

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

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

1. PROGRAM OVERVIEW

The State of Tennessee Payment 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. 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.

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

“Billing Cycle” means the one-month period between statements issued by the Bank. The State’s Billing Cycle begins with the sixteenth (16th) day of the month through the fifteenth (15th) of the following month. Bank statements are issued in accordance with this cycle.

“Cardholder” means the State Agency employee who is issued a physical P-Card to initiate payments on behalf of the State and is responsible for ensuring that such transactions are appropriate and adequately supported pursuant to this Policy. The Cardholder is also responsible for ensuring that all transactions made during a Billing Cycle are verified by established deadlines.

“Cardholder Agreement and Application” means the document approved by all requisite parties and completed by the Cardholder to verify that he or she completed P-Card training, received a copy of and understands this Policy.

“Cardholder Proxy” means the State Agency employee assigned to a Cardholder who may upload attachments or verify the Cardholder’s P-Card transactions when the Cardholder is unable to do so. The assigned Cardholder Proxy shall never use or possess the P-Card of the Cardholder or Cardholders to which he or she is assigned.

“Cardholder Supervisor” means the State Agency employee with supervisory authority over the Cardholder. This person may also serve as the “State Agency Approver.”

“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 Limit” means the spending limit that restricts the total value of purchases a Cardholder can make in one Billing Cycle.

“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.

“Payment 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 “Payment Card” or “P-Card” shall also include “Virtual Payment Cards” or “Virtual P-Cards” as the context requires.

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

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

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

“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 State Agency Fiscal Director.

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

“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 Reconciler” means the State Agency employee responsible for the functions associated with post-purchase processing P-Card Transactions which may include 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 Director” means the employee within the Central Procurement Office who is responsible for managing and overseeing the P-Card Program.

“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 Payment Card” or “Virtual P-Card” means the unique credit card account number, assigned to a State Agency or an individual for payment to select suppliers authorized to accept Virtual P-Card payments.

“Virtual P-Card User” or “User” means the State Agency employee 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 Director.

3.1. P-Card Accounts

P-Card accounts are those that involve the issuance of a physical P-Card 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 allow State Agencies to pay select suppliers authorized to accept Virtual P-Card payments. The account number may be “embedded” in the supplier’s system. 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-Cards are valuable because 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 Director for more information on Virtual P-Cards.

4. P-CARD PROGRAM ROLES AND RESPONSIBILITIES.

4.1. Statewide P-Card Program Director.

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

- Establishing written internal procedures to ensure compliance with state procurement statutes, rules, policies and procedures, including this Policy;
- Reviewing and approving, in conjunction with the Comptroller of the Treasury, each State Agency’s internal P-Card Procedures, as applicable;
- Developing written internal procedures for P-Card Rule Exception Requests;
- Ensuring that State Agency Transactions are reviewed as needed;
- Developing State Agency specific training for all Cardholders, State Agency Approvers, State Agency Reconcilers, and State Agency Supervisors;
- Developing training and refresher training to be delivered as needed; and
- Notifying State Agency P-Card Program Coordinators of changes in state rules, policies or procedures.

4.2. State Agency Fiscal Director

The State Agency Fiscal Director is responsible for understanding this Policy, the State Agency’s internal P-Card Procedures, as applicable, and ensuring that sound accounting practices and internal policies are in place and enforced.

4.3. 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 Administration Team written notice within five (5) business days 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:

- Completing the Agency Coordinator training in Edison;
- Collaborating with the State Agency 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, as applicable;
- 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 support timely verification and allocation of transactions to the chart of accounts at least monthly;
- Ensuring that transactions are reconciled and supported by adequate documentation; and
- Ensuring that Cardholder Profiles permit MCC groups that a Cardholder needs to meet his or her job requirements.

4.4. State Agency Approver.

The State Agency Approver is the State Agency employee who, within the Edison module, approves purchases made by the Cardholder to which he or she is assigned. By approving each P-Card transaction, the Approver exercises critical control by ensuring authorized and appropriate P-Card use and correct allocation of expenses. State Agency Approvers should also review receipts where appropriate to ensure compliance with this Policy. 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:

- Completing the Cardholder training in Edison;
- Reviewing 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; and,
 - Transaction receipts are attached to the transaction in Edison.

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. 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).

- Immediately informing the State Agency P-Card Program Coordinator of any misuse, abuse or fraudulent use of a P-Card.
- Notifying 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.)

4.5. Cardholder Supervisors.

The Cardholder Supervisor 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 may include:

- Completing the Cardholder and Agency Coordinator training in Edison;
- Reviewing all documentation and ensuring it is submitted according to this Policy and the State Agency's internal P-Card Procedures, as applicable;
- Approving or rejecting all Transactions as to the appropriateness of the transaction;
- Ensuring that all documentation is submitted according to this Policy and the State Agency's internal P-Card Procedures, as applicable;
- Maintaining knowledge of this Policy and State Agency's internal P-Card Procedures, as applicable; and
- Requesting reasonable spending limits in accordance with this Policy and State Agency's internal P-Card Procedures, as applicable.

4.6. State Agency Reconciler.

The State Agency Reconciler is the State Agency employee responsible for functions associated with post-purchase processing of P-Card Transactions including account allocation and providing a business purpose when required. The State Agency Reconciler may be the individual charged with preparing all documentation for retention. The State Agency Reconciler must complete the Cardholder training in Edison.

4.7. Cardholders.

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

- Being a full-time State employee (note: when a part-time employee requires a P-Card to complete their duties, a P-Card Rule Exception Request must be submitted before P-Card issuance);
- Reading and becoming familiar with this Policy;
- Completing the Cardholder training in Edison;
- Being responsible for all purchases made on the P-Card;
- Being responsible for verifying transactions in Edison (confirming or disputing) and attaching appropriate supporting documentation on at least a weekly basis (per Section 9.3); and
- Adhering to this Policy and other applicable rules, policies, and procedures.

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.

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 and Application as a condition for being issued a P-Card. The Cardholder Agreement and Application is evidence that the Cardholder has received training and a copy of this Policy and the State Agency’s internal P-Card Procedures, as applicable.

4.8. Assigned Cardholder Proxies.

A State Agency may have assigned Cardholder Proxies. Proxies have the following duties and responsibilities:

- Reading and becoming familiar with this Policy;
- Completing the Cardholder training in Edison;
- Adhering to this Policy and other applicable rules, policies, and procedures.

The assigned Cardholder Proxy (“Proxy”) role is limited in scope and pertains only to assisting the Cardholder with his or her normal tasks of verifying P-Card transactions within the Edison system. The Proxy role is not a role that acts in the capacity of making purchases with the Cardholder’s P-card or otherwise using the Cardholder’s P-Card to complete a transaction. Such functions would violate this Policy. The Proxy shall not have access to the Cardholder’s P-Card nor the Cardholder’s account number.

When a Cardholder is unable to verify his or her P-Card transactions in Edison, the assigned Cardholder Proxy shall be responsible for the Cardholder duties pertaining to verification.

4.9. Virtual P-Card Users.

A Virtual P-Card User has authority to make purchases in accordance with this Policy, utilizing his or her Agency’s local purchase authority.

4.10. Segregation of Duties

In order to maintain appropriate segregation of duties, certain P-Card Program roles should not be combined. Neither the State Agency Fiscal Director nor the State Agency P-Card Program Coordinator shall be Cardholders. Neither the Cardholder Supervisor, the State Agency Approver, nor the State Agency Reconciler shall serve in the capacity as Supervisor, Approver or Reconciler for his or her own transactions but may serve as such for other Cardholders. Any exceptions require an approved P-Card Rule Exception Request.

4.11. Allowable P-Card Program Role Combinations

One individual may function as both the Cardholder Supervisor and Cardholder Approver for a particular Cardholder. That individual will be responsible for all of the duties outlined for each of these roles in Sections 4.4 and 4.5.

5. P-CARD SECURITY.

The security of each P-Card is the Cardholder's responsibility. Every precaution should be used to protect the account number from unauthorized access. 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.

5.1. 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 the Bank will cancel the P-Card (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.

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 within 48 hours of reporting it to the bank and make arrangements to receive a new P-Card. The Cardholder must complete and return an affidavit from the Bank to initiate an investigation, and send a copy of the Bank affidavit to the State Agency P-Card Program Coordinator. 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.

5.2. 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.

5.3. Purchasing Rules.

The P-Card is only a vehicle for making payments. 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. All F&A Division of Accounts accounting policies should be followed for P-Card transactions and usage.

5.4. Tax Exemption.

Tenn. Code Ann. § 67-6-329(a) provides that all sales of services and tangible personal property made in Tennessee and for the use and benefit of the State of Tennessee are exempt from Tennessee sales and use 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 <https://www.tn.gov/content/tn/revenue/taxes/sales-and-use-tax/forms.html> or as may be amended in the "Sales and Use Tax Forms - Exemptions" 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. Cardholders are responsible for ensuring that Suppliers do not charge tax or provide a credit for inadvertent charges. 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 and the Cardholder must still pursue steps to have the sales tax charge removed.

In the event a Cardholder is inappropriately charged for sales tax:

- The Cardholder must contact the Supplier to obtain a credit refund of any sales taxes to the P-Card Account.
- 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.

If a Supplier is unable to process a credit against the card, the Cardholder may accept a cash or check refund and contact their State Agency P-Card Program Coordinator for guidance on depositing the funds. However, under no circumstances may the Cardholder accept a credit through other means, including gift cards or store credit.

5.5. Credits.

Cardholders should avoid Suppliers with restrictive merchandise return policies. If a Cardholder returns merchandise, a credit should be issued to the Cardholder's P-Card and a credit receipt obtained. If a supplier is unable to process a credit against the card, the Cardholder may accept a cash or check refund and contact their State Agency P-Card Program Coordinator for guidance and comply with the Department of Finance and Administration Policy 25, Deposit Practices. However, under no circumstances may the Cardholder accept a credit through other means, including gift cards or store credit. 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.

5.6. Disputing Transactions.

If there is a problem with a Transaction, the Cardholder must first attempt to reach a resolution directly with the Supplier. If the dispute involves a Transaction that the cardholder believes to be fraudulent, the Cardholder should immediately notify the Bank and his or her State Agency P-Card Program Coordinator. In most cases, disputes can be resolved between the Cardholder and the Supplier. The Supplier will usually issue a credit. See Section 5.5 regarding acceptable forms of 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 or the Bank Statement, the Cardholder should file the appropriate dispute paperwork with the Bank and contact his or her State Agency P-Card Program Coordinator. The State Agency P-Card Program Coordinator will communicate with the Statewide P-Card Program Administration Team as necessary.

5.7. Forgery, Theft, or Fraudulent Transactions.

Upon notification of any theft, forgery or credit card fraud, the State Agency P-Card Program Coordinator should report the incident to the office of the Comptroller of the Treasury in accordance with Tenn. Code Ann. § 8-4-119 and to the Statewide P-Card Program Administration Team. To comply with this requirement, the State Agency P-Card Program Coordinator shall send the completed Bank affidavit or an email to TN.Investigations@cot.tn.gov and P.Card@tn.gov with the following information: Cardholder's name; last six (6) digits of the Cardholder's account number; and information about the transactions in question (such as the merchants' names, transaction date, and dollar amounts).

5.8. 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. Declined transactions are reported to the P-Card Administration Team and subject to review. Common reasons for declined purchases include:

- MCC is restricted from the Payment Card;
- The Cardholders has exceeded the STL or Cycle Limit; or
- Card expiration.

6. CARD ISSUANCE AND CANCELLATION.

6.1. P-Card Issuance.

The State Agency P-Card Program Coordinator is responsible for issuing all P-Cards within his or her Agency. Payment Cards are issued by the P-Card Program Coordinator following the receipt of documentation supporting:

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

6.2. P-Card Delivery and Distribution.

By default, when ordered, P-Cards are sent to the State Agency hold address in the Online Banking Program, which is the State Agency P-Card Program Coordinator's work address. The State Agency P-Card Program Coordinator then distributes P-Cards to the Cardholder or to district locations across the State for distribution to Cardholders. In some cases, it is not practicable to have the P-Card delivered first to the State Agency Program Coordinator to then send to the Cardholders. In the event direct delivery to Cardholders is timelier and more efficient, then a P-Card Rule Exception Request must be submitted for approval. If the RER is approved, State Agencies must have an internal tracking process to document that P-Cards are safely delivered to the Cardholders.

6.3. P-Card Cancellation.

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 Team should be notified of the need for a P-Card cancellation for the following reasons:

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

The State Agency P-Card Program Coordinator may also suspend or cancel a P-Card as appropriate, such as for the following reasons:

- Cardholder misuses the P-Card;
- Cardholder is untimely with confirming or disputing transactions; or
- Cardholder lost 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.

If a P-Card is cancelled, it shall be destroyed. If a Cardholder learns of the cancellation of his or her P-Card by the Bank, the Cardholder shall notify the Statewide P-Card Program Administration Team and Agency P-Card Program Coordinator.

7. P-CARD PROGRAM TRAINING.

All program participants must complete appropriate training. The following training is available in Edison and encouraged for all P-Card Program participants:

Training:	Required by:	Recommended for:
Cardholder Training	Cardholders/Virtual P-Card Users	All P-Card Program Participants
	Cardholder Approvers	
	Cardholder Proxies	
	Cardholder Supervisors	
	State Agency Reconcilers	
Agency Coordinator Training	State Agency P-Card Program Coordinators	State Agency Fiscal Directors
	Cardholder Supervisors	

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.

8.1. 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 the P-Card established by the Bank. All State Agencies should ensure:

- Appropriate segregation of duties as outlined in Section 4.10 above;
- Maintenance of approved, signed documentation for all Cardholders, State Agency Approvers and Cardholder Supervisors;

- Appropriate limits on the number of Cardholders assigned to a Cardholder Supervisor or State Agency Approver in order to ensure adequate review of business need and documentation for each Transaction;
- Provision for a regular audit or review of the Agency's P-Card program by the State Agency Internal Audit unit, or other business unit assigned State Agency business process review responsibilities. A high-level summary of the reviews should be sent to the CPO P-Card Administration Team to assist with program improvement. Reviews must include adequacy of:
 - Internal policies and procedures, as applicable;
 - Cardholder Single Transaction Limit and Cycle (Credit) Limits;
 - Timeliness of monthly reconciliation procedures; and
 - Documentation for Transactions;
- Protocol for establishing designated State Agency Central Fiscal Office P-Cardholder and any alternate Central Fiscal Office P-Cardholders, 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.
- Coordination of state agency employee roles with the Statewide P-Card Program Administration Team.

8.2. State Agency P-Card Procedures.

Each State Agency may develop its own internal procedures to carry out the intent and purpose of this Policy and to address unique State Agency complexities or risk factors. If a State Agency chooses to develop its own internal procedures then such procedures should align with this Policy and must be submitted for review and approval by the Statewide P-Card Program Director and the Comptroller of the Treasury. If a State Agency chooses not to develop its own internal procedures then the State Agency must follow this Policy.

8.3. Card Management and Reconciliation System.

All Transaction verifications and approvals will be completed in Edison.

8.4. 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 from purchase using the P-Card.
- Unauthorized MCCs are blocked at the point-of-sale.
- 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 by contacting the Statewide P-Card Program Administration Team.

- State Agencies should not contact the Bank directly to unblock MCCs.

8.5. Cardholder Spending Limits and Utilization.

The State Agency Fiscal Director is responsible for setting payment card maximum Single Transaction Limits (STL) and Cycle Limits (CL). Spending limits should be based on the Cardholder’s job responsibilities, the position’s unique purchasing needs, and the State Agency’s budget. Cardholder spending limits must be reviewed periodically for appropriateness.

An agency may establish one (1) designated State Agency Central Fiscal Office P-Card, and up to two (2) alternates. The Maximum STL for P-Card Program Roles are listed in the table below.

Spending Limits		
Program Role	Permissible Single Transaction Amount	Cycle Limit
Agency Cardholder	\$1 up to \$10,000 STL	Set at the discretion of the State Agency Fiscal Director
Central Fiscal Office P-Card (limit 1 card with up to 2 alternates)	\$1 up to \$50,000 STL	Set at the discretion of the State Agency Fiscal Director

8.6. Dormant Cards.

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 ensuring that this review is completed at least annually or in accordance with its own internal P-Card Procedures, as applicable.

9. DOCUMENTATION AND ACCOUNTING.

9.1. Documentation.

State Agencies should handle documentation for reconciliation in accordance with this Policy and State Agency internal P-Card Procedures, as applicable. Any State Agency seeking to use a manual or alternative method for Transaction reconciliation must obtain approval from the Central Procurement Office.

Regardless of the Transaction reconciliation method, Cardholders should provide adequate documentation for all Transactions.

9.2. Purchase Documentation.

It is the Cardholder’s responsibility to obtain adequate supporting documentation for the purchase. Such documentation may include receipts, invoices, shipping documents and

bills of lading. This information will be used by the Agency to validate and reconcile charges. The supporting documentation shall include the following elements:

- The Supplier's name, location, and contact information; but when this information is not available on the receipt (such as with online purchases) information should be included that would identify the vendor, such as the website address where purchase was made;
- Line item details, which may include quantity, description, unit price, and total price; but when no line item details are available on the receipt, other documentation should indicate description and quantity of items purchased;
- Evidence that the State was not charged for sales tax. If the supplier cannot show a separate line indicating that sales tax was not charged because of pre-set controls within its computer systems, this may be evidenced by the fact that the total of unit prices charged is equal to the total price.

The amount on the purchase documentation 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. Credits may be processed without a receipt, but the Cardholder must provide an explanation of the credit. Verification should be performed in Edison as often as possible in order to meet the deadlines published monthly by the P-Card Administration Team. Legible copies of supporting purchase documentation must be uploaded into Edison.

9.3. Allocation to the Chart of Accounts.

Default accounting strings should be reviewed to ensure that the expenditures are recorded to the appropriate chartfields during the verification and approval process.

9.4. 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 most P-Card documents. RDA SW23 requires that State Agencies maintain documents related to P-Card use for five (5) years and destroy them at the end of the five-year period. RDA SW48 requires that State Agencies maintain documents related to P-Card issuance for at least 5 years or for the duration of the Cardholder's P-Card purchasing role in the program, whichever is longer. 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. RDAs are available in their entirety at <https://sos.tn.gov/rmd>.

9.5. 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.

9.6. P-Card Use when Purchase Orders Required.

If a P-Card and not a Virtual P-Card is used for any purchase that would require a Purchase Order, State Agencies must ensure that purchase orders are created and properly relieved for any purchases that would require a purchase order.

10. PROHIBITED PURCHASES AND TRANSACTIONS.

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.

10.1. Prohibited Purchases.

The following types of purchases, payments, or transactions are prohibited:

Prohibited Purchase Type		General Justification for Prohibition
1	Travel expenses	Travel expenses should comply with the Department of Finance and Administration - <u>Policy 8</u> , State Comprehensive Travel Regulations and are required to be processed through the Edison Expense Module for control and reporting purposes.
2	Rental of passenger vehicles of any kind	Rental of passenger vehicles are typically made in connection with employee travel expenses, which are prohibited.
3	Telephone billings	State telephone billings are typically centrally managed and controlled by the Department of Finance and Administration.
4	Political publications of any sort	Purchase of political publications are prohibited by Department of Finance and Administration - <u>Policy 10</u> , Organizational Dues, Subscriptions, and Sponsorships.
5	State Utility billings and connection fees	State utility billings are typically centrally managed and controlled by Department of Environment & Conservation.
6	Payment to another State Agency	Payment to another State Agency is governed by and should follow Department of Finance and Administration - <u>Policy 18</u> , Interunit Journals.
7	Artifacts for historical or commemorative purposes (except for the State Museum)	These purchases must be processed through the Edison AP Module to ensure proper financial statement and asset management module recognition.

Prohibited Purchase Type		General Justification for Prohibition
8	Employee moving expenses	These expenses must be processed through the Edison Expense Module to ensure IRS information reporting requirements can be met.
9	Purchases of any motor vehicle fuel for any vehicle or equipment leased from the DGS Vehicle Asset Management (VAM)	To track purchases by asset and prevent fraud, DGS-VAM has a dedicated, industry-specific fuel card for all fuel purchases.
10	Back orders or partial shipments	These types of purchases create numerous problems for reconciliation such as split invoices, reconciling across multiple cycles, and problematic tracking issues. Order fulfillment and accruing interest due the Bank are additional concerns.
11	Service awards for State employees	These purchases must be processed through Edison AP Module to ensure IRS information reporting requirements can be met.
12	Awards for private citizens	These purchases must be processed through Edison AP Module to ensure IRS information reporting requirements can be met.
13	Honoraria expenses	These purchases must be processed through Edison AP Module to ensure IRS information reporting requirements can be met.
14	Insurance policies	State insurance coverage is typically centrally managed and controlled by Department of Treasury, Risk Management.
15	Gift cards or gift certificates	These purchases must be processed through Edison AP Module to ensure IRS information reporting requirements can be met.
16	Cash withdrawals, including ATM or debit withdrawals	These are prohibited for control purposes.
17	Any goods or services related to political activity as defined under "The Little Hatch Act," Tenn. Code Ann. §§ 2-19-201 through 208	Purchase of political publications are prohibited by Department of Finance and Administration - <u>Policy 10</u> , Organizational Dues, Subscriptions, and Sponsorships.
18	Purchases Reserved for the Designated State Agency Central Fiscal Office Cardholder, unless in accordance with Section 11 of this Policy	Cardholders other than the person designated by the State Agency Fiscal Office Cardholder are prohibited from making certain purchases as outlined in section 11 of this Policy.

	Prohibited Purchase Type	General Justification for Prohibition
19	Purchases identified as Capital Assets by the Department of Finance & Administration Capital Asset Guide	Purchases of goods or equipment that require tagging under the Department of Finance and Administration’s policies – Policy 33 , should not utilize the P-Card as the primary payment method because these purchases require the prior approval of the Department of Finance and Administration, Division of Accounts, as the business owner of the Asset Management Module. Exceptions for <i>emergency</i> Asset purchases using the P-Card must be pre-approved by Asset Management.

State Agencies may request an exception for certain items through the use of a P-Card RER eForm in Edison initiated by the State Agency P-Card Program Coordinator and approved by the State Agency Fiscal Director and the Central Procurement Office.

10.2. Personal Purchases Prohibited.

As provided in Sections 3.1, 4.3 and 10.1, 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.

10.3. 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 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 maximum STL for P-Card purchases using a physical P-Card is ten thousand dollars (\$10,000) or fifty thousand dollars (\$50,000) for a Central Fiscal Office P-Card unless a State Agency has designated a lower STL in its internal P-Card Procedures or has an approved exception from the Statewide P-Card Program Director.

10.4. Purchases by Someone Other than Assigned Cardholder Prohibited.

Purchases made using a P-Card by someone other than the Cardholder are prohibited. Cardholders should not share their card or account number with anyone in order for that person to make a payment on their behalf.

11. 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;
- Association entry fees; and
- Food, beverage, or catering charges for meetings.

State Agencies may request an exception from this paragraph through the use of a P-Card Rule Exception Request eForm in Edison initiated by the State Agency P-Card Program Coordinator and approved by the State Agency Fiscal Director and the Central Procurement Office. For assistance with submitting the eForm please visit the Central Procurement Office's Learning and Development job aid page on TEAM TN.

The State Agency Fiscal Director may designate up to two (2) alternate Central Fiscal Office P-Cardholders who may make these purchases, as noted in Section 8.1 above. The State Agency should follow protocol established pursuant to Section 8.1 above in regard to the utilization of those alternate Central Fiscal Office P-Cardholders.

12. ENCOURAGED USE OF P-CARDS.

12.1. Statewide 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.

12.2. Utilization of Diversity Suppliers.

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

13. 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.

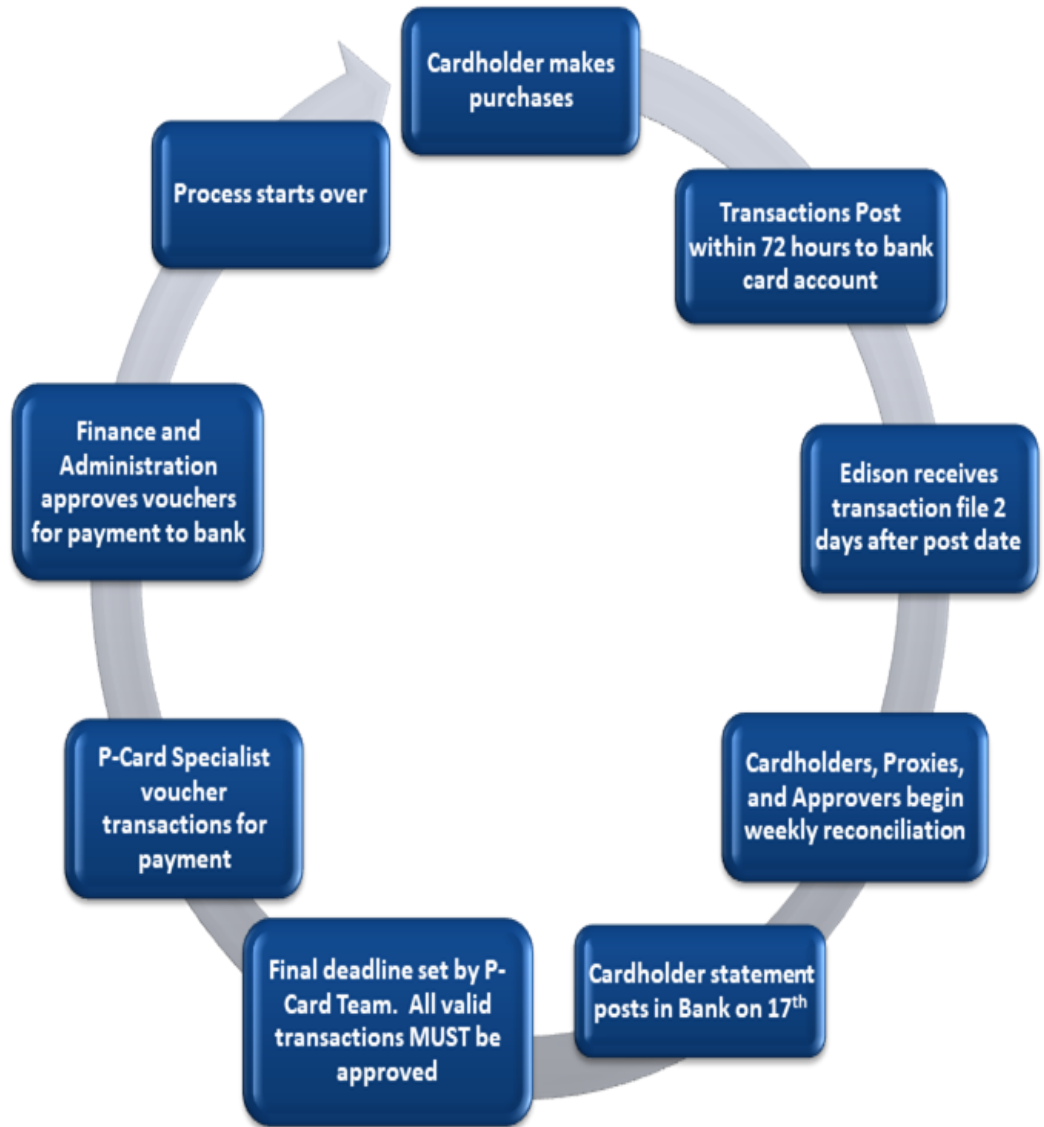
According to Visa's "Card Acceptance and Chargeback Management Guidelines for Merchants" available on Visa's website, credit card surcharges are allowed but cannot be more than the amount the supplier's bank charges them for processing the transaction. Also, the supplier cannot charge both a surcharge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

14. TRAVEL.

Travel is governed by the Department of Finance & Administration, Policy 8, Comprehensive Travel Regulations. The State maintains a Statewide Contract (#747) for air travel. Flights are booked through the contracted entity according to the Statewide Contract usage instructions.

Payments are made to the airlines using Virtual P-Cards. One Virtual P-Card is assigned to each participating State Agency and embedded within the Supplier's system. Agencies reconcile their air travel statement each month and report any irregularities to the contract administrator and the P-Card Administration Team. The P-Card Administration Team creates the voucher for payment to the Bank.

APPENDIX A – P-Card Processing Billing Cycle Overview



APPENDIX B – Typical Roles in Edison

- I. Edison Security Form. In order to assign P-Card related roles in Edison, Edison Security Form FA-1015 must be completed as required. The table below indicates the Edison Security Form roles typically assigned to State Agency P-Card program personnel:

Edison Form FA-1015 Role #	Edison Form Role Name	Edison Role Description	Typical State Agency position assigned this Edison Role
AP-2003	TN2_AP_AGENCY_PCARD_ADMIN	P-Card Agency Administrator	State Agency P-Card Program Coordinator
AP-2011	TN2_AP_CONFIG_PCARD_VIEW*	P-Card Inquiry Role	State Agency Reconciler*
AP-2020	TN2_AP_PCARD_APPROVER	P-Card Approver	State Agency Approver
AP-2022	TN2_AP_PCARD_HOLDER	P-Cardholder	Cardholder
AP-2023	TN2_AP_PCARD_PROXY	P-Card Proxy	Cardholder Proxy
PUWF-2103	TN2_WF_EFORM_AGENCY_APPROVAL	Forms Agency (Exception Requests)	State Agency Fiscal Director

- II. The inquiry only role indicated with an asterisk (*) above is typically granted to the State Agency Fiscal Director and the Cardholder Supervisor (if the Supervisor does not also serve in the role of the State Agency Approver) for review of P-Card transactions for the appropriate Cardholders. These roles are also granted to Internal Audit or State Audit for review of P-Card transactions.
- III. The above roles must be given to a user in order to perform the given functions. However, for certain roles, such as the State Agency P-Card Program Coordinator, the State Agency Approver, the State Agency Reconciler, or the assigned Cardholder Proxy, an individual may have multiple Cardholders for whom they perform such function. When a new Cardholder is set up, the Agency will indicate on the New Account Enrollment Workbook (the CPO Excel form used to setup a new Cardholder), who the individual is who should serve in each of these P-Card Program roles. If that individual already has the Edison role, there is no need for an additional Edison role to be added. The new Cardholder will just be added under that individual's "tree".