THE UNIVERSITY OF TENNESSEE

System-wide Policy: FI0530 - Procurement Cards	
Version: 15	Effective Date: 09/28/2021

FI0530 – Procurement Cards

Topics:

Objective:

To provide policies and procedures to departmental personnel on the use of university procurement cards.

Policy:

Purpose

1. The procurement card program has been established to provide a more efficient, cost-effective alternative for departments to make purchases costing less than $10,000. Purchases over this amount must be bid, unless they are being purchased from existing framework orders or term contracts. Examples of such contracts would include the

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system-wide office supplies or lab supplies contacts. (See FI0405 - Procurement for bid limits and requirements and consult with your purchasing office for a list of existing framework orders or term contracts.) The procurement card may greatly reduce the department's need for petty cash accounts. The procurement card is a special credit card that works similarly to a personal credit card, except the charges are billed directly to the university and paid through the Treasurer's Office. Using the procurement card will benefit the university, its vendors, and their departments. The university will save time and money by consolidating paperwork; vendors will receive payment more quickly; and departments will obtain the materials and services they need without unnecessary delays.

Employee Obligations

2. University employees who are issued a procurement card are provided the ability to make purchases on behalf of their department or unit up to the spending limits imposed by the card. Cardholders are expected to make sound business decisions in the best interest of the university, perform their duties competently, and comply with the policies and procedures. The department head, however, retains ultimate responsibility for purchases with procurement cards and the administration of the program in his or her department. The department head, therefore, is expected to make reasonable efforts to select appropriate employees as cardholders and ensure that these employees use the card in a proper manner and in compliance with university policies.

Disciplinary Action

3. Serious violations of procurement card policies may result in disciplinary action, including termination. Examples of such violations include splitting transactions to avoid the requirements of the university's purchasing policies, routinely failing to review and approve statements, routinely failing to retain receipts, and making inappropriate purchases. Personal use of the procurement card is theft. See HR0525 - Disciplinary Action for more information on disciplinary action.

Limitations on Using the Procurement Card

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4. **Unauthorized Purchases.** Procurement cards are **for business use only.** The following purchases are prohibited:

   a. Personal use

   b. Transactions that violate the university's bid limit. Consult Fiscal Policy FI0405 – Procurement for more information regarding the bid limits, the prohibition of split transactions, and purchases of $10,000 or more from the same vendor in one calendar year, (unless the items being purchased are from an existing framework order or term contract).

   c. Assets totaling $5,000 or more are not permissible. Assets costing between $1,500 and $4,999 are permissible provided that an asset record is created and linked to the transaction during the procurement card reconciliation process.

   d. Cash advances

   e. Cash refunds from returned card purchase

   f. Gift cards unless approved by the campus/institute chief business officer. The approval must be attached with the receipts.

   g. Motor Vehicles

   h. Personal service contracts or those contracts that are processed through the Contract system

   i. Credit card convenience fees in excess of $100 that are added to the invoice solely because a credit card is being used

   j. Entertainment purchases costing more than $1,000 per function unless pre-approval from the chief business officer has been received. Entertainment purchases are subject to the approval and documentation requirements of FI0715 Entertainment. **NOTE:** The card is blocked for restaurants, hotels and other travel vendors.

   k. Travel, including airlines, hotels, automobile expenses, and meals (see **FI0705 - Travel** for details) **Note:** Registration fees are acceptable. Receipts along with the conference agenda must be submitted with the employee(s) travel reimbursement request. Fees for events held at the university should be paid via transfer voucher and not through a procurement card.

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l.   Cellular telephone equipment and service

m.   Purchasing club membership such as Sam's Club, Costco, and Barnes and Noble where the membership is in the name of the employee unless approved in writing by the chief business officer or designee. The savings to the university for such a membership should be documented in the request.

n.   Amazon Prime memberships are not permissible. The University pays for a System-wide membership and employees receive the free shipping on University purchases through the UT Market Place.

o.   Purchases from other university departments, including university-owned bookstores.

p.   Purchases prohibited by university fiscal policy on purchasing (see FI0405 - Procurement for details)

5.   **Spending Limits.** Purchases are charged to the cardholder's department. Each card has specific spending limits: $9,999.99 per transaction and a preset maximum for each 30-day billing cycle, typically $20,000. Each time the card is used, an electronic process verifies that the purchase is within these predetermined limits. If a purchase violates these limits, the vendor will not accept the order. Changes to the spending limits will be considered upon approval of the department head and campus business officer.

Administration of the Card

Cardholder Responsibilities

6.   Cardholders have the following responsibilities in procurement card usage and appropriate record keeping procedures.

a.   Read and abide by these policies and procedures and complete the procurement card questionnaire in K@TE learning management system.

b.   Always try to obtain the best possible value for the university with the procurement card.

c.   Keep the card in a secure location and keep the card number confidential.

d. Exercise caution in sharing account information.

e. Ensure that state sales tax is not charged when making a purchase. Tax exemption information can be found on the Controller's website.

f. Ensure that an asset record is created for any sensitive minor equipment that is purchased with the card.

g. Obtain and keep receipts and maintain detailed information for each card transaction. (Refer to the Acceptable Receipt Section below for additional information.) **A receipt must be obtained for each purchase or transaction.** Receipts are critical to the success and integrity of the procurement card program.

h. **Review the monthly statement** for accuracy. **Sign the statement** and forward it and the receipts to the verifier in the department (electronic signature is acceptable).

i. Resolve all incorrect charges and product returns with the merchant or vendor as quickly as possible. Call the card provider **immediately** if the card is lost or stolen and notify the campus or unit coordinator **and the program administration** in the Treasurer's Office.

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Verifier Responsibilities

7. The departmental verifier is responsible for verifying receipts with the monthly statements and has the following duties. If possible, the verifier should be an employee other than the cardholder and is normally the bookkeeper.

   a. Attend the required accounting system training on procurement cards.

   b. In IRIS attach the monthly statement, containing the cardholder's signature, and receipts for every transaction. Confirm that the receipts are acceptable documents according to university policy and the items purchased appear to be legitimate in nature. (Refer to the Incorrect Charges section below for instructions on handling incorrect charges.) Failure to routinely verify statements may result in disciplinary action.

   c. Report any questionable purchases to the attention of the department head or the campus internal audit department.

   d. Distribute the charges to the appropriate cost centers/WBS elements and general ledger accounts as necessary.

   e. In IRIS, mark the document as complete by the Treasurer's Office's deadline. The distribution should proceed even if the verifier does not have all of the receipts or some transactions are disputed.

   f. Ensure that an asset record has been created for any sensitive minor equipment items procured (equipment costing between $1,500 and $4,999) and that it is properly linked to the transaction during the procurement card reconciliation process.

Department Head/Approver Responsibilities

8. The department head is ultimately accountable for appropriate procurement card use in the department. The department head has the following responsibilities.

   a. Select and approve employees who are eligible to apply for a procurement card.

   b. Select individual(s) who will be responsible for verifying monthly statements.

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The verifier must have access to and be trained to use the university's accounting system. If possible, the verifier should be an employee other than the cardholder and is normally the departmental bookkeeper.

c. Ensure that cardholders and verifiers abide by university policies and procedures governing the procurement card program, as well as university purchasing policies and procedures.

d. Ensure that the appropriate asset records have been created for any sensitive minor equipment purchased with the card.

e. Ensure that the supporting documents are attached in IRIS.

9. The department head (or designee) is normally the approver. The approver must be authorized to approve the expenditure of university funds and should have knowledge of the department's procurement card activities. The approver is responsible for the final approval of procurement card statements and has the following responsibilities.

a. Obtain training for electronic approvals on the university's accounting system.

b. Review procurement card statements on the electronic approval system for approval or rejection. Approval indicates that the purchases and the distribution of charges are appropriate. Approve appropriate statements by the Treasurer's Office deadline.

c. Ensure that asset records have been properly created for any sensitive minor equipment that is purchased with the card.

d. Electronically reject statements requiring further processing by the verifier. The approver should attach an explanation indicating why the statement was rejected. Approvers should reject statements when they suspect an inappropriate purchase (that has not been marked as disputed), when they do not have enough supporting documentation to make an informed decision about the appropriateness of a purchase, or when the distribution of charges needs to be changed.

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Campus/Unit Coordinator Responsibilities

10. The campus or unit coordinator is the individual at the campus or unit level responsible for administrative and managerial functions associated with the procurement card program, as follows.
    a. Distribute the procurement card policy to affected employees.
    b. Review and approve the card application in Concur.
    c. Ensure that training is conducted for verifiers (university accounting system) and department heads or their designees (electronic approval system).
    d. Distribute new and replacement cards.
    e. Run routine reports to identify verifiers that are not completing the procurement statements by the deadline and follow-up with them to ensure future compliance.

Program Administrator Responsibilities

11. The responsibility for the administration of the procurement card program has been assigned to the Accounts Payable department in the Treasurer's Office. The program administrator serves as the primary liaison between the card provider and the university. Duties include the following:
    a. Manage the flow of information into the university's accounting system.
    b. Review applications and verify, for applicable campuses and units, that card applicants have completed the procurement card questionnaire before cards are issued.
    c. Distribute procurement cards to the campus or unit coordinators.
    d. Review and pay monthly invoices from the card provider.
    e. Answer questions and solve problems regarding the program.
    f. Maintain cardholder database.
    g. Manage and maintain the card provider's reporting system.

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Audits

12. Departments are subject to periodic audits of procurement card activity. Significant failure to comply with university policy in the use or administration of the cards may result in cancellation of a card and/or disciplinary action, including employee termination.

Obtaining a Card

13. **Eligibility.** University employees who have the responsibility for making purchases on behalf of their departments and have the approval of their department head are eligible for a procurement card. If possible, the cardholder should not be the verifier. Cards may not be issued to independent contractors, temporary employees, students, or any non-employee without permission from the Chief Financial Officer. Card holders are responsible for the charges on their card and they shouldn't be loaned to students.

14. **Application Process.** To receive a card, employees must request a card in Concur and complete the procurement card training and questionnaire in the K@TE learning management system. The Concur request is routed to the department head and program administrator for approval. Cards will not be ordered until the Concur request is approved and the required training has been completed. The card will be issued in approximately two weeks after completion. The new card will be sent to the campus or unit coordinator for distribution, who will notify the employee when the card is ready. Cards are automatically renewed. However, the employee must complete the K@TE training at each renewal period before they can receive a new card.

Making a Purchase

15. Cardholders must follow the guidelines below when making purchases.
    a. If the intended purchase is less than $10,000, find a vendor who accepts our procurement card and provides the best value to the university.
    b. Ensure that the vendor will issue a proper receipt.
    c. Obtain a receipt for each transaction.
    d. Ensure that the purchase does not include sales tax.

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e. When ordering over the telephone or the Internet, the cardholder should tell the vendor that he or she is from the University of Tennessee and is making the purchase with a procurement card. The vendor should be given the card name, card number, expiration date, and delivery address. A receipt and confirmation number should be requested at this time. Emphasize that the purchase is exempt from state sales tax.

f. Inspect the order to verify accuracy, quality, and price.

Acceptable Receipts

16. Acceptable receipts include vendor invoices, charge slips, cash register receipts, packing slips, or printout of E-mail or web page transaction confirmation, provided they include the following information.

    a. Itemized description of goods or services purchased, including unit price
    b. Vendor name
    c. Transaction date
    d. Transaction total

Generally, order forms are not acceptable as receipts. For subscriptions, a copy of the renewal notice or initial subscription request is considered a receipt.

Transaction detail from the UT Market Place is an acceptable receipt, since this is a University system and all relevant information is retained and available through this system.

Supplemental receipt forms must be used when a proper receipt can't be retained. The supplemental receipt form is not intended for use as a replacement receipt. Any available documentation of the transaction and efforts to obtain the receipt should be included with the supplemental receipt form.

17. Since original receipts for conference registrations have to be filed with the traveler's reimbursement request and marked as company paid in IRIS, departments can

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reference the trip number on the P-card statement or they may file a copy of the receipt as support for these expenses.

Reviewing and Reconciling Statements

18. The monthly statement will be available in the accounting system on the fifth business day of the month. No payment should be sent to the card provider. The statement should be reviewed and reconciled as described below.

   a. The cardholder must review the monthly statement to ensure that the transactions and amounts listed are correct. Specifically, check for the following information.

      i   Amounts on the statement that are higher than the receipts (may need to allow for shipping charges)

      ii Items on the statement not purchased by the cardholder

   b. If a discrepancy is found, the incorrect charges section of this policy should be consulted for additional steps and information.

   c. The cardholder should sign the statement. The cardholder's signature affirms that (1) the charges are correct with exceptions noted, (2) all receipts are included, and (3) all expenditures are properly authorized business purchases.

   d. The cardholder should forward the signed statement and original receipts to the individual who is responsible for verifying procurement card purchases in the department.

   e. The person who is responsible for verifying procurement card purchases completes verifier steps described above and electronically distributes the charges by the Treasurer's Office deadline. They are also responsible for attaching in IRIS the signed statement and all receipts.

   f. The department head or approver reviews and electronically approves the accounting distribution of monthly charges by the Treasurer's Office deadline.

   g. Any noncompliance should be reported to the program administrator.

Distributing Charges

19. Each procurement card is associated with a default departmental cost center/WBS element number. As part of the application process, each applicant provides a default cost center/WBS element number that will initially be charged for transactions associated with the applicant's card. In addition, all transactions will initially be charged to the general ledger (G/L) account number for supplies (439100). However, transactions are not posted to the cost center/WBS elements until the next month, allowing departments the opportunity to distribute the transactions to other cost center/WBS elements and/or G/L accounts if the default values are not appropriate. It is important that the G/L account accurately reflect the correct expense category. The charges are distributed in the following manner.

   a. The cost center/WBS elements will be charged monthly in arrears (except June) following the expense verification and distribution actions by the department.

   b. Expenses not distributed by the department before the Treasurer's Office deadline (25th of the following month) will be charged to the departmental default cost center/WBS element.

   c. Departments may wish to establish a departmental clearing (expense) cost center as the default cost center. Departments are responsible for transferring all expenses from this cost center to the appropriate responsible cost center/WBS elements each month. (Departments are strongly encouraged to use the university's accounting system for transferring or distributing these expenses.) Any undistributed charges in the clearing cost center at fiscal year-end will be automatically expensed to the department's general operating cost center/WBS element.

   d. Departments must request any changes to the default cost center/WBS element by memo or email to the campus or unit coordinator.

   e. Charges that post between June 26th-30th will be charged to the new fiscal year.

Creating Assets

20. Sensitive minor equipment may be purchased with the procurement card provided that an asset record is created during the procurement card statement reconciliation process. Sensitive minor equipment is an asset costing between $1,500 and $4,999. Assets costing $5,000 or more may not be purchased with the procurement card.

Cancelling Cards

21. In the event it is necessary to cancel a procurement card, the cardholder should e-mail the last 4 digits of the card and the name on the card to the campus coordinator or to ap_cardadmin@tennessee.edu and request that the card be cancelled.

22. A procurement card should be canceled if any of the following conditions arise.
    a. Cardholder suspects the card number has been or may be used without authorization (i.e., stolen).
    b. Cardholder has transferred to another university department.
    c. Cardholder seldom or never uses the card.
    d. Cardholder is no longer employed by the university.
    e. Cardholder goes on leave without pay.
    f. Cardholder is requested to surrender card due to violation of policies.
    g. Cardholder/department decides to no longer participate in the program.

   In addition, the university has the right to cancel the card of any employee at its discretion.

Problems

Declined Purchase

23. If a purchase is not approved by Visa, the vendor can call the card provider directly to determine the reason, or the cardholder may call the card provider at 1-888-449-2273.

Returning an Item

24. The procedures below should be noted when returning an item.
    a. For a purchase made in person, return the item directly to the vendor and obtain a credit receipt. **Cash refunds are prohibited.**

b. For a purchase by phone, mail, or fax:

    i   Contact the vendor for return instructions.

    ii   Obtain a return reference number from the vendor, e.g., Returned Material Authorization (RMA) or credit number. Note: Some vendors may charge a restocking or handling fee.

    iii   Follow university or department shipping procedures to return the item to the vendor.

c. On the paper statement where the original charge appears, note the date of the return. Be sure to check subsequent statements to verify that credit was received for the returned item.

d. For refunds to a canceled card, the statement should be processed and the funds will be credited to the default account assigned to that card.

Incorrect Charges

25. If an item on the monthly statement is incorrect, call the vendor immediately to resolve the disputed charge. If the vendor does not resolve the discrepancy within 30 days, complete the DISPUTED TRANSACTION FORM and call the provider at 1-888-449-2273. The card provider will issue a temporary credit until the dispute is resolved, usually within 60-90 days. Vendors have a right to solve a problem with a purchase within a reasonable period of time. Thus, when either an incorrect or defective item is received, the cardholder must allow the vendor a reasonable amount of time to either replace the product, resolve the service issue, or issue a credit before turning the matter over to the card provider.

Lost or Stolen Cards

26. The cardholder should immediately call the issuing bank as soon as he or she realizes the procurement card has been lost or stolen. Representatives are available 24 hours a day. Note the name of the bank employee who takes the call and the exact time called. Record this information on the LOST/STOLEN/COMPROMISED CARD NOTIFICATION FORM. Then notify the campus or unit coordinator and the program administrator. **Within two days of calling the bank send the completed form to the**

program administrator at ap_cardadmin@tennessee.edu. The bank will block further use of the existing card and issue a new card and account number.

FORMS:

- Procurement Card Procedures
- Disputed Transaction Form
- Lost/Stolen/Compromised Notification
- Supplemental Receipt Form

Training:

For training on the reconciliation process, including adding an asset to a p card document, please click here: **Procurement Card Reconciliation in IRIS**

PROCEDURES:

To view links to campus policies and procedures, click here:

https://policy.tennessee.edu/campus-policies-procedures/

FOR MORE INFORMATION:

Tisha Marshall   865-974-2303   tishamarshall@tennessee.edu

Related Policies: FI0405 - Procurement, FI0705 - Travel, FI0715 - Entertainment, Group Arranged Events, Food and Housing Purchases for UT Sponsored Conferences and Seminars, HR0525 - Disciplinary Action, FI0531 – Travel Cards