No Cardholder may approve his or her own P-Card transactions nor may he or she direct someone else to approve P-Card transactions in a manner that could violate this Policy or applicable policies of F&A, Division of Accounts. As a general rule, the State Agency Approver should not report to the Cardholder whose transactions he or she is reviewing. A State Agency Approver has the following responsibilities:

- Review Cardholder transactions to ensure that purchases made were:

- For the use and benefit of the State of Tennessee;
- Necessary for the official duties of the agency;
- Made in accordance with CPO policies and procedures;
- For goods or services actually received.
- If a State Agency Approver is in doubt about any of the above, the State Agency Approver should immediately question the Cardholder and seek advice from the State Agency P-Card Program Coordinator or the Statewide P-Card Program Administrator.
- Immediately inform the State Agency P-Card Program Coordinator of any misuse, abuse or fraudulent use of a P-Card.
- If the Cardholder is unavailable for questioning, the State Agency P-Card Program Coordinator or the Statewide P-Card Program Administration Team may adjust the Cardholder's STL to one dollar (\$1.00). The State Agency Approver shall notify the State Agency P-Card Program Coordinator of Cardholder transfers or terminations. Advanced notice is required if the State Agency Approver is aware of impending personnel actions.
- Review, certify, and forward Cardholder transaction log pages, receipts or cycle statements in accordance with this Policy.

5.7. Cardholders.

An important participant in the P-Card Program is the Cardholder. The Cardholder is a key element in making the P-Card Program successful.

5.7.1. Cardholder Responsibilities.

The State is responsible for payment to ~~Citibank~~ **the Bank**. Therefore, P-Cards are issued to the State and assigned on its behalf to specific Cardholders. No credit checks will be performed on individual employees nor will account activity be reported to credit rating agencies. Cardholders have the following duties and responsibilities as a condition for being issued a P-Card:

- Reading and becoming familiar with this Policy;
- Attending and passing Cardholder / Approver training course;
- Signing Cardholder / Approver agreement;
- Being responsible for all purchases made on the P-Card; and
- Adhering to this Policy and other applicable rules, policies, and procedures.

5.7.2 Cardholder Misuse.

Each Cardholder is responsible for the purchases made on the P-Card that is assigned to them. Cardholders are required to adhere to applicable CPO rules, policies, procedures, and this Policy.

Use of a P-Card is a privilege based on trust. A Cardholder is trained and understands the penalties for abuse of the P-Card. The P-Card is for official State business use only and the purchase of personal or disallowable goods or services is strictly prohibited. Misuse of the P-Card may result in disciplinary action up to and including termination of employment and prosecution to the extent permitted

by law. Cardholders will be required to reimburse the State, including sales tax, for any improper purchases.

5.8. Virtual P-Card Users.

Virtual P-Card Users are critical to the P-Card Program's success. A User has authority to make purchases utilizing his or her Agency's local purchase authority and to make purchases from a Statewide Contract or Agency Term Contract for official State business. State Agency employees with an e-procurement or buyer role in Edison are eligible to be Users. Users must complete training on reconciliation procedures before initiating any Transactions with a Virtual P-Card.

6. P-CARD SECURITY.

The security of each P-Card is the Cardholder's responsibility. Every precaution should be used to protect the account number. The account number should never be left in a conspicuous place.

Use of the P-Card is restricted to the authorized Cardholder whose name appears on the face of the card and may not be loaned to any other person. The account number that appears on the P-Card must not be given to any individual other than the ~~vendor~~Supplier from whom the Cardholder is making a purchase.

6.1. Lost or Stolen Cards.

If a P-Card is lost, stolen, or the card information has been compromised, the Cardholder must immediately contact ~~the Bank's customer service~~ ~~Citibank Customer Service at 1-800-248-4553~~. Upon such notification, outstanding authorizations will be confirmed and further use of the P-Card will be blocked by Citibank. Neither the State nor the Cardholder will be responsible for fraudulent charges made to a promptly reported lost or stolen card.

At the time of the notification, ~~Citibank~~ ~~the Bank may~~will request the following information:

- Cardholder's name
- Account number
- Last four digits of SSN
- Circumstances surrounding the loss of the card
- Any purchase(s) made prior to the card being lost or stolen

The Cardholder must notify his or her State Agency P-Card Program Coordinator of the P-Card's loss or theft and make arrangements to receive a new P-Card. ~~Citibank~~ ~~The Bank~~ will then issue a new card with a new account number which will be delivered to the State Agency P-Card Program Coordinator.

6.2. Separation from Employment.

If a Cardholder's separation from employment or transfer to another State position is planned, P-Card use shall be discontinued prior to Cardholder's separation from employment or transfer to allow sufficient time for submission of receipts and processing of outstanding charges before the Cardholder leaves or transfers. In the event of

unplanned separation from employment, the Cardholder's P-Card shall immediately be deactivated and the Cardholder shall discontinue P-Card use upon separation from employment.

6.3. Purchasing Rules.

The P-Card is only a vehicle for making purchases. Existing State laws governing procurement, accounts payable, records retention, and other applicable laws must still be followed. All procurement rules of the CPO apply when using the P-Card.

6.4. Tax Exemption.

Purchases made in Tennessee and for the use and benefit of the State of Tennessee are exempt from Tennessee sales tax. Cardholders should obtain an exemption certificate and present it to each vendor/supplier. This form is available on the Department of Revenue web site at <http://www.tn.gov/revenue/forms/sales/index.shtml> in the "Exemption Applications/Certificates" section. Purchases made in other states may be subject to that state's sales tax. The Cardholder must be diligent when dealing with the vendor/supplier regarding taxes. If the vendor/supplier cannot deduct the sales tax because of pre-set controls within its computer systems or will not honor the exemption, the Cardholder may continue with the purchase but must note the refusal on the receipt. In the event a Cardholder is inappropriately charged for sales tax, he or she shall seek a credit refund of any sales taxes to the P-Card account.

6.5. Credits.

If a Cardholder returns merchandise, a credit should be issued to the Cardholder's P-Card and a credit receipt obtained. Under no circumstances should a Cardholder receive cash or a credit voucher. The Cardholder or State Agency Approver is responsible for reviewing CitiManager@the Online Banking Program to ensure that credits are received and, if not, file the appropriate paperwork for disputed items. Cardholders should avoid Vendor/Suppliers with restrictive merchandise return policies.

6.6. Disputing Transactions.

If there is a problem with a Transaction, the Cardholder must first attempt to reach a resolution directly with the Vendor/Supplier. In most cases, disputes can be resolved between the Cardholder and the Vendor/Supplier. The Vendor/Supplier will usually issue a credit.

The Cardholder should document all attempts to resolve a problematic Transaction. If the disputed Transaction involves a reservation or order that has been cancelled, the Cardholder is responsible for obtaining a cancellation number. If efforts to resolve the problem with the Vendor/Supplier are unsuccessful or if a credit does not appear in CitiManager@the Online Banking Program the Cardholder should file the appropriate dispute paperwork with the Bank and contact his or her State Agency P-Card Program Coordinator.

If a Citibank Bank Statement contains a Transaction that needs to be disputed, the Cardholder should contact Citibank the Bank's Customer Service at 1-800-248-4553,

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~~Option #0~~ to initiate the dispute process, and contact his or her State Agency P-Card Program Coordinator to ensure the disputed transaction has been documented. If the dispute cannot be resolved between the Cardholder and the Bank, the Cardholder shall immediately notify his or her State Agency P-Card Program Coordinator and follow the agency-specific procedures for disputes.

6.7. Declined Purchase Transactions.

On occasion, a Cardholder's purchase transaction may be declined. Cardholders should contact ~~Citibank~~ the Bank's Customer Service at ~~1-800-248-4553~~, ~~option #0~~ to determine the reason for the decline before contacting their State Agency P-Card Program Coordinator for assistance.

Common reasons for declines include:

- MCC is restricted from the Purchasing Card;
- The Cardholders has exceeded the STL, daily limit or monthly limit; or
- Invalid expiration.

7. CARD ISSUANCE AND CANCELLATION.

The State Agency P-Card Program Coordinator is responsible for issuing all P-Cards within his or her Agency. State Agency P-Card Program Coordinators have authority to terminate a Cardholder's status as a Cardholder and cancel P-Cards. The Statewide P-Card Program Administrator should be notified of any P-Card cancellations.

7.1. P-Card Issuance.

Purchasing Cards are issued following:

- Completion of the Cardholder Application;
- Completion and approval of a Cardholder profile;
- Completion of P-Card training; and
- Completion of the Cardholder Agreement.

7.2. P-Card Cancellation.

P-Cards shall be cancelled by the following:

- Cardholder's separation from employment for any reason;
- Cardholder's job status changes such that he or she no longer requires a P-Card;
- Cardholder reports the loss or theft of the P-Card;
- Cardholder misuses the P-Card; or
- Untimely approval of transactions.

If a P-Card is cancelled, it shall be destroyed ~~by cutting it down the magnetic strip~~. The Statewide P-Card Program Administrator shall be notified of all P-Card cancellations.

8. P-CARD PROGRAM TRAINING.

Cardholder training is critical—all Cardholders must complete training before being issued a P-Card. Training ensures that the Cardholder understands the P-Card Program procedures and this Policy and is aware of potential disciplinary action for P-Card misuse or abuse. Once training is

complete, the Cardholder shall sign a Cardholder Agreement as a condition for being issued a P-Card. The Cardholder Agreement is evidence that the Cardholder has received training and a copy of the P-Card Policy. The Statewide P-Card Program Administrator will coordinate Cardholder training with State Agency P-Card Program Coordinators.

9. INTERNAL CONTROLS.

A strong system of internal controls is essential for detection and deterrence of fraud, misuse, or abuse of the P-Card. Internal controls include policies, procedures, training, spending limits, Merchant Category Code restrictions, prompt reconciliation, and prompt account distribution.

9.1. Duty of State Agencies.

Each State Agency must establish an internal control structure that ensures compliance with the State's procurement laws, CPO rules, policies and procedures, this Policy, and the terms and conditions of P-Card established by the Bank. The State Agency Fiscal Director is responsible for developing and reviewing the State Agency's internal P-Card ~~policy-procedures~~ and ensuring that sound accounting practices and internal policies are in place and enforced. All State Agency P-Card Program internal ~~procedures/policies~~ shall address the following:

- Separation of duties between ordering cards (State Agency P-Card Program Coordinators), making Transactions (Cardholders and Users), and review or approval of Transactions for payment (Cardholder Supervisors or Cardholder Approvers);
- Independent review of the P-Card Account maintenance activity at least monthly if the State Agency P-Card Program Coordinator is also a Cardholder or User.
- Limits on the number of Cardholders assigned to a Cardholder Supervisor in order to ensure adequate review of business need and documentation for each Transaction;
- Provision for annual independent audit or review of the Agency's P-Card program by the State Agency P-Card Program Coordinator, State Agency Internal Audit unit, or other business unit assigned State Agency audit responsibilities. Reviews must include adequacy of:
 - Internal policies and procedures;
 - Cardholder spending limits;
 - Monthly reconciliation procedures; and
 - Documentation for Transactions; and
- Protocol for establishing a designated State Agency Central Fiscal Office P-Card and any alternate Central Fiscal Office P-Cards, including which Central Fiscal Office P-Card is primary and which alternate Central Fiscal Office P-Card is secondary and circumstances (e.g., unavailability of the primary Central Fiscal Office P-Card, etc.) under which an alternate Central Fiscal Office P-Card may be used.

9.2. State Agency Internal P-Card ~~Policy and Procedures~~.

Each State Agency must develop its own internal ~~policy and~~ procedures to carry out the intent and purpose of address areas that this Policy ~~does not address~~.

9.3. Card Management and Reconciliation Systems.

All Transaction reconciliations will be completed in Edison unless the Central Procurement Office approves an alternate method of reconciliation.

9.4. Merchant Category Code Restrictions.

Merchant Category Codes are four-digit codes used by commercial credit card brands (e.g., Visa, MasterCard, American Express) to identify a merchant's principal trade, profession, or line of business. MCCs are assigned to a merchant based on the types of goods or services the merchant provides. MCCs blocked on P-Cards restrict State purchases from certain merchants to protect against unauthorized or prohibited purchases.

- The Statewide P-Card Program Administration Team manages the State-identified MCC groups that contain codes associated with ~~vendors~~suppliers that provide goods or services that are prohibited for purchase using the P-Card.
- Although Transactions at unauthorized MCCs are blocked at the point-of-sale, they are occasionally forced through. These Transactions are subject to audit.
- The CPO's Compliance Team will conduct periodic audits of Transactions with restricted MCC ~~vendors~~suppliers.
- State Agencies may request activation of additional MCCs for inclusion in a State-authorized group or creation of a new MCC group to meet specific needs. A Cardholder's State Agency P-Card Program Coordinator should ensure that Cardholder profiles permit only those MCC groups that a Cardholder needs to meet his or her job requirements.

9.5. Cardholder Spending Limits and Utilization.

The State Agency Fiscal Director may establish a Single Transaction Limit (STL) of up to the ten thousand dollar (\$10,000) maximum for Cardholders as he or she determines appropriate taking into account the State Agency's overall needs. Each State Agency Fiscal Director may also establish one (1) designated State Agency Central Fiscal Office P-Card with a STL of up to the fifty thousand dollar (\$50,000) maximum. Each State Agency Fiscal Director may also establish up to two (2) alternate designated State Agency Central Fiscal Office P-Cards with a STL of up to the fifty thousand dollar (\$50,000) maximum. If the transaction amount exceeds ten thousand dollars (\$10,000), then Cardholders and State Agency Fiscal Directors should consult the *Procurement Procedures Manual of the Central Procurement Office* with respect to contract and purchase order requirements and exemptions from contract and purchase order requirements. Imposing spending limits enables management to provide Cardholders with the purchasing power to perform their jobs without exposing the State to unnecessary risk. Spending limits should be based on the Cardholder's job responsibilities. Cardholder spending limits must be reviewed at least annually to determine if actual usage is consistent with spending limits. Increases or decreases to spending limits may be made by the State Agency Fiscal Director as needed for a single transaction limit of up to ten thousand dollars (\$10,000) for a Cardholder and up to fifty thousand dollars (\$50,000) for a Central Fiscal Office P-Card. Cardholders are prohibited from splitting a single purchase between one or more P-Cards or between a

Card transaction and a purchase order to circumvent the STL or CPO rules, policies or procedures. Each State Agency is required to perform a review of spending limits at least annually in order to determine if each Cardholder's spending limit is adequate and appropriate.

9.6. Dormant Cards.

Each State Agency's internal P-Card ~~policy~~ Procedures shall address how long a P-Card can remain unused before it is considered inactive. The CPO recommends that State Agencies reduce the Cycle Limit of any P-Card that has not been used within twelve (12) complete cycles to one dollar (\$1). When a P-Card has not been used for some time, the State Agency P-Card Program Coordinator should conduct a review to determine if the Cardholder still needs a P-Card. Each State Agency is responsible for the ensuring that this review is completed in accordance with its own internal P-Card policy.

10. DOCUMENTATION AND ACCOUNTING.

10.1. Documentation.

State Agencies should use Edison for Transaction reconciliation. When performing reconciliation in Edison, Cardholders must follow internal procedures for handling documentation. Any State Agency seeking to use a manual method for Transaction reconciliation must obtain approval from the Central Procurement Office.

Regardless of the Transaction reconciliation method, Cardholders should provide invoices or receipts for all Transactions. Invoices or receipts shall include:

- The ~~Vendor~~ Supplier's name, location, and contact information;
- Line item details, including quantity, description, unit price, and total price; and
- A line showing that the State was not charged for sales tax.

10.2. Receipts.

- It is the Cardholder's responsibility to obtain itemized receipts and any other pertinent backup documentation. Other documentation may include shipping documents and bills of lading. This information will be used by the Agency to validate and reconcile charges.
- For online purchases that do not provide a downloadable receipt, a screen shot of the receipt information can serve as a receipt.
- In lieu of obtaining physical receipts, the Cardholder may also take a picture of the receipt with his or her mobile device and save the receipt electronically.
- If a Cardholder loses a receipt and a duplicate cannot be obtained, the Cardholder should follow his or her State Agency's internal procedures for lost receipts. Cardholders who lose receipts and resort to their Agency's internal procedures for lost receipts more than three (3) times during a fiscal year may have their P-Card privileges suspended.
- The amount on the receipt and the amount of the charge to the Cardholder's P-Card account must match. Any discrepancies in amounts should be resolved

with the ~~Vendor~~Supplier and an explanation regarding the resolution should be made on the receipt or other backup documentation. It is not sufficient to change the amount on the receipt only.

- The Cardholder and the Cardholder Supervisor shall document all missing receipts.
- Credits may be processed without a receipt, but the Cardholder must provide an explanation of the credit.

10.3. Reconciliation.

- Cardholders should perform reconciliation in Edison on a weekly basis.
- After completing the weekly reconciliation process, the Cardholder must forward signed and dated receipts to his or her State Agency Approver, or as detailed in the State Agency internal Procedures. This should also occur on a weekly basis.

10.4. Allocation to the ~~General Ledger~~Chart of Accounts.

Timely allocation of charges to the general ledgerchart of accounts is essential to ensure compliance with State accounting and budgetary policies. The State Agency must ensure that all transactions are allocated to the general ledgerchart of accounts before the end of the billing cycle.

11. PROHIBITED PURCHASES AND TRANSACTIONS.

11.1. Prohibited Purchases.

Cardholders are prohibited from using a physical P-Card for the following types of purchases, payments, or transactions:

- Goods or services not directly related to job responsibilities or other official State of Tennessee business, i.e., personal purchases;
- Cash withdrawals, including ATM or debit withdrawals;
- Travel expenses;
- Telephone billings;
- Political publications of any sort;
- Utility billings and connection fees;
- Payments to another State Agency;
- Rental of passenger vehicles of any kind;
- Artifacts for historical or commemorative purposes (except for the State Museum);
- An employee's moving expenses;
- Purchases of any motor vehicle fuel for any vehicle or equipment leased from the Department of General Services' Division of Motor Vehicle Management ("MVM");
- Back orders or partial shipments—goods or services must be in stock or otherwise available at the time of purchase;
- Purchases made using a P-Card or other account by someone other than the Cardholder or account holder;

- Service awards for state employees;
- Awards for private citizens;
- Honoraria expenses;
- Insurance policies;
- Gift cards or gift certificates; and
- Any goods or services related to political activity as defined under “The Little Hatch Act,” Tenn. Code Ann. §§ 2-19-201 through 208;

11.2. Personal Purchases Prohibited.

As provided in Sections 3.1, 5.7 and 12.1, Cardholders are prohibited from using a P-Card for the purchase of any goods or services not directly related to job responsibilities or other official State business. Intentional use of a P-Card for any purposes other than State business will result in disciplinary action, up to and including termination from State employment or criminal prosecution. Under Tenn. Code Ann. § 39-16-402, State employees who intentionally or knowingly use a P-Card or a Virtual P-Card for personal purchases commit a Class E felony.

11.3. Split Charges Prohibited.

Tenn. Code Ann. § 12-3-503(b) and CPO Policy Number 2013-003 authorize State Agencies to make a purchase without soliciting quotes or proposals from multiple ~~vendors~~suppliers when the total value of the purchase is ten thousand dollars (\$10,000) or less. Cardholders are prohibited by Tenn. Code Ann. § 12-3-503(b)(2) from splitting a transaction between two or more transactions on a single account, two or more transactions on multiple accounts, or two or more transactions using the P-Card and a purchase order, in order to circumvent the STL imposed on the P-Card. The STL for P-Card purchases using a physical P-Card is ten thousand dollars (\$10,000) unless a State Agency has designated a lower STL in its internal P-Card policy.

11.4. Payment of Sales and Use Tax.

Tenn. Code Ann. § 67-6-329(a) provides that all sales of services and tangible personal property made to the State of Tennessee are exempted from sales and use taxes. Cardholders should provide each ~~vendor~~supplier with an exemption certificate, as described in Section 6.4. Cardholders are responsible for ensuring that ~~vendors~~suppliers do not charge tax or provide a credit for inadvertent charges.

- If taxes are charged, the Cardholder must contact the ~~vendor~~supplier to obtain a credit to the account.
- ~~Vendor~~Suppliers may only credit the State’s P-Card Account and may not refund erroneously paid taxes through other means, including cash, gift cards, or store credit.
- The Cardholder is required to maintain documentation of his or her attempts to obtain credit for any Tennessee Sales and Use Tax charged to the P-Card Account in error.

12. PURCHASES RESERVED FOR THE DESIGNATED STATE AGENCY CENTRAL FISCAL OFFICE CARDHOLDER.

Only the person designated by the State Agency Fiscal Director may use his or her individual P-Card for the following purchases:

- Tuition, fees, and supplies for training individuals;
- Internet, newspaper, radio, or television advertisements;
- Subscriptions to newspapers, periodicals, newsletters, or pamphlets;
- Organization membership dues;
- Charges for meeting rooms and attendant expenses in excess of two hundred dollars (\$200) per day or for more than five (5) days;
- Convention or registration fees; and
- Association entry fees.

State Agencies may request an exception from this paragraph by submitting a ~~rule exception~~P-Card exception request in the form of a memorandum signed by the Fiscal Director to the Statewide P-Card Program Administrator at p.card@tn.gov.

13. DECLARED EMERGENCIES AND NATURAL DISASTERS.

Tenn. Comp. R. & Regs. 0690-03-01-.05(5) authorizes the CPO or delegated State Agencies to forego standard procurement requirements to meet emergencies arising from unforeseen causes. If an emergency affecting the health or safety of any person occurs when CPO personnel are not available, any State Agency is authorized to contract for necessary goods or services and obtain “after the fact” emergency purchase authorization. All requests for “after the fact” emergency purchase authorization shall comply with CPO rules, policies, and procedures.

14. ENCOURAGED USE OF P-CARDS.

14.1. Statewide and Agency Term Contracts.

As provided in Section 10.4 of the CPO’s *Procurement Procedures Manual*, State Agencies are required to use Statewide Contracts for procuring goods or services to the extent the needed goods or services are available on a Statewide Contract. State Agencies may not procure goods or services available on a Statewide Contract from any other source without prior approval from the Chief Procurement Officer or designee. State Agencies are encouraged to utilize P-Cards for purchasing goods or services on Agency Term Contracts and Statewide Contracts.

14.2. Utilization of Diversity ~~Vendor~~Suppliers.

Cardholders are strongly encouraged to make authorized purchases from ~~vendors~~suppliers certified by the Governor’s Office of Diversity Business Enterprise.

15. SURCHARGES AND CONVENIENCE FEES.

Many ~~vendors~~suppliers charge a “credit card processing fee” or “convenience fee” for accepting credit cards including the P-Card. These types of fees are strictly regulated by Visa and MasterCard.

According to Visa’s “Card Acceptance and Chargeback Management Guidelines for Merchants” available on Visa’s website, credit card surcharges are allowed but cannot be more than the

amount the vendorsupplier's bank charges them for processing the transaction. Also, the vendorsupplier cannot charge both a surcharge and a convenience fee, explained below.

The maximum allowable surcharge is four percent (4%) and must be shown as a line item on the detailed invoice or receipt. Whenever a VendorSupplier charges a surcharge, the following rules apply:

- The VendorSupplier must have provided Visa and its bank at least thirty (30) days notification of their intent to impose surcharges;
- The fact that the VendorSupplier imposes surcharges must be clearly posted on the door and at point-of-sale for physical locations and on web sites when sales are made via the internet; and
- The VendorSupplier must inform the Cardholder or User:
 - Of the exact percent of the surcharge;
 - That the VendorSupplier is the entity assessing the surcharge;
 - That surcharges are applicable on credit transactions only; and
 - That the surcharge is not greater than what the vendorsupplier pays to Visa.

For any Transaction where the VendorSupplier has charged a surcharge, a Cardholder or User must obtain a copy of the acknowledgement letter sent to the VendorSupplier by Visa authorizing the VendorSupplier to impose a surcharge. A copy on file with the State Agency P-Card Program Coordinator will be sufficient.

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**CENTRAL PROCUREMENT OFFICE
POLICY NUMBER 2015-010,
*STATEWIDE PURCHASING CARD
POLICY AND PROCEDURES***

CLEAN VERSION

Policy Number 2015-010
Central Procurement Office
Statewide Purchasing Card Policy and Procedures

Revised: August 18, 2016

Prepared by: The Central Procurement Office of the State of Tennessee

1. PROGRAM OVERVIEW.

The State of Tennessee Purchasing Card Program streamlines the State's payment process for goods and services by eliminating the administrative burdens and costs associated with the State's traditional payment methods. The Program's objective is to simplify the documentation necessary for State Agency purchases by placing P-Cards in the hands of Cardholders. Cardholders may use the P-Card to purchase the types of goods and services subject to this Policy. Personal purchases are prohibited and all rules, policies, and procedures of the Central Procurement Office applicable to the procurement of goods and services must be followed unless exempt.

2. DEFINITIONS.

"Agency Term Contract" means a State Agency contract in which a source or sources of supply are established for a specified period of time at an agreed upon unit price or prices.

"Bank" means the entity issuing the State's P-Card or any of its subsidiaries as the context may require.

"Cardholder" means the State Agency employee who is issued a physical P-Card to initiate payments on behalf of the State.

"Cardholder Agreement" means the document signed by the Cardholder to verify that he or she completed P-Card training, received a copy of the P-Card Policy, and understands the Policy.

"Cardholder Application" means the application completed by the Cardholder that is approved by the Cardholder Supervisor and the *State Agency P-Card Program Coordinator* that is required before a P-Card Account will be assigned to a Cardholder.

"Cardholder Supervisor" means the State Agency employee with supervisory authority over the Cardholder.

"Central Fiscal Office P-Card" means the P-Card assigned to a Cardholder with a Single Transaction Limit of up to fifty thousand dollars (\$50,000).

"Central Procurement Office" or "CPO" means the State office established and empowered by Tenn. Code Ann. § 4-56-104.

“Cycle (Credit) Limit” means the spending limit that restricts the total value of purchases a Cardholder can make in one billing cycle.

“Fiscal Director” means that State Agency employee, regardless of his or her particular title, who serves as the Agency’s chief financial officer.

“Merchant Category Codes” or “MCCs” means the specific Merchant Category Code, assigned by an acquiring financial institution, that identifies the primary goods or services a supplier provides.

“Online Banking Program” means the Bank’s online portal that provides Cardholders, State Agency P-Card Program Coordinators, and the Statewide P-Card Program Administration Team the ability to view and download statement information, update and manage accounts, set limits and permissions, reset passwords, and process Cardholder requests.

“P-Card Account” means the unique account number assigned to a Cardholder as determined by the Bank.

“P-Card Program” means the program established by the State and managed by the Central Procurement Office whereby Cardholders and Virtual P-Card Users make purchases on behalf of the State of Tennessee.

“Purchasing Card” or “P-Card” means a commercial card that allows organizations to take advantage of the existing credit card infrastructure to make electronic payments for goods or services. A P-Card is similar to a consumer credit card, but the card-using organization must pay the card issuer in full each month. In this Policy, the term “Purchasing Card” or “P-Card” shall also include “Virtual Purchasing Cards” or “Virtual P-Cards” as the context requires.

“Purchasing Card Profile” means the unique profile associated with a Cardholder that contains monetary or MCC limits on the Cardholder’s ability to make purchases on behalf of the State.

“Single Transaction Limit” or “STL” means the maximum dollar limit, per purchase transaction, that can be assigned to the physical P-Card. The STL is assigned per Cardholder at the discretion of the Fiscal Director. This Policy establishes the STL for the designated State Agency Central Fiscal Office P-Card as up to fifty thousand dollars (\$50,000) and for all other physical P-Cards as up to ten thousand dollars (\$10,000) without Statewide P-Card Program Administrator approval.

“State” means the State of Tennessee, including its departments, agencies, and entities that fall under its purview.

“State Agency” means the departments, agencies, and entities of the State of Tennessee other than units of the University of Tennessee or Board of Regents systems.

“State Agency P-Card Program Coordinator” means the employee within the State Agency who manages the P-Card Program at the State Agency level.

“State Agency Approver” means the State Agency Employee who approves P-Card or Virtual P-Card Transactions.

“Statewide Contract” means a contract for goods or services established by the Chief Procurement Officer that all State Agencies must utilize and that may be used by local governments, higher education and authorized not-for-profit entities.

“Statewide P-Card Program Administrator” means the employee within the Central Procurement Office who is responsible for managing and overseeing the P-Card Program.

“Statewide P-Card Program Administration Team” means the team within the Central Procurement Office that is responsible for overseeing the P-Card Program.

“State Agency Reconciler” means the State Agency employee responsible for all the functions associated with post-purchase processing P-Card Transactions including account allocation and providing a business purpose when required.

“Supplier” means a person or legal entity with the legal capacity to enter into contracts and sue and be sued who provides goods or services to the State through a contract or a purchase order.

“Transaction” means the purchase of goods or services through use of a P-Card or Virtual P-Card.

“Virtual Purchasing Card” or “Virtual P-Card” means the unique credit card account number, embedded within Edison, which is assigned to a State Agency for payment of suppliers authorized to accept P-Card as the form of payment for approved Edison purchase orders.

“Virtual P-Card User” or “User” means the State Agency employee who has a buyer or e-procurement role in Edison, has undergone training on reconciliation, and is authorized to use a Virtual P-Card to initiate payment transactions on behalf of the State.

3. TYPES OF ACCOUNTS.

This Policy recognizes two general account types: P-Card Accounts and Virtual P-Card accounts. P-Card Accounts and Virtual P-Card accounts can be used only for official State business as set forth in this Policy. P-Cards must be surrendered or Virtual P-Card account’s access cancelled upon the Cardholder’s transfer to another State Agency, separation from state employment, or upon demand by the Cardholder Supervisor, the State Agency P-Card Program Coordinator or the Statewide P-Card Program Administrator.

3.1. P-Card Accounts.

P-Card accounts are those that involve the issuance of a P-Card Account to an individual Cardholder to further the official business of the State. Cardholders are limited to one active physical P-Card.

3.2. Virtual P-Cards.

Virtual P-Cards are cardless accounts that allow State Agencies to pay for approved, Edison purchase order transactions initiated by Virtual P-Card Users. The account number is “embedded” in the Edison P-Card module and is securely transmitted to the Supplier upon Edison-based approval of a User’s purchase order transactions. A Virtual P-Card may be used for payments to any Supplier that is registered in the State’s supplier registration system whose payment method has been activated to “P-Card” in Edison. Virtual P-Card accounts allow for greater ease of use (multiple buyers can leverage the same payment device), as well as enhanced control through absence of a physical card and spending limits. The State Agency P-Card Coordinator should contact the Statewide P-Card Program Administrator for more information on Virtual P-Cards.

The ten thousand dollar (\$10,000) STL that applies to all physical P-Cards does not apply to Virtual P-Cards or Central Fiscal Office P-Cards; the STL for a Central Fiscal Office P-Card is fifty thousand dollars (\$50,000) and there is no STL for purchases made with a Virtual P-Card. The Bank determines the Cycle Limit for Virtual P-Cards. Each State Agency is limited to one (1) Virtual P-Card Account.

3.2.1. Records Retention Requirements.

The Office of the Secretary of State oversees Tennessee’s Records Management Division, the State Agency that provides guidance on disposition, retention, and destruction of state records. Records Disposition Authority (RDA) SW23 applies to all P-Card documents. RDA SW23 requires that State Agencies maintain documents related to P-Card issuance and use for five (5) years and destroy them at the end of the five-year period. P-Card documents may be maintained in either paper or electronic format, so long as the electronic content has been verified for completeness, accuracy, and usability. RDA SW23 is available in its entirety at <http://www.tnsos.net/rmd/rda/index.php>.

3.2.2. Internal Revenue Service 1099 Reporting.

In 2011, the Internal Revenue Service announced changes to the Internal Revenue Code, Section 6050W, which shifted the burden of payment reporting requirements from the purchaser to the Supplier’s bank when the P-Card is the payment method for a reportable transaction. Because of the shift in responsibility, participants in the P-Card Program are no longer required to report total P-Card transactions in excess of six hundred dollars (\$600) with certain Suppliers. Reporting for all other payment methods, including checks, Automated Clearing House, or other means, will remain the responsibility of the State Agency making payment. Cardholders should consult the tax specialists at their State Agency for further information or details regarding Internal Revenue Service 1099 reporting requirements.

4. OVERVIEW OF P-CARD PROGRAM ROLES AND RESPONSIBILITIES.

The CPO is the State Agency that is primarily responsible for managing, overseeing, and coordinating the P-Card Program. The Statewide P-Card Program Administrator is the employee within the CPO who has the direct, day-to-day responsibility for managing, overseeing, and

coordinating the P-Card Program between the CPO and State Agencies. The State Agency P-Card Coordinator is the employee within each State Agency who has been appointed to supervise Cardholders and manage and coordinate the P-Card Program within his or her State Agency in compliance with this Policy. The Cardholder Supervisor is the State Agency employee with supervisory authority over the Cardholder who ensures that transactions are properly reconciled and reported to the Department of Finance and Administration (“F&A”), Division of Accounts. State Agency Reconcilers are the employees within a State Agency who are responsible for reconciling P-Card transactions. The State Agency Approver is the employee within the State Agency who approves P-Card Transactions. The Cardholder is the specially-trained employee within a State Agency responsible for purchasing goods or services on behalf of the State of Tennessee using a physical P-Card. In the interests of segregating duties and responsibilities, State Agency Reconcilers shall not be Cardholders.

5. P-CARD PROGRAM ROLES AND RESPONSIBILITIES.

5.1. P-Card Processing Cycle Overview.

The typical cycle for P-Card usage is:

- An individual Cardholder, with State Agency approved spending limits, initiates a purchase using a P-Card;
- The individual Cardholder retains an original, legible copy of the purchase’s receipt for use in reconciliation (see Section 10.2 for more information on receipts);
- Transactions are typically posted in the Edison P-Card module within 24-72 hours after the purchase is made;
- The Cardholder will log into the Edison P-Card module on a weekly basis to review transactions and account coding and take necessary action to correct errors in the purchase details;
- The Cardholder or his or her State Agency Approver confirms or disputes Transactions posted to the card account;
- The credit line is replenished for the amount of the Transactions;
- The Cardholder will receive a Bank statement, as described in their State Agency’s internal Procedures, monthly;
- The Bank statement and receipts will be sent to the State Agency Reconciler for final reconciliation;
- The State Agency Reconciler will reconcile all Transactions in accordance with the State Agency P-Card Policy; and
- The State Agency Reconciler prepares all documentation for retention.

5.2. Statewide P-Card Program Administrator.

The Statewide P-Card Program Administrator serves as the primary point-of-contact in the CPO for the P-Card Program. The Statewide P-Card Program Administrator’s role, duties and responsibilities include:

- Establishing written internal procedures to ensure compliance with state procurement statutes, rules, policies and procedures, including this Policy, and reviewing each State Agency’s internal P-Card Procedures;

- Developing written internal procedures for requesting exceptions to either state or internal policy requirements;
- Ensuring that State Agency Transactions are reviewed at least annually;
- Developing State Agency specific training for all Cardholders, State Agency Approvers, State Agency Reconcilers, and State Agency Supervisors;
- Developing appropriate refresher training to be delivered at least annually; and
- Notifying State Agency P-Card Program Coordinators of changes in state rules, policies or procedures.

5.3. State Agency P-Card Program Coordinator.

The State Agency P-Card Program Coordinator serves as the main point-of-contact between the State Agency and the Statewide P-Card Program Administration Team.

The State Agency must provide the Statewide P-Card Program Administrator written notice within one (1) business day of any changes in status of the State Agency P-Card Program Coordinator.

The State Agency P-Card Program Coordinator's role, duties, and responsibilities include:

- Collaborating with the Agency's Fiscal Director to develop and maintain the State Agency's internal P-Card Procedures to address policy areas unique to the State Agency or that are not covered by this Policy;
- Working with State Agency management to identify job titles, positions, or Edison roles that require use of a P-Card or Virtual P-Card;
- Working with State Agency management to determine appropriate Cardholder spending limits based on budget restrictions, job requirements, historical spending patterns, and overall procurement practices;
- Evaluating Cardholder spending limits against actual usage at least annually;
- Terminating a Cardholder's status if necessary (e.g., due to separation from employment, transfer to another State Agency, low P-Card usage) and cancelling a P-Card;
- Ensuring Agency-wide reconciliation procedures provide for timely payment and for allocation of Transactions to the chart of accounts at least monthly; and
- Ensuring that Transactions are reconciled and supported by adequate documentation, including use of Edison or the Online Banking Program, as appropriate.

5.4. Cardholder Supervisors.

The Cardholder Supervisor responsible for supervising Cardholders must have a thorough knowledge of the Cardholders' job responsibilities in order to determine if purchases are job-related or otherwise authorized by CPO rules, policies or procedures. The Cardholder Supervisor's role, duties, and responsibilities include:

- Before approving the P-Card transactions, either by signing a transaction log or statement or signing off on transactions electronically, carefully reviewing

all documentation to ensure that all documentation meets the minimum requirements as set forth in this Policy;

- Approving or rejecting all Transactions within the scheduled timeframe;
- Ensuring that all documentation is submitted according to the State Agency's internal procedures and this Policy;
- Maintaining knowledge of State Agency internal procedures and policies and this Policy; and
- Requesting reasonable spending limits in accordance with State Agency internal procedures and policies and this Policy.

5.5. State Agency Reconciler.

The State Agency Reconciler is the State Agency employee responsible for all the functions associated with post-purchase processing of P-Card Transactions including account allocation and providing a business purpose when required. A Reconciler CANNOT make purchases using the P-Card belonging to a Cardholder for whom he or she reconciles.

5.6. State Agency Approver.

The State Agency Approver is the State Agency employee who approves purchases made by the Cardholder to which he or she is assigned. This role may also be performed by the Cardholder Supervisor. By approving each P-Card transaction, the Approver exercises critical control by ensuring authorized and appropriate P-Card use and correct allocation of expenses in accordance with related policies of F&A, Division of Accounts. State Agency Approvers should also review receipts where appropriate to ensure compliance with this Policy and F&A, Division of Accounts policies. No Cardholder may approve his or her own P-Card transactions nor may he or she direct someone else to approve P-Card transactions in a manner that could violate this Policy or applicable policies of F&A, Division of Accounts. As a general rule, the State Agency Approver should not report to the Cardholder whose transactions he or she is reviewing. A State Agency Approver has the following responsibilities:

- Review Cardholder transactions to ensure that purchases made were:
 - For the use and benefit of the State of Tennessee;
 - Necessary for the official duties of the agency;
 - Made in accordance with CPO policies and procedures;
 - For goods or services actually received.
- If a State Agency Approver is in doubt about any of the above, the State Agency Approver should immediately question the Cardholder and seek advice from the State Agency P-Card Program Coordinator or the Statewide P-Card Program Administrator.
- Immediately inform the State Agency P-Card Program Coordinator of any misuse, abuse or fraudulent use of a P-Card.
- If the Cardholder is unavailable for questioning, the State Agency P-Card Program Coordinator or the Statewide P-Card Program Administration Team may adjust the Cardholder's STL to one dollar (\$1.00). The State Agency Approver shall notify the State Agency P-Card Program Coordinator of

Cardholder transfers or terminations. Advanced notice is required if the State Agency Approver is aware of impending personnel actions.

- Review, certify, and forward Cardholder transaction log pages, receipts or cycle statements in accordance with this Policy.

5.7. Cardholders.

An important participant in the P-Card Program is the Cardholder. The Cardholder is a key element in making the P-Card Program successful.

5.7.1. Cardholder Responsibilities.

The State is responsible for payment to the Bank. Therefore, P-Cards are issued to the State and assigned on its behalf to specific Cardholders. No credit checks will be performed on individual employees nor will account activity be reported to credit rating agencies. Cardholders have the following duties and responsibilities as a condition for being issued a P-Card:

- Reading and becoming familiar with this Policy;
- Attending and passing Cardholder / Approver training course;
- Signing Cardholder / Approver agreement;
- Being responsible for all purchases made on the P-Card; and
- Adhering to this Policy and other applicable rules, policies, and procedures.

5.7.2 Cardholder Misuse.

Each Cardholder is responsible for the purchases made on the P-Card that is assigned to them. Cardholders are required to adhere to applicable CPO rules, policies, procedures, and this Policy.

Use of a P-Card is a privilege based on trust. A Cardholder is trained and understands the penalties for abuse of the P-Card. The P-Card is for official State business use only and the purchase of personal or disallowable goods or services is strictly prohibited. Misuse of the P-Card may result in disciplinary action up to and including termination of employment and prosecution to the extent permitted by law. Cardholders will be required to reimburse the State, including sales tax, for any improper purchases.

5.8. Virtual P-Card Users.

Virtual P-Card Users are critical to the P-Card Program's success. A User has authority to make purchases utilizing his or her Agency's local purchase authority and to make purchases from a Statewide Contract or Agency Term Contract for official State business. State Agency employees with an e-procurement or buyer role in Edison are eligible to be Users. Users must complete training on reconciliation procedures before initiating any Transactions with a Virtual P-Card.

6. P-CARD SECURITY.

The security of each P-Card is the Cardholder's responsibility. Every precaution should be used to protect the account number. The account number should never be left in a conspicuous place.

Use of the P-Card is restricted to the authorized Cardholder whose name appears on the face of the card and may not be loaned to any other person. The account number that appears on the P-Card must not be given to any individual other than the Supplier from whom the Cardholder is making a purchase.

6.1. Lost or Stolen Cards.

If a P-Card is lost, stolen, or the card information has been compromised, the Cardholder must immediately contact the Bank’s customer service . Upon such notification, outstanding authorizations will be confirmed and further use of the P-Card will be blocked by Citibank. Neither the State nor the Cardholder will be responsible for fraudulent charges made to a promptly reported lost or stolen card.

At the time of the notification, the Bank may request the following information:

- Cardholder’s name
- Account number
- Last four digits of SSN
- Circumstances surrounding the loss of the card
- Any purchase(s) made prior to the card being lost or stolen

The Cardholder must notify his or her State Agency P-Card Program Coordinator of the P-Card’s loss or theft and make arrangements to receive a new P-Card. The Bank will then issue a new card with a new account number which will be delivered to the State Agency P-Card Program Coordinator.

6.2. Separation from Employment.

If a Cardholder’s separation from employment or transfer to another State position is planned, P-Card use shall be discontinued prior to Cardholder’s separation from employment or transfer to allow sufficient time for submission of receipts and processing of outstanding charges before the Cardholder leaves or transfers. In the event of unplanned separation from employment, the Cardholder’s P-Card shall immediately be deactivated and the Cardholder shall discontinue P-Card use upon separation from employment.

6.3. Purchasing Rules.

The P-Card is only a vehicle for making purchases. Existing State laws governing procurement, accounts payable, records retention, and other applicable laws must still be followed. All procurement rules of the CPO apply when using the P-Card.

6.4. Tax Exemption.

Purchases made in Tennessee and for the use and benefit of the State of Tennessee are exempt from Tennessee sales tax. Cardholders should obtain an exemption certificate and present it to each supplier. This form is available on the Department of Revenue web site at <http://www.tn.gov/revenue/forms/sales/index.shtml> in the “Exemption Applications/Certificates” section. Purchases made in other states may be subject to that state’s sales tax. The Cardholder must be diligent when dealing with the supplier

regarding taxes. If the supplier cannot deduct the sales tax because of pre-set controls within its computer systems or will not honor the exemption, the Cardholder may continue with the purchase but must note the refusal on the receipt. In the event a Cardholder is inappropriately charged for sales tax, he or she shall seek a credit refund of any sales taxes to the P-Card account.

6.5. Credits.

If a Cardholder returns merchandise, a credit should be issued to the Cardholder's P-Card and a credit receipt obtained. Under no circumstances should a Cardholder receive cash or a credit voucher. The Cardholder or State Agency Approver is responsible for reviewing the Online Banking Program to ensure that credits are received and, if not, file the appropriate paperwork for disputed items. Cardholders should avoid Suppliers with restrictive merchandise return policies.

6.6. Disputing Transactions.

If there is a problem with a Transaction, the Cardholder must first attempt to reach a resolution directly with the Supplier. In most cases, disputes can be resolved between the Cardholder and the Supplier. The Supplier will usually issue a credit.

The Cardholder should document all attempts to resolve a problematic Transaction. If the disputed Transaction involves a reservation or order that has been cancelled, the Cardholder is responsible for obtaining a cancellation number. If efforts to resolve the problem with the Supplier are unsuccessful or if a credit does not appear in the Online Banking Program the Cardholder should file the appropriate dispute paperwork with the Bank and contact his or her State Agency P-Card Program Coordinator.

If a Bank Statement contains a Transaction that needs to be disputed, the Cardholder should contact the Bank's Customer Service to initiate the dispute process, and contact his or her State Agency P-Card Program Coordinator to ensure the disputed transaction has been documented. If the dispute cannot be resolved between the Cardholder and the Bank, the Cardholder shall immediately notify his or her State Agency P-Card Program Coordinator and follow the agency-specific procedures for disputes.

6.7. Declined Purchase Transactions.

On occasion, a Cardholder's purchase transaction may be declined. Cardholders should contact the Bank's Customer Service to determine the reason for the decline before contacting their State Agency P-Card Program Coordinator for assistance.

Common reasons for declines include:

- MCC is restricted from the Purchasing Card;
- The Cardholders has exceeded the STL, daily limit or monthly limit; or
- Invalid expiration.

7. CARD ISSUANCE AND CANCELLATION.

The State Agency P-Card Program Coordinator is responsible for issuing all P-Cards within his or her Agency. State Agency P-Card Program Coordinators have authority to terminate a

Cardholder's status as a Cardholder and cancel P-Cards. The Statewide P-Card Program Administrator should be notified of any P-Card cancellations.

7.1. P-Card Issuance.

Purchasing Cards are issued following:

- Completion of the Cardholder Application;
- Completion and approval of a Cardholder profile;
- Completion of P-Card training; and
- Completion of the Cardholder Agreement.

7.2. P-Card Cancellation.

P-Cards shall be cancelled by the following:

- Cardholder's separation from employment for any reason;
- Cardholder's job status changes such that he or she no longer requires a P-Card;
- Cardholder reports the loss or theft of the P-Card;
- Cardholder misuses the P-Card; or
- Untimely approval of transactions.

If a P-Card is cancelled, it shall be destroyed. The Statewide P-Card Program Administrator shall be notified of all P-Card cancellations.

8. P-CARD PROGRAM TRAINING.

Cardholder training is critical—all Cardholders must complete training before being issued a P-Card. Training ensures that the Cardholder understands the P-Card Program procedures and this Policy and is aware of potential disciplinary action for P-Card misuse or abuse. Once training is complete, the Cardholder shall sign a Cardholder Agreement as a condition for being issued a P-Card. The Cardholder Agreement is evidence that the Cardholder has received training and a copy of the P-Card Policy. The Statewide P-Card Program Administrator will coordinate Cardholder training with State Agency P-Card Program Coordinators.

9. INTERNAL CONTROLS.

A strong system of internal controls is essential for detection and deterrence of fraud, misuse, or abuse of the P-Card. Internal controls include policies, procedures, training, spending limits, Merchant Category Code restrictions, prompt reconciliation, and prompt account distribution.

9.1. Duty of State Agencies.

Each State Agency must establish an internal control structure that ensures compliance with the State's procurement laws, CPO rules, policies and procedures, this Policy, and the terms and conditions of P-Card established by the Bank. The State Agency Fiscal Director is responsible for developing and reviewing the State Agency's internal P-Card procedures and ensuring that sound accounting practices and internal policies are in place and enforced. All State Agency P-Card Program internal procedures shall address the following:

- Separation of duties between ordering cards (State Agency P-Card Program Coordinators), making Transactions (Cardholders and Users), and review or

- approval of Transactions for payment (Cardholder Supervisors or Cardholder Approvers);
- Independent review of the P-Card Account maintenance activity at least monthly if the State Agency P-Card Program Coordinator is also a Cardholder or User.
 - Limits on the number of Cardholders assigned to a Cardholder Supervisor in order to ensure adequate review of business need and documentation for each Transaction;
 - Provision for annual independent audit or review of the Agency's P-Card program by the State Agency P-Card Program Coordinator, State Agency Internal Audit unit, or other business unit assigned State Agency audit responsibilities. Reviews must include adequacy of:
 - Internal policies and procedures;
 - Cardholder spending limits;
 - Monthly reconciliation procedures; and
 - Documentation for Transactions; and
 - Protocol for establishing a designated State Agency Central Fiscal Office P-Card and any alternate Central Fiscal Office P-Cards, including which Central Fiscal Office P-Card is primary and which alternate Central Fiscal Office P-Card is secondary and circumstances (e.g., unavailability of the primary Central Fiscal Office P-Card, etc.) under which an alternate Central Fiscal Office P-Card may be used.

9.2. State Agency Internal P-Card Procedures.

Each State Agency must develop its own internal procedures to carry out the intent and purpose of this Policy.

9.3. Card Management and Reconciliation Systems.

All Transaction reconciliations will be completed in Edison unless the Central Procurement Office approves an alternate method of reconciliation.

9.4. Merchant Category Code Restrictions.

Merchant Category Codes are four-digit codes used by commercial credit card brands (e.g., Visa, MasterCard, American Express) to identify a merchant's principal trade, profession, or line of business. MCCs are assigned to a merchant based on the types of goods or services the merchant provides. MCCs blocked on P-Cards restrict State purchases from certain merchants to protect against unauthorized or prohibited purchases.

- The Statewide P-Card Program Administration Team manages the State-identified MCC groups that contain codes associated with suppliers that provide goods or services that are prohibited for purchase using the P-Card.
- Although Transactions at unauthorized MCCs are blocked at the point-of-sale, they are occasionally forced through. These Transactions are subject to audit.
- The CPO's Compliance Team will conduct periodic audits of Transactions with restricted MCC suppliers.
- State Agencies may request activation of additional MCCs for inclusion in a State-authorized group or creation of a new MCC group to meet specific

needs. A Cardholder's State Agency P-Card Program Coordinator should ensure that Cardholder profiles permit only those MCC groups that a Cardholder needs to meet his or her job requirements.

9.5. Cardholder Spending Limits and Utilization.

The State Agency Fiscal Director may establish a Single Transaction Limit (STL) of up to the ten thousand dollar (\$10,000) maximum for Cardholders as he or she determines appropriate taking into account the State Agency's overall needs. Each State Agency Fiscal Director may also establish one (1) designated State Agency Central Fiscal Office P-Card with a STL of up to the fifty thousand dollar (\$50,000) maximum. Each State Agency Fiscal Director may also establish up to two (2) alternate designated State Agency Central Fiscal Office P-Cards with a STL of up to the fifty thousand dollar (\$50,000) maximum. If the transaction amount exceeds ten thousand dollars (\$10,000), then Cardholders and State Agency Fiscal Directors should consult the *Procurement Procedures Manual of the Central Procurement Office* with respect to contract and purchase order requirements and exemptions from contract and purchase order requirements. Imposing spending limits enables management to provide Cardholders with the purchasing power to perform their jobs without exposing the State to unnecessary risk. Spending limits should be based on the Cardholder's job responsibilities. Cardholder spending limits must be reviewed at least annually to determine if actual usage is consistent with spending limits. Increases or decreases to spending limits may be made by the State Agency Fiscal Director as needed for a single transaction limit of up to ten thousand dollars (\$10,000) for a Cardholder and up to fifty thousand dollars (\$50,000) for a Central Fiscal Office P-Card. Cardholders are prohibited from splitting a single purchase between one or more P-Cards or between a Card transaction and a purchase order to circumvent the STL or CPO rules, policies or procedures. Each State Agency is required to perform a review of spending limits at least annually in order to determine if each Cardholder's spending limit is adequate and appropriate.

9.6. Dormant Cards.

Each State Agency's internal P-Card Procedures shall address how long a P-Card can remain unused before it is considered inactive. The CPO recommends that State Agencies reduce the Cycle Limit of any P-Card that has not been used within twelve (12) complete cycles to one dollar (\$1). When a P-Card has not been used for some time, the State Agency P-Card Program Coordinator should conduct a review to determine if the Cardholder still needs a P-Card. Each State Agency is responsible for the ensuring that this review is completed in accordance with its own internal P-Card policy.

10. DOCUMENTATION AND ACCOUNTING.

10.1. Documentation.

State Agencies should use Edison for Transaction reconciliation. When performing reconciliation in Edison, Cardholders must follow internal procedures for handling

documentation. Any State Agency seeking to use a manual method for Transaction reconciliation must obtain approval from the Central Procurement Office.

Regardless of the Transaction reconciliation method, Cardholders should provide invoices or receipts for all Transactions. Invoices or receipts shall include:

- The Supplier's name, location, and contact information;
- Line item details, including quantity, description, unit price, and total price; and
- A line showing that the State was not charged for sales tax.

10.2. Receipts.

- It is the Cardholder's responsibility to obtain itemized receipts and any other pertinent backup documentation. Other documentation may include shipping documents and bills of lading. This information will be used by the Agency to validate and reconcile charges.
- For online purchases that do not provide a downloadable receipt, a screen shot of the receipt information can serve as a receipt.
- In lieu of obtaining physical receipts, the Cardholder may also take a picture of the receipt with his or her mobile device and save the receipt electronically.
- If a Cardholder loses a receipt and a duplicate cannot be obtained, the Cardholder should follow his or her State Agency's internal procedures for lost receipts. Cardholders who lose receipts and resort to their Agency's internal procedures for lost receipts more than three (3) times during a fiscal year may have their P-Card privileges suspended.
- The amount on the receipt and the amount of the charge to the Cardholder's P-Card account must match. Any discrepancies in amounts should be resolved with the Supplier and an explanation regarding the resolution should be made on the receipt or other backup documentation. It is not sufficient to change the amount on the receipt only.
- The Cardholder and the Cardholder Supervisor shall document all missing receipts.
- Credits may be processed without a receipt, but the Cardholder must provide an explanation of the credit.

10.3. Reconciliation.

- Cardholders should perform reconciliation in Edison on a weekly basis.
- After completing the weekly reconciliation process, the Cardholder must forward signed and dated receipts to his or her State Agency Approver, or as detailed in the State Agency internal Procedures. This should also occur on a weekly basis.

10.4. Allocation to the Chart of Accounts.

Timely allocation of charges to the chart of accounts is essential to ensure compliance with State accounting and budgetary policies. The State Agency must ensure that all transactions are allocated to the chart of accounts before the end of the billing cycle.

11. PROHIBITED PURCHASES AND TRANSACTIONS.

11.1. Prohibited Purchases.

Cardholders are prohibited from using a physical P-Card for the following types of purchases, payments, or transactions:

- Goods or services not directly related to job responsibilities or other official State of Tennessee business, i.e., personal purchases;
- Cash withdrawals, including ATM or debit withdrawals;
- Travel expenses;
- Telephone billings;
- Political publications of any sort;
- Utility billings and connection fees;
- Payments to another State Agency;
- Rental of passenger vehicles of any kind;
- Artifacts for historical or commemorative purposes (except for the State Museum);
- An employee's moving expenses;
- Purchases of any motor vehicle fuel for any vehicle or equipment leased from the Department of General Services' Division of Motor Vehicle Management ("MVM");
- Back orders or partial shipments—goods or services must be in stock or otherwise available at the time of purchase;
- Purchases made using a P-Card or other account by someone other than the Cardholder or account holder;
- Service awards for state employees;
- Awards for private citizens;
- Honoraria expenses;
- Insurance policies;
- Gift cards or gift certificates; and
- Any goods or services related to political activity as defined under "The Little Hatch Act," Tenn. Code Ann. §§ 2-19-201 through 208;

11.2. Personal Purchases Prohibited.

As provided in Sections 3.1, 5.7 and 12.1, Cardholders are prohibited from using a P-Card for the purchase of any goods or services not directly related to job responsibilities or other official State business. Intentional use of a P-Card for any purposes other than State business will result in disciplinary action, up to and including termination from State employment or criminal prosecution. Under Tenn. Code Ann. § 39-16-402, State employees who intentionally or knowingly use a P-Card or a Virtual P-Card for personal purchases commit a Class E felony.

11.3. Split Charges Prohibited.

Tenn. Code Ann. § 12-3-503(b) and CPO Policy Number 2013-003 authorize State Agencies to make a purchase without soliciting quotes or proposals from multiple suppliers when the total value of the purchase is ten thousand dollars (\$10,000) or less.

Cardholders are prohibited by Tenn. Code Ann. § 12-3-503(b)(2) from splitting a transaction between two or more transactions on a single account, two or more transactions on multiple accounts, or two or more transactions using the P-Card and a purchase order, in order to circumvent the STL imposed on the P-Card. The STL for P-Card purchases using a physical P-Card is ten thousand dollars (\$10,000) unless a State Agency has designated a lower STL in its internal P-Card policy.

11.4. Payment of Sales and Use Tax.

Tenn. Code Ann. § 67-6-329(a) provides that all sales of services and tangible personal property made to the State of Tennessee are exempted from sales and use taxes. Cardholders should provide each supplier with an exemption certificate, as described in Section 6.4. Cardholders are responsible for ensuring that suppliers do not charge tax or provide a credit for inadvertent charges.

- If taxes are charged, the Cardholder must contact the supplier to obtain a credit to the account.
- Suppliers may only credit the State's P-Card Account and may not refund erroneously paid taxes through other means, including cash, gift cards, or store credit.
- The Cardholder is required to maintain documentation of his or her attempts to obtain credit for any Tennessee Sales and Use Tax charged to the P-Card Account in error.

12. PURCHASES RESERVED FOR THE DESIGNATED STATE AGENCY CENTRAL FISCAL OFFICE CARDHOLDER.

Only the person designated by the State Agency Fiscal Director may use his or her individual P-Card for the following purchases:

- Tuition, fees, and supplies for training individuals;
- Internet, newspaper, radio, or television advertisements;
- Subscriptions to newspapers, periodicals, newsletters, or pamphlets;
- Organization membership dues;
- Charges for meeting rooms and attendant expenses in excess of two hundred dollars (\$200) per day or for more than five (5) days;
- Convention or registration fees; and
- Association entry fees.

State Agencies may request an exception from this paragraph by submitting a P-Card exception request in the form of a memorandum signed by the Fiscal Director to the Statewide P-Card Program Administrator at p.card@tn.gov.

13. DECLARED EMERGENCIES AND NATURAL DISASTERS.

Tenn. Comp. R. & Regs. 0690-03-01-.05(5) authorizes the CPO or delegated State Agencies to forego standard procurement requirements to meet emergencies arising from unforeseen causes. If an emergency affecting the health or safety of any person occurs when CPO personnel are not available, any State Agency is authorized to contract for necessary goods or services and obtain "after the fact" emergency purchase authorization. All requests for "after the fact" emergency purchase authorization shall comply with CPO rules, policies, and procedures.

14. ENCOURAGED USE OF P-CARDS.

14.1. Statewide and Agency Term Contracts.

As provided in Section 10.4 of the CPO's *Procurement Procedures Manual*, State Agencies are required to use Statewide Contracts for procuring goods or services to the extent the needed goods or services are available on a Statewide Contract. State Agencies may not procure goods or services available on a Statewide Contract from any other source without prior approval from the Chief Procurement Officer or designee. State Agencies are encouraged to utilize P-Cards for purchasing goods or services on Agency Term Contracts and Statewide Contracts.

14.2. Utilization of Diversity Suppliers.

Cardholders are strongly encouraged to make authorized purchases from suppliers certified by the Governor's Office of Diversity Business Enterprise.

15. SURCHARGES AND CONVENIENCE FEES.

Many suppliers charge a "credit card processing fee" or "convenience fee" for accepting credit cards including the P-Card. These types of fees are strictly regulated by Visa and MasterCard.

According to Visa's "Card Acceptance and Chargeback Management Guidelines for Merchants" available on Visa's website, credit card surcharges are allowed but cannot be more than the amount the supplier's bank charges them for processing the transaction. Also, the supplier cannot charge both a surcharge and a convenience fee, explained below.

The maximum allowable surcharge is four percent (4%) and must be shown as a line item on the detailed invoice or receipt. Whenever a Supplier charges a surcharge, the following rules apply:

- The Supplier must have provided Visa and its bank at least thirty (30) days notification of their intent to impose surcharges;
- The fact that the Supplier imposes surcharges must be clearly posted on the door and at point-of-sale for physical locations and on web sites when sales are made via the internet; and
- The Supplier must inform the Cardholder or User:
 - Of the exact percent of the surcharge;
 - That the Supplier is the entity assessing the surcharge;
 - That surcharges are applicable on credit transactions only; and
 - That the surcharge is not greater than what the supplier pays to Visa.

For any Transaction where the Supplier has charged a surcharge, a Cardholder or User must obtain a copy of the acknowledgement letter sent to the Supplier by Visa authorizing the Supplier to impose a surcharge. A copy on file with the State Agency P-Card Program Coordinator will be sufficient.

STATE AGENCY P-CARD PROCEDURES MODEL

REDLINE VERSION

STATE AGENCY P-CARD PROCEDURES MODEL

Instructions: Replace or otherwise address red instructional text as indicated. The following text serves as a guide and is intended to have the flexibility to adjust to each State Agency's specific needs. Submit completed procedures in a digital file (DOC format) to: P.Card@tn.gov and copy to: COT.CPC@cot.tn.gov. If completed procedures are not submitted, the State Agency must follow the Statewide Policy and coordinate State Agency Employee roles with the Statewide P-Card Program Administration Team.

State Agency Name
State Agency Purchasing Card Procedures
Effective: Date

1. Overview.

It is the State Agency Name's policy to use the State of Tennessee's Purchasing Card for official state government purchases. The Statewide P-Card Program Administrator has authority to oversee administration of the P-Card program in State Agency Name. These State Agency Purchasing Card Procedures ("State Agency Procedures") govern aspects of the State Agency's P-Card program that are not addressed by the Statewide Policy.

2. Definitions.

"Agency Term Contract" means a State Agency contract in which a source or sources of supply are established for a specified period of time at an agreed upon unit price or prices.

"Bank" means ~~Citibank, NA~~ the entity issuing the State's P-Card, or any of its subsidiaries as the context may require.

"Cardholder" means the State Agency employee who is issued a physical P-Card to initiate payments on behalf of the State.

"Cardholder Agreement" means the document signed by the Cardholder to verify that he or she completed P-Card training, received a copy of the P-Card Policy, and understands the Policy.

"Cardholder Application" means the application completed by the Cardholder that is approved by the Cardholder Supervisor and the State Agency P-Card Program Coordinator that is required before a P-Card Account will be assigned to a Cardholder.

"Cardholder Supervisor" means the State Agency employee with supervisory authority over the Cardholder.

"Central Fiscal Office P-Card" means the P-Card assigned to a Cardholder with a Single Transaction Limit of up to fifty thousand dollars (\$50,000).

~~"CitiManager@" means the online portal that provides Cardholders, State Agency P-Card Program Coordinators, and the Statewide P-Card Program Administration Team the ability to~~

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~~view and download statement information, update and manage accounts, set limits and permissions, reset passwords, and process Cardholder requests.~~

“Central Procurement Office” or “CPO” means the State office established and empowered by Tenn. Code Ann. § 4-56-104.

“Cycle (Credit) Limit” means the spending limit that restricts the total value of purchases a Cardholder can make in one billing cycle.

“Fiscal Director” means that State Agency employee, regardless of his or her particular title, who serves as the Agency’s chief financial officer.

“Merchant Category Codes” or “MCCs” means the specific Merchant Category Code, assigned by an acquiring financial institution, that identifies the primary goods or services a ~~vendorsupplier~~ provides.

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“Online Banking Program” means the Bank’s online portal that provides Cardholders, State Agency P-Card Program Coordinators, and the Statewide P-Card Program Administration Team the ability to view and download statement information, update and manage accounts, set limits and permissions, reset passwords, and process Cardholder requests.

“P-Card Account” means the unique account number assigned to a Cardholder as determined by the Bank.

“P-Card Program” means the program established by the State and managed by the Central Procurement Office whereby Cardholders and Virtual P-Card Users make purchases on behalf of the State of Tennessee.

“Purchasing Card” or “P-Card” means a commercial card that allows organizations to take advantage of the existing credit card infrastructure to make electronic payments for goods or services. A P-Card is similar to a consumer credit card, but the card-using organization must pay the card issuer in full each month. In these State Agency Procedures, the term “Purchasing Card” or “P-Card” shall also include “Virtual Purchasing Cards” or “Virtual P-Cards” as the context requires.

“Purchasing Card Profile” means the unique profile associated with a Cardholder that contains monetary or MCC limits on the Cardholder’s ability to make purchases on behalf of the State.

“Single Transaction Limit” or “STL” means the ~~mandatory spending maximum dollar~~ limit, ~~that restricts the amount of a single purchase regardless of the Cycle Limit on the card per purchase transaction, that can be assigned to the physical P-Card. The STL is assigned per Cardholder at the discretion of the Agency Fiscal Director. Per Statewide Policy, the maximum STL that can be assigned to any individual physical P-Card is ten thousand dollars (\$10,000) without approval by the Statewide P-Card Program Administrator.~~ These State Agency Procedures establish the

STL for physical P-Cards as Number (\$ #) and up to fifty thousand dollars (\$50,000) for the designated State Agency Central Fiscal Office P-Card.

“State” means the State of Tennessee, including its departments, agencies, and entities that fall under its purview.

“State Agency” means the departments, agencies, and entities of the State of Tennessee other than units of the University of Tennessee or Board of Regents systems.

“State Agency Approver” means the State Agency Employee who approves P-Card or Virtual P-Card Transactions.

“State Agency P-Card Program Coordinator” means the employee within the State Agency who manages the P-Card Program at the State Agency level.

“State Agency Procedures” shall mean the internal procedures of the State Agency, as approved by the Central Procurement Office and the Comptroller of the Treasury, that govern issuance of a P-Card or authorization to use a Virtual P-Card and documentation, supervision, approval, or reconciliation of Transactions.

“State Agency Reconciler” means the State Agency employee responsible for all the functions associated with post-purchase processing P-Card Transactions including account allocation and providing a business purpose when required.

“Statewide Contract” means a contract for goods or services established by the Chief Procurement Officer that all State Agencies must utilize and that may be used by local governments, higher education and authorized not-for-profit entities.

“Statewide P-Card Program Administration Team” means the team within the Central Procurement Office that is responsible for overseeing the P-Card Program.

“Statewide P-Card Program Administrator” means the employee within the Central Procurement Office who is responsible for managing and overseeing the P-Card Program.

“Statewide Policy” means the Central Procurement Office’s Policy Number 2015-010, the Statewide Purchasing Card Policy and Procedures.

“Supplier” means a person or legal entity with the legal capacity to enter into contracts and sue and be sued who provides goods or services to the State through a contract or a purchase order.

“Transaction” means the purchase of goods or services through use of a P-Card or Virtual P-Card.

~~“Vendor” means a person or legal entity with the legal capacity to enter into contracts and sue and be sued who provides goods or services to the State through a contract or a purchase order.~~

“Virtual Purchasing Card” or “Virtual P-Card” means the unique credit card account number, embedded within Edison, which is assigned to a State Agency for payment of to vendors suppliers authorized to accept P-Card as the form of payment for approved Edison purchase orders with an existing relationship with the State.

“Virtual P-Card User” or “User” means the State Agency employee who has a buyer or e-procurement role in Edison, has undergone training on reconciliation, and is authorized to use a Virtual P-Card to initiate payment transactions on behalf of the State.

3. Types of Accounts.

3.1. P-Card Accounts.

P-Card accounts are those that involve the issuance of a P-Card Account to an individual Cardholder to further the official business of the State. Cardholders are limited to one active physical P-Card.

If your agency has already implemented the Virtual P-Card, please delete the [reserved] language in the Virtual P-Cards sections below.

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3.2. Virtual P-Cards. [Reserved]

Virtual P-Cards are cardless accounts that allow State Agency Name to pay for approved, Edison purchase order transactions initiated by Virtual P-Card Users. A Virtual P-Card may be used for payments to any vendorsupplier that is registered in the State’s vendorsupplier registration system whose payment method has been activated to “P-Card” in Edison. There is no STL for purchases made with a Virtual P-Card. The Bank determines the Cycle Limit for Virtual P-Cards.

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4. Records Retention Requirements.

Records Disposition Authority (RDA) SW23 applies to all P-Card documents and is available at <http://www.tnsos.net/rmd/rda/index.php>. Under RDA SW23, State Agency Name must maintain all documents related to issuance and use of P-Cards for five (5) years.

SW23 provides:

- P-Card documents may be maintained in either paper or electronic format, so long as the electronic content has been verified for completeness, accuracy, and usability; and
- At the end of the five-year period, the documents must be destroyed.

Describe your Agency’s process for maintaining and destroying P-Card documents; include whether documents will be maintained in paper format, electronic format, or both.

5. P-Card Program Roles and Responsibilities.

5.1. *State Agency P-Card Program Coordinator.*

The State Agency P-Card Program Coordinator is the main point of contact between **State Agency Name** and the Statewide P-Card Program Administration Team. **State Agency Name's** P-Card Program Coordinator's responsibilities include:

- Providing the Statewide P-Card Program Administrator written notice within one (1) business day of any changes in status of the State Agency P-Card Program Coordinator;
- Collaborating with the **State Agency Name's** [insert title of the person who serves as the Agency's Fiscal Director/Chief Financial Officer] to develop these Procedures and ensure it addresses procedures unique to **State Agency Name**;
- Working with **State Agency Name** management to determine appropriate Cardholder spending limits based on budget restrictions, job requirements, historical spending patterns, and overall procurement practices;
- Evaluating Cardholder spending limits against actual usage at least annually;
- Terminating a Cardholder's status as a Cardholder and cancelling P-Cards;
- Ensuring all P-Card transactions are verified and approved at least weekly and comply with the statewide and agency-wide reconciliation procedures for accuracy and timeliness. Agency-wide reconciliation procedures provide for timely payment and for allocation of Transactions to the general ledger at least monthly;
- Ensuring that Transactions are reconciled and supported by adequate documentation, including use of Edison or **CitiManager® Online Banking Program**, as appropriate;
- Immediately informing the Statewide P-Card Program Administrator of any misuse, abuse or fraudulent use of a P-Card; and
- Add other, non-conflicting responsibilities to reflect your Agency's needs.

5.2. *Cardholder Supervisors.*

Cardholder Supervisors must have a thorough knowledge of the Cardholders' job responsibilities in order to determine if purchases are job-related or otherwise authorized by CPO rules, policies or procedures. The Cardholder Supervisor's responsibilities include:

- Carefully reviewing all documentation to ensure that it meets the minimum requirements as set forth in the Statewide Policy before approving P-Card Transactions;
- Approving, or rejecting, or disputing all Transactions within the scheduled timeframe;
- Ensuring that all documentation is submitted according to the Statewide Policy and State Agency Procedures;
- Maintaining knowledge of the Statewide Policy and State Agency Procedures;
- Requesting reasonable spending limits in accordance with the and Statewide Policy and State Agency Procedures; **and**

- Add other, non-conflicting responsibilities to reflect your Agency's needs. Any one Agency may have several Cardholder Supervisors.

5.3. State Agency Reconciler.

The State Agency Reconciler is the **State Agency Name** employee responsible for all the functions associated with post-purchase processing of P-Card Transactions including account allocation and providing a business purpose when required. A Reconciler CANNOT make purchases using the P-Card belonging to a Cardholder for whom he or she reconciles.

5.4. State Agency Approver.

This role may be performed by the Cardholder Supervisor. Determine and describe how your Agency will address the State Agency Approver role. The information below should be moved into the appropriate section if your Agency will assign this role to Cardholder Supervisors only.

The State Agency Approver is the **State Agency Name** employee who approves purchases made by the Cardholder to which he or she is assigned. The State Agency Approver is responsible for ensuring authorized and appropriate P-Card use and correct allocation of expenditures in accordance with policies of the Department of Finance and Administration, Division of Accounts. State Agency Approvers should also review receipts where appropriate to ensure compliance with the Statewide Policy ([available online at http://www.tn.gov/generalservices/topic/education-library](http://www.tn.gov/generalservices/topic/education-library)), State Agency Procedures, and Department of Finance and Administration, Division of Accounts policies ([available online at http://www.tn.gov/finance/topic/fa-policyinfo](http://www.tn.gov/finance/topic/fa-policyinfo)). No Cardholder may approve his or her own P-Card transactions nor may he or she direct someone else to approve P-Card transactions in a manner that could violate the Statewide Policy, State Agency Procedures, or Department of Finance and Administration, Division of Accounts, policies. The State Agency Approver should not report to the Cardholder whose transactions he or she is reviewing. A State Agency Approver has the following responsibilities.

- Review Cardholder transactions to ensure that purchases made were:
 - For the use and benefit of the State;
 - Necessary for the official duties of the Agency;
 - Made in accordance with CPO policies and procedures; and
 - For goods or services actually received.
- If a State Agency Approver is in doubt about any of the above, he or she should immediately question the Cardholder and seek advice from the **State Agency Name's** P-Card Program Coordinator. Elaborate on this process as needed. Note that if the Cardholder is unavailable for questioning, the Agency P-Card Coordinator or the Statewide P-Card Administration Team may adjust the Cardholder's STL to one dollar (\$1.00).
- Review, certify, and approve P-Card Transactions in accordance with these State Agency Procedures.
- Immediately inform the Agency P-Card Program Coordinator of any misuse, abuse or fraudulent use of a P-Card.

- Notify the Agency P-Card Program Coordinator of Cardholder transfers or terminations. **Elaborate on this process as needed. Note that the Statewide Policy requires advanced notice if the State Agency Approver is aware of impending personnel actions.**

5.5. Cardholders.

Cardholders have the following duties and responsibilities as a condition for being issued a P-Card:

- Reading and becoming familiar with the Statewide Policy and State Agency Procedures;
- Attending and passing the Cardholder / Approver training course;
- Signing the Cardholder / Approver agreement;
- Being responsible for all purchases made on the P-Card;
- Adhering to the Statewide Policy, State Agency Procedures, and other applicable policies and procedures; **and**
- **Add other, non-conflicting duties and responsibilities to reflect your Agency's needs.**

Only the authorized Cardholder whose name appears on the face of the P-Card shall use the card. Neither the P-Card nor the account number that appears on the card may be given to anyone other than the **vendorsupplier** from whom the Cardholder is making a purchase. **Add other, non-conflicting information on the Cardholder's responsibility to protect the security of the P-Card as needed.**

The P-Card is for official State business use only and the purchase of personal or disallowable goods or services is strictly prohibited. Misuse of the P-Card may result in disciplinary action up to and including termination of employment and prosecution to the extent permitted by law. Cardholders will be required to reimburse the State, including sales tax, for any improper purchases.

5.6. Virtual P-Card Users. [Reserved]

A Virtual P-Card User has authority to make purchases utilizing **State Agency Name's** local purchase authority and to make purchases from a Statewide Contract or Agency Term Contract for official State business. **Describe your Agency's eligibility requirements for Users and the training Users must complete before initiating any Transactions with a Virtual P-Card. Minimum eligibility requirement: e-procurement or buyer role in Edison. Minimum training requirement: training on reconciliation procedures.**

6. P-Card Issuance and Cancellation.

State Agency Name's P-Card Program Coordinator is responsible for issuing all P-Cards within the Agency and for deactivating P-Cards as necessary.

6.1. P-Card Issuance.

The State Agency P-Card Program Coordinator shall not issue a P-Card until the prospective Cardholder completes, in the following order, the Cardholder Application, the Cardholder profile, P-Card training, and the Cardholder Agreement. The Cardholder Agreement is evidence that the Cardholder completed P-Card training and received a copy of the Statewide Policy. **Add further details on the P-Card issuance process in your Agency as needed. When creating Cardholder profiles, your Agency's P-Card Program Coordinator should ensure that a profile permits only those MCC groups that the particular Cardholder needs to meet his or her job requirements.**

6.2. P-Card Cancellation.

The State Agency P-Card Program Coordinator has authority to terminate a Cardholder's status as a Cardholder and cancel P-Cards. **Any cancelled P-Cards shall be cut down the magnetic strip. Add further information about your Agency's process for destroying cancelled P-Cards as needed.**

P-Cards shall be cancelled when any of the following occur:

- Cardholder's separation from employment for any reason;
- Cardholder's job status changes such that he or she no longer requires a P-Card;
- Cardholder reports the loss or theft of the P-Card;
- Cardholder misuses the P-Card; or
- Untimely approval of transactions. **Add details on what your Agency will consider untimely.**
- **Add other, non-conflicting grounds for cancellation as needed.**

7. P-Card Use.

7.1. P-Card Processing Cycle.

The typical cycle for P-Card use is:

- An individual Cardholder, with State Agency approved spending limits, initiates a purchase using a P-Card;
- The individual Cardholder retains an original, legible copy of the purchase's receipt for use in reconciliation;
- Transactions are typically posted in the Edison P-Card module within 24-72 hours after the purchase is made;
- The Cardholder will log into the Edison P-Card module **[insert how frequently transaction review will occur in your Agency; minimum requirement is weekly]** to review transactions and account coding and take necessary action to correct errors in the purchase details;
- The Cardholder **and/or** his or her State Agency Approver or Cardholder Supervisor confirms or disputes **Transactions posted to the card account;**

• ~~Transactions posted to the card account;~~

•

- The credit line is replenished for the amount of the Transactions;
- The Cardholder will receive a hard-copy or electronic Bank statement monthly;
- The hard-copy or electronic Bank statement and original receipts will be sent to the State Agency Reconciler for final reconciliation;
- The State Agency Reconciler will reconcile all Transactions by [specify your Agency's reconciliation process, including how frequently reconciliation will occur; under section 9.3 of the Statewide Policy, reconciliation be completed in Edison unless the CPO approves an alternate method]; and
- The State Agency Reconciler prepares all documentation for retention by [specify your Agency's record retention process; refer to section 4 for record retention requirements].

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7.2. *Purchasing Rules.*

The P-Card is a mechanism for making purchases. Existing State laws governing procurement, accounts payable, records retention, and other applicable laws must still be followed. All procurement rules of the CPO apply when using the P-Card.

7.3. *Credits.*

If a Cardholder returns merchandise, a credit should be issued to the Cardholder's P-Card and a credit receipt obtained. Under no circumstances should a Cardholder receive cash or a credit voucher. The Cardholder or State Agency Approver or Cardholder Supervisor is responsible for reviewing the Online Banking Program CitiManager® to ensure that credits are received and, if not, file the appropriate paperwork for disputed items. Cardholders should avoid Vendor/Suppliers with restrictive merchandise return policies.

7.4. *Disputing Transactions.*

If there is a problem with a Transaction, the Cardholder must first attempt to reach a resolution directly with the Vendor/Supplier. In most cases, disputes can be resolved between the Cardholder and the Vendor/Supplier. The Vendor/Supplier will usually issue a credit.

The Cardholder should document all attempts to resolve a problematic Transaction. If the disputed Transaction involves a reservation or order that has been cancelled, the Cardholder is responsible for obtaining a cancellation number. If efforts to resolve the problem with the Vendor/Supplier are unsuccessful or if a credit does not appear in the Online Banking Program CitiManager®, the Cardholder should file the appropriate dispute paperwork with the Bank and contact State Agency Name's P-Card Program Coordinator.

If a Citibank Bank Statement contains a Transaction that needs to be disputed, the Cardholder should contact the Bank's Citibank Customer Service at 1-800-248-4553, Option #0 to initiate the dispute process, and contact State Agency Name's P-Card

Program Coordinator to ensure the disputed transaction has been documented. If the dispute cannot be resolved between the Cardholder and the Bank, the Cardholder shall immediately notify the **State Agency Name's** P-Card Program Coordinator and **[describe your Agency's process for disputing a transaction under these circumstances]**.

7.5. Declined Purchase Transactions.

On occasion, a Cardholder's purchase transaction may be declined. Cardholders should ~~contact Citibank~~ **the Bank's** Customer Service ~~at 1-800-248-4553, option #0~~ to determine the reason ~~for the decline before contacting State Agency Name's~~ P-Card Program Coordinator for assistance.

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7.6. Lost or Stolen P-Cards.

If a P-Card is lost, stolen, or the card information has been compromised, the Cardholder must immediately contact ~~Citibank~~ **the Bank's Customer Service at 1-800-248-4553**. ~~The Bank~~ **Citibank** may will request the following information:

- Cardholder's name
- P-Card account number
- Last four digits of the Cardholder's SSN
- Circumstances surrounding loss or theft of the card
- Any purchase(s) made prior to the card being lost or stolen

Upon notifying ~~the Bank~~ **Citibank** of a lost, stolen, or compromised P-Card, outstanding authorizations will be confirmed and further use of the P-Card will be blocked by ~~Citibank~~ **the Bank**. Neither the State nor the Cardholder will be responsible for fraudulent charges made to a promptly reported lost or stolen card.

7.7. Cardholder Transfer or Separation from Employment.

If a Cardholder's separation from employment or transfer to another State position is planned, P-Card use shall be discontinued prior to Cardholder's separation from employment or transfer to allow sufficient time for submission of receipts and processing of outstanding charges before the Cardholder leaves or transfers. In the event of unplanned separation from employment, the Cardholder's P-Card shall immediately be deactivated and the Cardholder shall discontinue P-Card use upon separation from employment.

8. Internal Controls.

A strong system of internal controls is essential for detection and deterrence of fraud, misuse, or abuse of the P-Card. Internal controls include policies, procedures, training, spending limits, Merchant Category Code restrictions, prompt reconciliation, and prompt account distribution.

Your State Agency must establish an internal control structure that ensures compliance with the State's procurement laws, CPO rules, policies and procedures, the Statewide Policy, and the

terms and conditions of P-Card established by the Bank. In the event that your Agency's P-Card Coordinator is also a Cardholder, the internal control structure shall include independent review of the Coordinator's P-Card Account activity at least monthly. The State Agency employee who serves as the Agency's ~~chief financial officer~~ Fiscal Director is responsible for developing and reviewing the State Agency Procedures and ensuring that sound accounting practices and internal controls are in place and enforced.

8.1. Annual Review of *State Agency Name's* P-Card Program.

The Statewide Policy requires each State Agency to have an independent review of the Agency's P-Card program each year. Describe how this annual, internal, independent review will occur in your Agency, including who will perform the review (State Agency's P-Card Coordinator, State Agency's internal audit unit, or other business unit assigned State Agency audit responsibilities) and what the review will consist of. At minimum, the review shall evaluate the adequacy of the State Agency P-Card program's: (a) State Agency Procedures; (b) Cardholder spending limits; (c) monthly reconciliation procedures; and (d) documentation for Transactions. Include results of the review in your Agency's annual risk assessment.

8.2. ~~Cardholder Spending Limits and P-Card Use.~~

~~The State Agency Name employee who serves as the Agency's chief financial officer may establish a Single Transaction Limit (STL) of up to the ten thousand dollar (\$10,000) maximum for Cardholders as he or she determines appropriate taking into account the State Agency's overall needs. State Agency Name's P-Card Program Coordinator will review Cardholder spending limits [insert frequency of review; minimum is annually] to determine if actual usage is consistent with spending limits. Cardholders are prohibited from splitting a single purchase between one or more P-Cards or between a Card transaction and a purchase order to circumvent the STL or CPO rules, policies or procedures.~~

If your State Agency has a designated State Agency Central Fiscal Office P-Card then the protocol for establishing the card needs to be addressed either in your procedures or as an addendum to your procedures. If included in the procedures, modify section 8.2. Cardholder Spending Limits and P-Card use below to address your agency's protocol for establishing a designated State Agency Central Fiscal Office P-Card and any alternate Central Fiscal Office P-Cards, including which Central Fiscal Office P-Card is primary and which is alternate.

8.2. Cardholder Spending Limits and P-Card Use.

The State Agency Name employee who serves as the Agency's Fiscal Director may establish a Single Transaction Limit (STL) of up to the ten thousand dollars (\$10,000) maximum for Cardholders as he or she determines appropriate taking into account the State Agency's overall needs.

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The State Agency Name employee who serves as the Agency's Fiscal Director may also establish a Single Transaction Limit (STL) of up to the fifty thousand dollars (\$50,000) maximum for Central Fiscal Office P-Cards as he or she determines appropriate taking into account the State Agency's overall needs.

Add details related to the protocol for establishing a designated State Agency Central Fiscal Office P-Card and any alternate Central Fiscal Office P-Cards, including which is primary and which are alternates. Include any circumstances (e.g., unavailability of the primary Central Fiscal Office P-Card) under which an alternate Central Fiscal Office P-Card may be used.

State Agency Name's P-Card Program Coordinator will review Cardholder spending limits [insert frequency of review; minimum is annually] to determine if actual usage is consistent with spending limits. Cardholders are prohibited from splitting a single purchase between one or more P-Cards or between a Card transaction and a purchase order to circumvent the STL or CPO rules, policies or procedures.

8.3. Dormant Cards.

When a P-Card has not been used for length of time, it will be considered inactive. Describe how your Agency will respond when a P-Card is deemed inactive. The CPO recommends reducing the Cycle Limit of any P-Card that has not been used within twelve (12) complete cycles to one dollar (\$1). When a P-Card has not been used for length of time, State Agency Name's P-Card Program Coordinator will conduct a review to determine if the Cardholder still needs a P-Card. Add further details about the review of dormant cards as needed.

9. Documentation, Reconciliation, and Accounting.

9.1. Documentation

Describe your Agency's procedures for documentation of Transactions. At minimum, your procedures shall require Cardholders to provide invoices or receipts (either electronic or hard copy format) for all Transactions. Invoices or receipts shall include: (a) the ~~Vendor~~Supplier's name, location, and contact information; (b) line item details, including quantity, description, unit price, and total price; and (c) a line showing the State was not charged for sales tax. If your Agency decides to use logs as a form of documentation, specify procedures for maintaining logs. Include procedures for lost receipts and describe any consequences if a Cardholder loses receipts more than three (3) times during a fiscal year. Consult section 10.2 of the Statewide Policy for further guidance receipts.

9.2. Reconciliation.

Reconciliation of Transactions is performed in Edison. Note that reconciliation cannot be performed manually unless your Agency has obtained approval from the CPO. Cardholders will reconcile Transactions [insert frequency; minimum requirements under the Statewide Policy: weekly]. Add further, non-conflicting information about reconciliation to reflect your Agency's needs.

9.3. Allocation to the General Ledger Chart of Accounts.

Describe your Agency's procedures for allocation of charges to the general ledger chart of accounts. The procedures must ensure: (a) compliance with State accounting and budgetary policies; _____ and (b) all Transactions are allocated to the general ledger chart of accounts before the end of the monthly _____ reconciliation cycle.

10. Prohibited Purchases and Transactions.

10.1. Prohibited Purchases.

Cardholders are prohibited from using a physical P-Card for the following types of purchases, payments, or transactions:

- Goods or services not directly related to job responsibilities or other official State of Tennessee business, i.e., personal purchases;
- Cash withdrawals, including ATM or debit withdrawals;
- Travel expenses;
- Telephone billings;
- Political publications of any sort;
- Utility billings and connection fees;
- Rental of passenger vehicles of any kind;
- Artifacts for historical or commemorative purposes (except for the State Museum);
- An employee's moving expenses;
- Purchases of any motor vehicle fuel for any vehicle of equipment leased from the Department of General Services' Division of Motor Vehicle Management ("MVM");
- Back orders or partial shipments—goods or services must be in stock or otherwise available at the time of purchase;
- Purchases made using a P-Card or other account by someone other than the Cardholder or account holder;
- Service awards for state employees;
- Awards for private citizens;
- Honoraria expenses;
- Insurance policies;
- Gift cards or gift certificates; and

- Any goods or services related to political activity as defined under “The Little Hatch Act,” Tenn. Code Ann. §§ 2-19-201 through 208.

As provided above, Cardholders are prohibited from using a P-Card for the purchase of any goods or services not directly related to job responsibilities or other official State business. Intentional use of a P-Card for any purposes other than State business will result in disciplinary action, up to and including termination from State employment or criminal prosecution.

10.2. Split Purchases Prohibited.

Tenn. Code Ann. § 12-3-503(b) and CPO Policy Number 2013-003 authorize State Agencies to make a purchase without soliciting quotes or proposals from multiple ~~Vendor~~Suppliers when the total value of the purchase is ten thousand dollars (\$10,000) or less. Cardholders are prohibited by Tenn. Code Ann. § 12-3-503(b)(2) from splitting a transaction between two or more transactions on a single account, two or more transactions on multiple accounts, or two or more transactions using the P-Card and a purchase order, in order to circumvent the STL imposed on the P-Card. **The STL for P-Card purchases using a physical P-Card is ten thousand dollars (\$10,000), unless your State Agency designates a lower STL in its State Agency Procedures, and up to fifty thousand dollars (\$50,000) for a Central Fiscal Office P-Card.**

10.3. Payment of Sales and Use Tax.

Under Tenn. Code Ann. § 67-6-329(a), purchases made in Tennessee and for the use and benefit of the State of Tennessee are exempt from Tennessee sales tax. Cardholders should obtain an exemption certificate from the Department of Revenue website and present it to each ~~Vendor~~Supplier. Purchases made in other states may be subject to that state’s sales tax. The Cardholder must be diligent when dealing with the ~~Vendor~~Supplier regarding taxes.

- If the ~~Vendor~~Supplier cannot deduct the sales tax because of pre-set controls within its computer systems or will not honor the exemption, the Cardholder may continue with the purchase but must note the refusal on the receipt or invoice.
- In the event a Cardholder is inappropriately charged for sales tax, he or she shall seek a credit refund of any sales taxes to the P-Card account. ~~Vendor~~Suppliers may only credit the State’s P-Card Account and may not refund erroneously paid taxes through other means, including cash, gift cards, or store credit.
- The Cardholder is required to maintain documentation of his or her attempts to obtain credit for any Tennessee Sales and Use Tax charged to the P-Card Account in error. **Add further, non-conflicting information about documentation of attempts to obtain credit as needed.**

11. Purchases Reserved for the Designated State Agency Name Central Fiscal Office Cardholder

Only the person(s) designated by State Agency Name’s [title of Agency employee who serves as

the Agency's ~~chief financial officer~~ Fiscal Director and or budget director or officer as Central Fiscal P-Cardholders may use his or her individual P-Card for the following types of purchases:

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- Tuition, fees, and supplies for training individuals;
- Internet, newspaper, radio, or television advertisements;
- Subscriptions to newspapers, periodicals, newsletters, or pamphlets;
- Organization membership dues;
- Charges for meeting rooms and attendant expenses in excess of two hundred dollars (\$200) per day or for more than five (5) days;
- Convention or registration fees; and
- Association entry fees.

12. **Surcharges and Convenience Fees.**

Many ~~vendors~~ suppliers charge a "credit card processing fee" or "convenience fee" for accepting credit cards including the P-Card. These types of fees are strictly regulated by Visa and MasterCard.

According to Visa's "Card Acceptance and Chargeback Management Guidelines for Merchants" available on Visa's website, credit card surcharges are allowed but cannot be more than the amount the ~~vendors~~ supplier's bank charges them for processing the transaction. Also, the ~~vendors~~ supplier cannot charge both a surcharge and a convenience fee, explained below.

The maximum allowable Visa-mandated surcharge is four percent (4%) and must be shown as a line item on the detailed invoice or receipt. Whenever a ~~Vendor~~ Supplier charges a surcharge, the following rules apply:

- The ~~Vendor~~ Supplier must have provided Visa and its bank at least thirty (30) days notification of their intent to impose surcharges;
- The fact that the ~~Vendor~~ Supplier imposes surcharges must be clearly posted on the door and at point-of-sale for physical locations and on web sites when sales are made via the internet; and
- The ~~Vendor~~ Supplier must inform the Cardholder or User:
 - Of the exact percent of the surcharge;
 - That the ~~Vendor~~ Supplier is the entity assessing the surcharge;
 - That surcharges are applicable on credit transactions only; and
 - That the surcharge is not greater than what the ~~vendors~~ supplier pays to Visa.

For any Transaction where the ~~Vendor~~ Supplier has charged a surcharge, a Cardholder or User must obtain a copy of the acknowledgement letter sent to the ~~Vendor~~ Supplier by Visa authorizing the ~~Vendor~~ Supplier to impose a surcharge. A copy on file with the State Agency Name's P-Card Program Coordinator will be sufficient.

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STATE AGENCY P-CARD PROCEDURES MODEL

CLEAN VERSION

STATE AGENCY P-CARD PROCEDURES MODEL

Instructions: Replace or otherwise address red instructional text as indicated. The following text serves as a guide and is intended to have the flexibility to adjust to each State Agency's specific needs. Submit completed procedures in a digital file (DOC format) to: P.Card@tn.gov and copy to: COT.CPC@cot.tn.gov. If completed procedures are not submitted, the State Agency must follow the Statewide Policy and coordinate State Agency Employee roles with the Statewide P-Card Program Administration Team.

State Agency Name

State Agency Purchasing Card Procedures

Effective: Date

1. Overview.

It is the State Agency Name's policy to use the State of Tennessee's Purchasing Card for official state government purchases. The Statewide P-Card Program Administrator has authority to oversee administration of the P-Card program in State Agency Name. These State Agency Purchasing Card Procedures ("State Agency Procedures") govern aspects of the State Agency's P-Card program that are not addressed by the Statewide Policy.

2. Definitions.

"Agency Term Contract" means a State Agency contract in which a source or sources of supply are established for a specified period of time at an agreed upon unit price or prices.

"Bank" means the entity issuing the State's P-Card, or any of its subsidiaries as the context may require.

"Cardholder" means the State Agency employee who is issued a physical P-Card to initiate payments on behalf of the State.

"Cardholder Agreement" means the document signed by the Cardholder to verify that he or she completed P-Card training, received a copy of the P-Card Policy, and understands the Policy.

"Cardholder Application" means the application completed by the Cardholder that is approved by the Cardholder Supervisor and the State Agency P-Card Program Coordinator that is required before a P-Card Account will be assigned to a Cardholder.

"Cardholder Supervisor" means the State Agency employee with supervisory authority over the Cardholder.

"Central Fiscal Office P-Card" means the P-Card assigned to a Cardholder with a Single Transaction Limit of up to fifty thousand dollars (\$50,000).

"Central Procurement Office" or "CPO" means the State office established and empowered by Tenn. Code Ann. § 4-56-104.

“Cycle (Credit) Limit” means the spending limit that restricts the total value of purchases a Cardholder can make in one billing cycle.

“Fiscal Director” means that State Agency employee, regardless of his or her particular title, who serves as the Agency’s chief financial officer.

“Merchant Category Codes” or “MCCs” means the specific Merchant Category Code, assigned by an acquiring financial institution, that identifies the primary goods or services a supplier provides.

“Online Banking Program” means the Bank’s online portal that provides Cardholders, State Agency P-Card Program Coordinators, and the Statewide P-Card Program Administration Team the ability to view and download statement information, update and manage accounts, set limits and permissions, reset passwords, and process Cardholder requests.

“P-Card Account” means the unique account number assigned to a Cardholder as determined by the Bank.

“P-Card Program” means the program established by the State and managed by the Central Procurement Office whereby Cardholders and Virtual P-Card Users make purchases on behalf of the State of Tennessee.

“Purchasing Card” or “P-Card” means a commercial card that allows organizations to take advantage of the existing credit card infrastructure to make electronic payments for goods or services. A P-Card is similar to a consumer credit card, but the card-using organization must pay the card issuer in full each month. In these State Agency Procedures, the term “Purchasing Card” or “P-Card” shall also include “Virtual Purchasing Cards” or “Virtual P-Cards” as the context requires.

“Purchasing Card Profile” means the unique profile associated with a Cardholder that contains monetary or MCC limits on the Cardholder’s ability to make purchases on behalf of the State.

“Single Transaction Limit” or “STL” means the maximum dollar limit, per purchase transaction, that can be assigned to the physical P-Card. The STL is assigned per Cardholder at the discretion of the Agency Fiscal Director. Per Statewide Policy, the maximum STL that can be assigned to any individual physical P-Card is ten thousand dollars (\$10,000) without approval by the Statewide P-Card Program Administrator. These State Agency Procedures establish the STL for physical P-Cards as **Number** (\$ #) and up to fifty thousand dollars (\$50,000) for the designated State Agency Central Fiscal Office P-Card.

“State” means the State of Tennessee, including its departments, agencies, and entities that fall under its purview.

“State Agency” means the departments, agencies, and entities of the State of Tennessee other than units of the University of Tennessee or Board of Regents systems.

“State Agency Approver” means the State Agency Employee who approves P-Card or Virtual P-Card Transactions.

“State Agency P-Card Program Coordinator” means the employee within the State Agency who manages the P-Card Program at the State Agency level.

“State Agency Procedures” shall mean the internal procedures of the State Agency, as approved by the Central Procurement Office and the Comptroller of the Treasury, that govern issuance of a P-Card or authorization to use a Virtual P-Card and documentation, supervision, approval, or reconciliation of Transactions.

“State Agency Reconciler” means the State Agency employee responsible for all the functions associated with post-purchase processing P-Card Transactions including account allocation and providing a business purpose when required.

“Statewide Contract” means a contract for goods or services established by the Chief Procurement Officer that all State Agencies must utilize and that may be used by local governments, higher education and authorized not-for-profit entities.

“Statewide P-Card Program Administration Team” means the team within the Central Procurement Office that is responsible for overseeing the P-Card Program.

“Statewide P-Card Program Administrator” means the employee within the Central Procurement Office who is responsible for managing and overseeing the P-Card Program.

“Statewide Policy” means the Central Procurement Office’s Policy Number 2015-010, the Statewide Purchasing Card Policy and Procedures.

“Supplier” means a person or legal entity with the legal capacity to enter into contracts and sue and be sued who provides goods or services to the State through a contract or a purchase order.

“Transaction” means the purchase of goods or services through use of a P-Card or Virtual P-Card.

“Virtual Purchasing Card” or “Virtual P-Card” means the unique credit card account number, embedded within Edison, which is assigned to a State Agency for payment to suppliers authorized to accept P-Card as the form of payment for approved Edison purchase orders.

“Virtual P-Card User” or “User” means the State Agency employee who has a buyer or e-procurement role in Edison, has undergone training on reconciliation, and is authorized to use a Virtual P-Card to initiate payment transactions on behalf of the State.

3. Types of Accounts.

3.1. P-Card Accounts.

P-Card accounts are those that involve the issuance of a P-Card Account to an individual Cardholder to further the official business of the State. Cardholders are limited to one active physical P-Card.

If your agency has already implemented the Virtual P-Card, please delete the [reserved] language in the Virtual P-Cards sections below.

3.2. Virtual P-Cards. [Reserved]

Virtual P-Cards are cardless accounts that allow **State Agency Name** to pay for approved, Edison purchase order transactions initiated by Virtual P-Card Users. A Virtual P-Card may be used for payments to any supplier that is registered in the State's supplier registration system whose payment method has been activated to "P-Card" in Edison. There is no STL for purchases made with a Virtual P-Card. The Bank determines the Cycle Limit for Virtual P-Cards.

4. Records Retention Requirements.

Records Disposition Authority (RDA) SW23 applies to all P-Card documents and is available at <http://www.tnsos.net/rmd/rda/index.php>. Under RDA SW23, **State Agency Name** must maintain all documents related to issuance and use of P-Cards for five (5) years.

SW23 provides:

- P-Card documents may be maintained in either paper or electronic format, so long as the electronic content has been verified for completeness, accuracy, and usability; and
- At the end of the five-year period, the documents must be destroyed.

Describe your Agency's process for maintaining and destroying P-Card documents; include whether documents will be maintained in paper format, electronic format, or both.

5. P-Card Program Roles and Responsibilities.

5.1. State Agency P-Card Program Coordinator.

The State Agency P-Card Program Coordinator is the main point of contact between **State Agency Name** and the Statewide P-Card Program Administration Team. **State Agency Name's** P-Card Program Coordinator's responsibilities include:

- Providing the Statewide P-Card Program Administrator written notice within one (1) business day of any changes in status of the State Agency P-Card Program Coordinator;

- Collaborating with the **State Agency Name**'s [insert title of the person who serves as the Agency's Fiscal Director] to develop these Procedures and ensure it addresses procedures unique to **State Agency Name**;
- Working with **State Agency Name** management to determine appropriate Cardholder spending limits based on budget restrictions, job requirements, historical spending patterns, and overall procurement practices;
- Evaluating Cardholder spending limits against actual usage at least annually;
- Terminating a Cardholder's status as a Cardholder and cancelling P-Cards;
- Ensuring all P-Card transactions are verified and approved at least weekly and comply with the statewide and agency-wide reconciliation procedures for accuracy and timeliness. ;
- Ensuring that Transactions are reconciled and supported by adequate documentation, including use of Edison or Online Banking Program, as appropriate;
- Immediately informing the Statewide P-Card Program Administrator of any misuse, abuse or fraudulent use of a P-Card; and
- **Add other, non-conflicting responsibilities to reflect your Agency's needs.**

5.2. *Cardholder Supervisors.*

Cardholder Supervisors must have a thorough knowledge of the Cardholders' job responsibilities in order to determine if purchases are job-related or otherwise authorized by CPO rules, policies or procedures. The Cardholder Supervisor's responsibilities include:

- Carefully reviewing all documentation to ensure that it meets the minimum requirements as set forth in the Statewide Policy before approving P-Card Transactions;
- Approving or rejecting all Transactions within the scheduled timeframe;
- Ensuring that all documentation is submitted according to the Statewide Policy and State Agency Procedures;
- Maintaining knowledge of the Statewide Policy and State Agency Procedures;
- Requesting reasonable spending limits in accordance with the and Statewide Policy and State Agency Procedures; **and**
- **Add other, non-conflicting responsibilities to reflect your Agency's needs.**

Any one Agency may have several Cardholder Supervisors.

5.3. *State Agency Reconciler.*

The State Agency Reconciler is the **State Agency Name** employee responsible for all the functions associated with post-purchase processing of P-Card Transactions including account allocation and providing a business purpose when required. A Reconciler CANNOT make purchases using the P-Card belonging to a Cardholder for whom he or she reconciles.

5.4. *State Agency Approver.*

This role may be performed by the Cardholder Supervisor. Determine and describe how your Agency will address the State Agency Approver role. The information below should be moved into the appropriate section if your Agency will assign this role to Cardholder Supervisors only.

The State Agency Approver is the **State Agency Name** employee who approves purchases made by the Cardholder to which he or she is assigned. The State Agency Approver is responsible for ensuring authorized and appropriate P-Card use and correct allocation of expenditures in accordance with policies of the Department of Finance and Administration, Division of Accounts. State Agency Approvers should also review receipts where appropriate to ensure compliance with the Statewide Policy (available online at <http://www.tn.gov/generalservices/topic/education-library>), State Agency Procedures, and Department of Finance and Administration, Division of Accounts policies (available online at <http://www.tn.gov/finance/topic/fa-policyinfo>). No Cardholder may approve his or her own P-Card transactions nor may he or she direct someone else to approve P-Card transactions in a manner that could violate the Statewide Policy, State Agency Procedures, or Department of Finance and Administration, Division of Accounts, policies. The State Agency Approver should not report to the Cardholder whose transactions he or she is reviewing. A State Agency Approver has the following responsibilities.

- Review Cardholder transactions to ensure that purchases made were:
 - For the use and benefit of the State;
 - Necessary for the official duties of the Agency;
 - Made in accordance with CPO policies and procedures; and
 - For goods or services actually received.
- If a State Agency Approver is in doubt about any of the above, he or she should immediately question the Cardholder and seek advice from the **State Agency Name's** P-Card Program Coordinator. **Elaborate on this process as needed. Note that if the Cardholder is unavailable for questioning, the Agency P-Card Coordinator or the Statewide P-Card Administration Team may adjust the Cardholder's STL to one dollar (\$1.00).**
- Review, certify, and approve P-Card Transactions in accordance with these State Agency Procedures.
- Immediately inform the Agency P-Card Program Coordinator of any misuse, abuse or fraudulent use of a P-Card.
- Notify the Agency P-Card Program Coordinator of Cardholder transfers or terminations. **Elaborate on this process as needed. Note that the Statewide Policy requires advanced notice if the State Agency Approver is aware of impending personnel actions.**

5.5. Cardholders.

Cardholders have the following duties and responsibilities as a condition for being issued a P-Card:

- Reading and becoming familiar with the Statewide Policy and State Agency Procedures;
- Attending and passing the Cardholder / Approver training course;
- Signing the Cardholder / Approver agreement;

- Being responsible for all purchases made on the P-Card;
- Adhering to the Statewide Policy, State Agency Procedures, and other applicable policies and procedures; and
- Add other, non-conflicting duties and responsibilities to reflect your Agency's needs.

Only the authorized Cardholder whose name appears on the face of the P-Card shall use the card. Neither the P-Card nor the account number that appears on the card may be given to anyone other than the supplier from whom the Cardholder is making a purchase. Add other, non-conflicting information on the Cardholder's responsibility to protect the security of the P-Card as needed.

The P-Card is for official State business use only and the purchase of personal or disallowable goods or services is strictly prohibited. Misuse of the P-Card may result in disciplinary action up to and including termination of employment and prosecution to the extent permitted by law. Cardholders will be required to reimburse the State, including sales tax, for any improper purchases.

5.6. Virtual P-Card Users. [Reserved]

A Virtual P-Card User has authority to make purchases utilizing State Agency Name's local purchase authority and to make purchases from a Statewide Contract or Agency Term Contract for official State business. Describe your Agency's eligibility requirements for Users and the training Users must complete before initiating any Transactions with a Virtual P-Card. Minimum eligibility requirement: e-procurement or buyer role in Edison. Minimum training requirement: training on reconciliation procedures.

6. P-Card Issuance and Cancellation.

State Agency Name's P-Card Program Coordinator is responsible for issuing all P-Cards within the Agency and for deactivating P-Cards as necessary.

6.1. P-Card Issuance.

The State Agency P-Card Program Coordinator shall not issue a P-Card until the prospective Cardholder completes, in the following order, the Cardholder Application, the Cardholder profile, P-Card training, and the Cardholder Agreement. The Cardholder Agreement is evidence that the Cardholder completed P-Card training and received a copy of the Statewide Policy. Add further details on the P-Card issuance process in your Agency as needed. When creating Cardholder profiles, your Agency's P-Card Program Coordinator should ensure that a profile permits only those MCC groups that the particular Cardholder needs to meet his or her job requirements.

6.2. P-Card Cancellation.

The State Agency P-Card Program Coordinator has authority to terminate a Cardholder's status as a Cardholder and cancel P-Cards. . Add further information about your Agency's process for destroying cancelled P-Cards as needed.

P-Cards shall be cancelled when any of the following occur:

- Cardholder's separation from employment for any reason;
- Cardholder's job status changes such that he or she no longer requires a P-Card;
- Cardholder reports the loss or theft of the P-Card;
- Cardholder misuses the P-Card; or
- Untimely approval of transactions. Add details on what your Agency will consider untimely.
- Add other, non-conflicting grounds for cancellation as needed.

7. P-Card Use.

7.1. P-Card Processing Cycle.

The typical cycle for P-Card use is:

- An individual Cardholder , with State Agency approved spending limits, initiates a purchase using a P-Card;
- The individual Cardholder retains an original, legible copy of the purchase's receipt for use in reconciliation;
- Transactions are typically posted in the Edison P-Card module within 24-72 hours after the purchase is made;
- The Cardholder will log into the Edison P-Card module [insert how frequently transaction review will occur in your Agency; minimum requirement is weekly] to review transactions and account coding and take necessary action to correct errors in the purchase details;
- The Cardholder or his or her State Agency Approver or Cardholder Supervisor confirms or disputes Transactions posted to the card account;
-
- The credit line is replenished for the amount of the Transactions;
- The Cardholder will receive a hard-copy or electronic Bank statement monthly;
- The hard-copy or electronic Bank statement and original receipts will be sent to the State Agency Reconciler for final reconciliation;
- The State Agency Reconciler will reconcile all Transactions by [specify your Agency's reconciliation process, including how frequently reconciliation will occur; under section 9.3 of the Statewide Policy, reconciliation be completed in Edison unless the CPO approves an alternate method]; and
- The State Agency Reconciler prepares all documentation for retention by [specify your Agency's record retention process; refer to section 4 for record retention requirements].

7.2. Purchasing Rules.

The P-Card is a mechanism for making purchases. Existing State laws governing procurement, accounts payable, records retention, and other applicable laws must still be followed. All procurement rules of the CPO apply when using the P-Card.

7.3. Credits.

If a Cardholder returns merchandise, a credit should be issued to the Cardholder's P-Card and a credit receipt obtained. Under no circumstances should a Cardholder receive cash or a credit voucher. The Cardholder or **State Agency Approver or Cardholder Supervisor** is responsible for reviewing the Online Banking Program to ensure that credits are received and, if not, file the appropriate paperwork for disputed items. Cardholders should avoid Suppliers with restrictive merchandise return policies.

7.4. Disputing Transactions.

If there is a problem with a Transaction, the Cardholder must first attempt to reach a resolution directly with the Supplier. In most cases, disputes can be resolved between the Cardholder and the Supplier. The Supplier will usually issue a credit.

The Cardholder should document all attempts to resolve a problematic Transaction. If the disputed Transaction involves a reservation or order that has been cancelled, the Cardholder is responsible for obtaining a cancellation number. If efforts to resolve the problem with the Supplier are unsuccessful or if a credit does not appear in the Online Banking Program, the Cardholder should file the appropriate dispute paperwork with the Bank and contact **State Agency Name's** P-Card Program Coordinator.

If a Bank Statement contains a Transaction that needs to be disputed, the Cardholder should contact the Bank's Customer Service to initiate the dispute process, and contact **State Agency Name's** P-Card Program Coordinator to ensure the disputed transaction has been documented. If the dispute cannot be resolved between the Cardholder and the Bank, the Cardholder shall immediately notify the **State Agency Name's** P-Card Program Coordinator and **[describe your Agency's process for disputing a transaction under these circumstances]**.

7.5. Declined Purchase Transactions.

On occasion, a Cardholder's purchase transaction may be declined. Cardholders should contact the Bank's Customer Service to determine the reason for the decline before contacting **State Agency Name's** P-Card Program Coordinator for assistance.

7.6. Lost or Stolen P-Cards.

If a P-Card is lost, stolen, or the card information has been compromised, the Cardholder must immediately contact the Bank's **Customer Service**. The Bank may request the following information:

Cardholder's name
P-Card account number
Last four digits of the Cardholder's SSN
Circumstances surrounding loss or theft of the card
Any purchase(s) made prior to the card being lost or stolen

Upon notifying the Bank of a lost, stolen, or compromised P-Card, outstanding authorizations will be confirmed and further use of the P-Card will be blocked by the Bank. Neither the State nor the Cardholder will be responsible for fraudulent charges made to a promptly reported lost or stolen card.

7.7. *Cardholder Transfer or Separation from Employment.*

If a Cardholder's separation from employment or transfer to another State position is planned, P-Card use shall be discontinued prior to Cardholder's separation from employment or transfer to allow sufficient time for submission of receipts and processing of outstanding charges before the Cardholder leaves or transfers. In the event of unplanned separation from employment, the Cardholder's P-Card shall immediately be deactivated and the Cardholder shall discontinue P-Card use upon separation from employment.

8. *Internal Controls.*

A strong system of internal controls is essential for detection and deterrence of fraud, misuse, or abuse of the P-Card. Internal controls include policies, procedures, training, spending limits, Merchant Category Code restrictions, prompt reconciliation, and prompt account distribution.

Your State Agency must establish an internal control structure that ensures compliance with the State's procurement laws, CPO rules, policies and procedures, the Statewide Policy, and the terms and conditions of P-Card established by the Bank. In the event that your Agency's P-Card Coordinator is also a Cardholder, the internal control structure shall include independent review of the Coordinator's P-Card Account activity at least monthly. The State Agency employee who serves as the Agency's Fiscal Director is responsible for developing and reviewing the State Agency Procedures and ensuring that sound accounting practices and internal controls are in place and enforced.

8.1. *Annual Review of State Agency Name's P-Card Program.*

The Statewide Policy requires each State Agency to have an independent review of the Agency's P-Card program each year. Describe how this annual, internal, independent review will occur in your Agency, including who will perform the review (State Agency's P-Card Coordinator, State Agency's internal audit unit, or other business unit assigned State Agency audit responsibilities) and what the review will consist of. At minimum, the review shall evaluate the adequacy of the State Agency P-Card program's: (a) State Agency Procedures; (b) Cardholder spending limits; (c) monthly reconciliation

procedures; and (d) documentation for Transactions. Include results of the review in your Agency's annual risk assessment.

If your State Agency has a designated State Agency Central Fiscal Office P-Card then the protocol for establishing the card needs to be addressed either in your procedures or as an addendum to your procedures. If included in the procedures, modify section 8.2. Cardholder Spending Limits and P-Card use below to address your agency's protocol for establishing a designated State Agency Central Fiscal Office P-Card and any alternate Central Fiscal Office P-Cards, including which Central Fiscal Office P-Card is primary and which is alternate.

8.2. Cardholder Spending Limits and P-Card Use.

The **State Agency Name** employee who serves as the Agency's Fiscal Director may establish a Single Transaction Limit (STL) of up to the ten thousand dollars (\$10,000) maximum for Cardholders as he or she determines appropriate taking into account the State Agency's overall needs.

The **State Agency Name** employee who serves as the Agency's Fiscal Director may also establish a Single Transaction Limit (STL) of up to the fifty thousand dollars (\$50,000) maximum for Central Fiscal Office P-Cards as he or she determines appropriate taking into account the State Agency's overall needs.

Add details related to the protocol for establishing a designated State Agency Central Fiscal Office P-Card and any alternate Central Fiscal Office P-Cards, including which is primary and which are alternates. Include any circumstances (e.g., unavailability of the primary Central Fiscal Office P-Card) under which an alternate Central Fiscal Office P-Card may be used.

State Agency Name's P-Card Program Coordinator will review Cardholder spending limits [insert frequency of review; minimum is annually] to determine if actual usage is consistent with spending limits. Cardholders are prohibited from splitting a single purchase between one or more P-Cards or between a Card transaction and a purchase order to circumvent the STL or CPO rules, policies or procedures.

8.3. Dormant Cards.

When a P-Card has not been used for **length of time**, it will be considered inactive. Describe how your Agency will respond when a P-Card is deemed inactive. **The CPO recommends reducing the Cycle Limit of any P-Card that has not been used within twelve (12) complete cycles to one dollar (\$1).** When a P-Card has not been used for **length of time**, **State Agency Name's** P-Card Program Coordinator will conduct a review to determine if the Cardholder still needs a P-Card. **Add further details about the review of dormant cards as needed.**

9. Documentation, Reconciliation, and Accounting.

9.1. Documentation

Describe your Agency's procedures for documentation of Transactions. At minimum, your procedures shall require Cardholders to provide invoices or receipts (either electronic or hard copy format) for all Transactions. Invoices or receipts shall include: (a) the Supplier's name, location, and contact information; (b) line item details, including quantity, description, unit price, and total price; and (c) a line showing the State was not charged for sales tax. If your Agency decides to use logs as a form of documentation, specify procedures for maintaining logs. Include procedures for lost receipts and describe any consequences if a Cardholder loses receipts more than three (3) times during a fiscal year. Consult section 10.2 of the Statewide Policy for further guidance receipts.

9.2. Reconciliation.

Reconciliation of Transactions is performed in Edison. Note that reconciliation cannot be performed manually unless your Agency has obtained approval from the CPO. Cardholders will reconcile Transactions [insert frequency; minimum requirements under the Statewide Policy: weekly]. Add further, non-conflicting information about reconciliation to reflect your Agency's needs.

9.3. Allocation to the Chart of Accounts.

Describe your Agency's procedures for allocation of charges to the chart of accounts. The procedures must ensure: (a) compliance with State accounting and budgetary policies; and (b) all Transactions are allocated to the chart of accounts before the end of the monthly reconciliation cycle.

10. Prohibited Purchases and Transactions.

10.1. Prohibited Purchases.

Cardholders are prohibited from using a physical P-Card for the following types of purchases, payments, or transactions:

- Goods or services not directly related to job responsibilities or other official State of Tennessee business, i.e., personal purchases;
- Cash withdrawals, including ATM or debit withdrawals;
- Travel expenses;
- Telephone billings;
- Political publications of any sort;
- Utility billings and connection fees;
- Rental of passenger vehicles of any kind;

- Artifacts for historical or commemorative purposes (except for the State Museum);
- An employee's moving expenses;
- Purchases of any motor vehicle fuel for any vehicle of equipment leased from the Department of General Services' Division of Motor Vehicle Management ("MVM");
- Back orders or partial shipments—goods or services must be in stock or otherwise available at the time of purchase;
- Purchases made using a P-Card or other account by someone other than the Cardholder or account holder;
- Service awards for state employees;
- Awards for private citizens;
- Honoraria expenses;
- Insurance policies;
- Gift cards or gift certificates; and
- Any goods or services related to political activity as defined under "The Little Hatch Act," Tenn. Code Ann. §§ 2-19-201 through 208.

As provided above, Cardholders are prohibited from using a P-Card for the purchase of any goods or services not directly related to job responsibilities or other official State business. Intentional use of a P-Card for any purposes other than State business will result in disciplinary action, up to and including termination from State employment or criminal prosecution.

10.2. Split Purchases Prohibited.

Tenn. Code Ann. § 12-3-503(b) and CPO Policy Number 2013-003 authorize State Agencies to make a purchase without soliciting quotes or proposals from multiple Suppliers when the total value of the purchase is ten thousand dollars (\$10,000) or less. Cardholders are prohibited by Tenn. Code Ann. § 12-3-503(b)(2) from splitting a transaction between two or more transactions on a single account, two or more transactions on multiple accounts, or two or more transactions using the P-Card and a purchase order, in order to circumvent the STL imposed on the P-Card. **The STL for P-Card purchases using a physical P-Card is ten thousand dollars (\$10,000), unless your State Agency designates a lower STL in its State Agency Procedures, and up to fifty thousand dollars (\$50,000) for a Central Fiscal Office P-Card.**

10.3. Payment of Sales and Use Tax.

Under Tenn. Code Ann. § 67-6-329(a), purchases made in Tennessee and for the use and benefit of the State of Tennessee are exempt from Tennessee sales tax. Cardholders should obtain an exemption certificate from the Department of Revenue website and present it to each Supplier. Purchases made in other states may be subject to that state's sales tax. The Cardholder must be diligent when dealing with the Supplier regarding taxes.

- If the Supplier cannot deduct the sales tax because of pre-set controls within its computer systems or will not honor the exemption, the Cardholder may continue with the purchase but must note the refusal on the receipt or invoice.
- In the event a Cardholder is inappropriately charged for sales tax, he or she shall seek a credit refund of any sales taxes to the P-Card account. Suppliers may only credit the State's P-Card Account and may not refund erroneously paid taxes through other means, including cash, gift cards, or store credit.
- The Cardholder is required to maintain documentation of his or her attempts to obtain credit for any Tennessee Sales and Use Tax charged to the P-Card Account in error. **Add further, non-conflicting information about documentation of attempts to obtain credit as needed.**

11. Purchases Reserved for the Designated **State Agency Name Central Fiscal Office Cardholder**

Only the person(s) designated by **State Agency Name's** [title of Agency employee who serves as the Agency's Fiscal Director and or budget director or officer] as **Central Fiscal P-Cardholders** may use his or her individual P-Card for the following types of purchases:

- Tuition, fees, and supplies for training individuals;
- Internet, newspaper, radio, or television advertisements;
- Subscriptions to newspapers, periodicals, newsletters, or pamphlets;
- Organization membership dues;
- Charges for meeting rooms and attendant expenses in excess of two hundred dollars (\$200) per day or for more than five (5) days;
- Convention or registration fees; and
- Association entry fees.

12. Surcharges and Convenience Fees.

Many suppliers charge a "credit card processing fee" or "convenience fee" for accepting credit cards including the P-Card. These types of fees are strictly regulated by Visa and MasterCard.

According to Visa's "Card Acceptance and Chargeback Management Guidelines for Merchants" available on Visa's website, credit card surcharges are allowed but cannot be more than the amount the supplier's bank charges them for processing the transaction. Also, the supplier cannot charge both a surcharge and a convenience fee, explained below.

The maximum allowable Visa-mandated surcharge is four percent (4%) and must be shown as a line item on the detailed invoice or receipt. Whenever a Supplier charges a surcharge, the following rules apply:

- The Supplier must have provided Visa and its bank at least thirty (30) days notification of their intent to impose surcharges;
- The fact that the Supplier imposes surcharges must be clearly posted on the door and at point-of-sale for physical locations and on web sites when sales are made via the internet; and
- The Supplier must inform the Cardholder or User:
 - Of the exact percent of the surcharge;

- That the Supplier is the entity assessing the surcharge;
- That surcharges are applicable on credit transactions only; and
- That the surcharge is not greater than what the supplier pays to Visa.

For any Transaction where the Supplier has charged a surcharge, a Cardholder or User must obtain a copy of the acknowledgement letter sent to the Supplier by Visa authorizing the Supplier to impose a surcharge. A copy on file with the **State Agency Name**'s P-Card Program Coordinator will be sufficient.