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# Procurement Cards

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Dear Reader:

The following document was created from the CTAS website ([ctas.tennessee.edu](http://ctas.tennessee.edu)). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

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# Procurement Cards

Reference Number: CTAS-937

According to the authors of "*Advanced Public Procurement*", procurement cards are small, thin, plastic debit or credit cards that look very similar to a Visa or MasterCard.<sup>1</sup> They have authorization and spending limitations embedded into a magnetic strip on the card.<sup>2</sup> The majority of procurement cards in use today are credit cards.<sup>3</sup> A major bank usually issues procurement cards, but depending on the transaction volume, a local bank may be able to meet requirements with the assistance of a credit card company (Visa, MasterCard, etc.).<sup>4</sup> The issuing bank provides reporting information to the county in several different ways, i.e., special reports, transaction reports, cardholder activity reports, and audit reports (as provided by the agreement).<sup>5</sup>

The purpose of the procurement card is to offer county departments a procurement process for purchase and payment of low-dollar, non-inventory, non-capital items. The intent is to streamline the traditional procurement process by reducing the number of requisitions, purchase orders, invoices, and checks.<sup>6</sup>

Procurement cards are a purchasing tool because they facilitate the purchasing activity. They are also a payment card because they facilitate and often expedite the payment to the vendors. Cards may reduce the cost of doing business while preserving controls and maximizing the audit trail and data captured at the point of sale. The card has historically been used for small purchases that do not require competitive bidding.<sup>7</sup>

There currently is no state law concerning the subject of procurement cards. However, sound accounting practices require some controls on the usage of such cards be in place prior to their use in counties. The method of adopting these controls will depend on the purchasing laws under which the county operates, as well as the established procedures the county follows relative to purchasing.<sup>8</sup>

Any county desiring to use procurement cards should consult with its county attorney to determine the appropriate method for authorizing the use of procurement cards and adopting policies and procedures. As a *very general guide*, CTAS has developed sample documents which a county may use as a starting point for developing its own set of documents authorizing procurement cards and governing their use.

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<sup>1</sup>National Institute of Governmental Purchasing, *Advanced Public Procurement*, (Herndon, VA: 2001), 45.

<sup>2</sup>ibid, 45.

<sup>3</sup>ibid, 45.

<sup>4</sup>ibid, 45.

<sup>5</sup>ibid, 46.

<sup>6</sup>Ronald Cohen, "*Review of Internal Controls Over Procurement Card*", Internal Audit Office, Fairfax County, Va, 2.

<sup>7</sup>Advanced Public Procurement, 45.

<sup>8</sup>The University of Tennessee, CTAS, Spotlight on Current Issues, *Purchasing Card Usage in Counties*, Executive Director's Memo, February 7, 2001, 1.

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