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| <b>System-wide Policy:<br/>FI0530 - Procurement Cards</b> |                                   |
| <b>Version: 12</b>  | <b>Effective Date: 10/01/2017</b> |

## FI0530 – Procurement Cards

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### 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

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\$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 system-wide office supplies or lab supplies contracts. (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. The procurement card contains the cardholder's name and "The University of Tennessee." The phrase "tax exempt" and the university's tax-exempt number are also printed on the card. 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 interests of the university, perform their duties competently, and comply with the following policies and procedures. (See **14** below for eligibility requirements.) 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 cards in a proper manner and in compliance with university policies.

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## Disciplinary Action

3. Serious violations of procurement card policies may result in disciplinary action. Examples of such violations include splitting transactions to avoid the requirements of the university's purchasing and procurement card 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

4. **Unauthorized Purchases.** Procurement cards are **for business use only**. The following purchases are prohibited:
  - Personal use
  - Transactions 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 (for details see **6** below)
  - Assets totaling \$5,000 or more. Equipment costing between \$1,500 and \$4,999 is permissible provided that an asset record is created and linked to the transaction during the procurement card reconciliation process.
  - Cash advances
  - Cash refunds from returned card purchase
  - Gift cards
  - Motor Vehicles
  - Personal service contracts or those contracts that are processed through the Contract system
  - Entertainment purchases costing more than \$1,000 per function. The card may be used for entertainment items exceeding \$1,000 but less than \$10,000 if pre-approval has been obtained from the chief business officer (see [FI0715 - Entertainment, Group Arranged Events, Food and Housing Purchases for UT Sponsored](#)

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[Conferences and Seminars](#) for details). **Note:** Entertainment-type items \$1,000 or under may be purchased with the procurement card, subject to the approval and documentation requirements of [FI0715 - Entertainment, Group Arranged Events, Food and Housing Purchases for UT Sponsored Conferences and Seminars](#). Such purchases may be made only from vendors that accept the card (i.e., the card is blocked at restaurants, hotels, and other travel-related vendors). The invoice must contain the date of the function, number of individuals being entertained, price per unit (meal, ticket), and total amount due. The purpose of the function must be written on the invoice or an attachment. The cost center/WBS element and the general ledger account to be charged (446200, 449200, or 449300) should also be documented on the receipt or invoice.

- 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 and marked as company paid in IRIS. Fees for events held at the university should be paid via transfer voucher and not through a procurement card. Also, meal per diems for team travel may be paid through the University's pre-paid card solution. Travel for student groups can also be paid for cards issued for this sole purpose (See #20 below)
- Cellular telephone equipment and service
- 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. **NOTE: The university has a central account with Amazon that provides the benefits of Amazon Prime for free. Departments can sign-up by**

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contacting the [System Procurement Services Office](#) at [procurement@tennessee.edu](mailto:procurement@tennessee.edu).

- Purchases from other university departments, including bookstores.
- Purchases prohibited by university fiscal policy on purchasing (see [FI0405 - Procurement](#) for details)

5. **Spending Limits.** Purchases are charged to the cardholder's department (see 18 below). 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 written request by the department head to the program administrator. See [SPENDING LIMIT CHANGE FORM](#).
6. Departments may **not** split single transactions in excess of \$9,999.99 into smaller transactions. (See [HR0405 - Compensation Philosophy](#)) To stay within the spending limit, departments may not make multiple purchases of or request multiple invoices for single purchases of identical goods or modular components from the same vendor, unless these items are under an existing framework order or term contract. Although not an all-inclusive list, the following situations represent split transactions and are prohibited by this policy.
  - Requesting a vendor to invoice items separately to avoid the spending limit.
  - Making partial payments against a single invoice to avoid the spending limit.
  - Purchasing items in groups and making multiple purchases for a single purpose to avoid the spending limit.
  - Purchasing like items on a regular basis which would exceed the spending limit if purchased together, unless purchased on a current contract.

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- Procurement cardholders in the same department should attempt to communicate purchases of items that will be procured on a regular basis to their department heads and departments should attempt to monitor orders placed to the same vendor on different cards to determine if these purchases should be bid.

For more information on what constitutes a split transaction and whether items should be bid, employees should consult the campus or unit purchasing department.

## Administration of the Card

### Cardholder Responsibilities

7. Cardholders have the following responsibilities in procurement card usage and appropriate record keeping procedures.
  - Read and abide by these policies and procedures and complete the [PROCUREMENT CARD QUESTIONNAIRE](#).
  - Always try to obtain the best possible value for the university with the procurement card.
  - Keep the card in a secure location and keep the card number confidential.
  - Exercise caution in sharing account information.
  - Ensure that state sales tax is not charged when making a purchase. The university's tax-exempt number is printed on the face of the procurement card.
  - Ensure that an asset record is created for any sensitive minor equipment that is purchased with the card.
  - Obtain and keep receipts and maintain detailed information for each card transaction. (For more details, see **17** below. **A receipt must be obtained for each purchase or transaction.** Receipts are critical to the success and integrity of the procurement card program.
  - Obtain a monthly statement printed from the university's accounting system. **Review the statement** for accuracy. (see **18** below). **Sign the**

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**statement** and forward it and the receipts to the appropriate individual in the department for verification (see **8** below).

- Resolve all incorrect charges and product returns with the merchant or vendor as quickly as possible (see **23-24** below). 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 (see **25** below).

### Verifier Responsibilities

8. 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 (see **9** below).
  - Attend the required accounting system training on procurement cards.
  - Obtain a signed monthly statement and supporting original receipts from each cardholder in the verifier's area of responsibility.
  - Verify the statement by ensuring that receipts are in hand for all transactions listed on the cardholder's monthly statement. Confirm that the receipts are acceptable documents according to university policy and the items purchased appear to be legitimate in nature. (See **24** below for instructions on handling incorrect charges.) Failure to routinely verify statements may result in disciplinary action.
  - Report any questionable purchases to the attention of the department head or the campus internal audit department.
  - Sign the cardholder statement signifying that it has been verified, as described above.
  - Distribute the charges to the appropriate cost centers/WBS elements and general ledger accounts as necessary on the university's accounting system. (For more details, see **19** below.) The distribution must be completed in a timely manner that allows the approval process to be completed by the deadline. The distribution should proceed even if the

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verifier does not have all of the receipts or some transactions are disputed.

- 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.
- Maintain a file of signed statements with original receipts attached for six years.
- Ensure that reconciled statements and supporting documents are retained for six years or three years after a sponsored project has ended, whichever is longer.

### **Department Head/Approver Responsibilities**

9. The department head is ultimately accountable for appropriate procurement card use in the department. The department head has the following responsibilities.
  - Select and approve employees who are eligible to apply for a procurement card.
  - Select individual(s) who will be responsible for verifying monthly statements. 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 (see **8** below).
  - Ensure that cardholders and verifiers abide by university policies and procedures governing the procurement card program, as well as university purchasing policies and procedures.
  - Ensure that the appropriate asset records have been created for any sensitive minor equipment purchased with the card.
  - Ensure that reconciled statements and supporting documents are retained for six years.
10. The department head (or designee) is normally the approver. The approver must be authorized to approve the expenditure of university funds and should have

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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.

- Obtain training for electronic approvals on the university's accounting system.
- 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.
- Ensure that asset records have been properly created for any sensitive minor equipment that is purchased with the card.
- 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.

### **Campus/Unit Coordinator Responsibilities**

11. 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.

- Distribute the procurement card policy to affected employees.
- Review, approve, and forward card applications to the program administrator (see below).
- Ensure that training is conducted for verifiers (university accounting system) and department heads or their designees (electronic approval system).
- Verify, for applicable campuses and units, that card applicants have completed the procurement card questionnaire before a card is issued.

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- Distribute new and replacement cards.
- Collect and dispose of expired cards.
- Maintain file of executed cardholder agreements. New cards should not be distributed to employees until agreements are executed and the questionnaire is completed.

### Program Administrator Responsibilities

12. 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 resides in Accounts Payable and serves as the primary liaison between the card provider and the university. Duties include the following.

- Manage the flow of information into the university's accounting system.
- Review applications and verify, for applicable campuses and units, that card applicants have completed the procurement card questionnaire before cards are issued. Request cards from provider.
- Distribute procurement cards to the campus or unit coordinators.
- Review and pay monthly invoices from the card provider.
- Answer questions and solve problems regarding the program.
- Maintain cardholder database.
- Manage and maintain the card provider's reporting system.

### Audits

13. 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. (See 3 above for more details.)

### Obtaining a Card

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14. **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.
15. **Application Process.** To receive a card, employees must complete the PROCUREMENT CARD APPLICATION. The department head will approve the application and forward it to the campus or unit coordinator. The coordinator will review, approve, and forward it to Accounts Payable in the Treasurer's Office. The application will be reviewed and processed by the Treasurer's Office. The card will be issued in approximately two weeks. The new card will be sent to the campus or unit coordinator for distribution, who will notify the employee when the card is ready. Before receiving a card, employees must complete the [PROCUREMENT CARD QUESTIONNAIRE](#) and sign a [CARDHOLDER AGREEMENT](#). After verifying the employee completed the questionnaire, the campus or unit coordinator will give employees their card in exchange for the signed agreement. Cards are automatically renewed. Old cards must be cut in half and returned to the campus or unit coordinator for disposal.

### **Making a Purchase**

16. 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 (see **17** below).
  - c. Obtain a receipt for each transaction.
  - d. Ensure that the purchase does not include sales tax.
  - 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.

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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

17. 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.

- Itemized description of goods or services purchased, including unit price
- Vendor name
- Transaction date
- 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.

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

### Student Group Travel Procurement Cards

20. A procurement card can be issued to a university employee responsible for traveling with a group of students to reduce the need to take a large sum of cash on the trip. Before the card will be issued, the employee must complete an application, which requires approval from the campus/institute chief business

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officer (or designee), pass an on-line questionnaire, and sign a card holder agreement.

21. The following conditions and restrictions apply to these cards and misuse or violations of these rules will result in immediate suspension of the card and possible disciplinary action, including termination.
1. The card can only be used for student group travel and only one card will be issued to one individual traveling with the students. The card will be cancelled at the end of the trip unless the cardholder is expected to take similar trips in the future. If so, the card will be deactivated at the end of the trip/season and the card holder will have to contact their business office to reactivate the card.
  2. The card may not be used to purchase airfare or rental cars. These must be procured ahead of time and travelers can use the direct bill process whereby the university will pay for these items. NOTE: If World Travel is not able to secure a direct bill rental car, due to the location, the card may be used to rent a car. Attach the correspondence from World Travel documenting this with your support for this charge.
  3. **The card may not be used for individual travel and personal expenses may not be charged to the card. The card may not be used for athletic recruiting.**
  4. Allowable expenses include:
    - i. Lodging, including pre-payments to hold a block of rooms
    - ii. Ground transportation such taxis, airport shuttles, and public transportation (excluding rental cars that can be directly billed to the university)
    - iii. Group entertainment expenses. Note – These must be approved in accordance with the University’s Entertainment Policy – FI0715
    - iv. Group meals
    - v. Incidentals items needed for the entire group
    - vi. Baggage fees
22. Purchases made with this card are subject to both the travel and procurement card policies. **Receipts must be obtained for all purchases and provided to**

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**the appropriate personnel as soon as they return from the trip to allow proper accountability.** Failure to provide these receipts within 30 days of the end of the trip may result in unsubstantiated purchases being deducted from the cardholder's pay. The receipts should be filed with the individual's travel expense report and marked as company paid. The meal per diem should be deducted for any group meals purchased on the card.

23. When reconciling the procurement card statement, the trip number should be referenced for each line item and receipts do not need to be attached to the procurement card statement, if they have been filed with the travel reimbursement request. Department have the option of filing these with travel requests and the P-card statement, if this assists with bookkeeping. The correct general ledger code, including travel should be selected during the reconciliation process. The P-card statements must be reconciled by someone other than the cardholder. The reconciled statements must be forwarded to the campus travel audit office so that they can ensure all of the travel expenses were properly recorded on a travel expense report.

### Reviewing and Reconciling Statements

24. The monthly statement will be available in the accounting system on the first or second 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 obtain a monthly statement printed from the accounting system.
  - b. The cardholder should review the statement to ensure that the transactions and amounts listed are correct. Specifically, check for the following information.
    - Amounts on the statement that are higher than the receipts (may need to allow for shipping charges)
    - Items on the statement not purchased by the cardholder
  - c. If a discrepancy is found, the steps in **23-24** below should be followed.

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- d. 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.
- e. The cardholder should forward the signed statement and original receipts to the individual who is responsible for verifying procurement card purchases in the department.
- f. The person who is responsible for verifying procurement card purchases completes the steps described in **8** above and electronically distributes the charges by the Treasurer's Office deadline (the 25th of each month).
- g. The department head or approver reviews and electronically approves the accounting distribution of monthly charges by the Treasurer's Office deadline (the 25th of the month).
- h. Settlements and receipts should be maintained in departmental files for six years.
- i. Any noncompliance should be reported to the program administrator.

### **Distributing Charges**

25. 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.

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- 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 made June 28th-30th will be charged to the new fiscal year.

### Creating Assets

26. 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. For guidance on creating an asset visit the IRIS training site. [A training video is available on Accounts Payable's Website](#) that details linking asset to the procurement card transaction.

### Cancelling Cards

27. In the event it is necessary to cancel a procurement card, the cardholder must return the card to the department head. The department head will forward the card to the campus or unit coordinator with an explanation of why it is to be

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canceled. The campus or unit coordinator will cut the card in half and notify the program administrator that it should be canceled. The program administrator will notify the card provider of the cancellation.

28. A procurement card should be canceled if any of the following conditions arise.

- Cardholder suspects the card number has been or may be used without authorization (i.e., stolen). See **25** below.
- Cardholder has transferred to another university department.
- Cardholder seldom or never uses the card.
- Cardholder is no longer employed by the university.
- Cardholder goes on leave without pay.
- Cardholder is requested to surrender card due to violation of policies.
- 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

29. If a purchase is not approved by MasterCard, the vendor can call the card provider directly to determine the reason, or the cardholder may call the card provider at (888) 449-2273.

### Returning an Item

30. 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:
    - Contact the vendor for return instructions.

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- 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.
  - 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 department should request a credit memo from the vendor for the amount of the refund. The department may apply the credit memo to future purchases or send it to the Treasurer's Office to be processed as a refund from the vendor.

### Incorrect Charges

31. 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 (800)-344-5696. 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

32. 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 by phone. **Within two**

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| <b>Version: 12</b>  | <b>Effective Date: 10/01/2017</b> |

days of calling the bank, fax a completed LOST/STOLEN CARD NOTIFICATION FORM to the program administrator at (865) 974-2701. The bank will block further use of the existing card and issue a new card and account number.

## FORMS:

- [Procurement Card Application](#)
- [Cardholder Agreement](#)
- [Disputed Transaction Form](#)
- [Lost/Stolen/Compromised Notification](#)
- [Spending Limit Change Form](#)
- [Supplemental Receipt Form](#)

## PROCEDURES:

|                           |   |
|---------------------------|---|
| Chattanooga:              | <a href="http://www.utc.edu/business-financial-affairs/fiscalpolicies.php">http://www.utc.edu/business-financial-affairs/fiscalpolicies.php</a>   |
| Knoxville:                | <a href="http://budget.utk.edu/fiscal-policy/">budget.utk.edu/fiscal-policy/</a>  |
| Health Science Center:    | <a href="https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&amp;">https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&amp;</a> |
| Institute of Agriculture: | <a href="http://ag.tennessee.edu/Pages/UTIApolicies.aspx">ag.tennessee.edu/Pages/UTIApolicies.aspx</a>  |
| Martin:                   | <a href="http://utm.edu/departments/finadmin/procedures.php">utm.edu/departments/finadmin/procedures.php</a>  |

## FOR MORE INFORMATION:

|   |                                   |
|---|-----------------------------------|
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**Related Policies:** [FI0405 - Procurement](#), [FI0705 - Travel](#), [FI0715 - Entertainment, Group Arranged Events, Food and Housing Purchases for UT Sponsored Conferences and Seminars](#), [HR0525 - Disciplinary Action](#)