Chapter 8

Disbursements, Financing and Payment Programs

Table of Contents

[Disbursements, Financing and Payment Programs 3](#_Toc502824010)

[Overview 3](#_Toc502824011)

[Introduction 3](#_Toc502824012)

[Section A 3](#_Toc502824013)

[Disbursements 3](#_Toc502824014)

[Overview 3](#_Toc502824015)

[Introduction 3](#_Toc502824016)

[Topic 1 – Payment Fundamentals 3](#_Toc502824017)

[8.A1.0 Basic requirements 3](#_Toc502824018)

[8.A1.1 Required payment date 3](#_Toc502824019)

[8.A1.2 Allocation of payment approval process time 4](#_Toc502824020)

[8.A1.3 Administrative fee/billing 4](#_Toc502824021)

[8.A1.4 DGS price book 4](#_Toc502824022)

[8.A1.5 Determining tax on purchases 5](#_Toc502824023)

[8.A1.6 Maintenance sales tax 5](#_Toc502824024)

[Topic 2 – Advance Payments 6](#_Toc502824025)

[8.A2.0 Advance payment prohibited 6](#_Toc502824026)

[8.A2.1 (IT) Software support and maintenance programs 6](#_Toc502824027)

[Topic 3 – Progress Payments 7](#_Toc502824028)

[8.A3.0 Definition of progress payments 7](#_Toc502824029)

[8.A3.1 When progress payments are allowed 7](#_Toc502824030)

[8.A3.2 Consideration of progress payments 7](#_Toc502824031)

[8.A3.3 Recommendations regarding progress payments 7](#_Toc502824032)

[Topic 4 – Payee Data Record (STD. 204) 9](#_Toc502824033)

[8.A4.0 Payee data record (STD. 204) is required 9](#_Toc502824034)

[8.A4.1 LPA contracts and STD. 204 9](#_Toc502824035)

[Topic 5 – Payment of Invoices 10](#_Toc502824036)

[8.A5.0 Accurate invoice 10](#_Toc502824037)

[8.A5.1 Components of an accurate invoice 10](#_Toc502824038)

[8.A5.2 The clock starts ticking 10](#_Toc502824039)

[8.A5.3 Invoice dispute notification (STD. 209) 11](#_Toc502824040)

[8.A5.4 Discounts 11](#_Toc502824041)

[8.A5.5 Maintain a Clear Separation of Duties 11](#_Toc502824042)

[Topic 6 – Other Payment and Invoice Considerations 12](#_Toc502824043)

[8.A6.0 Travel provisions 12](#_Toc502824044)

[8.A6.1 Freight bills must be audited by the Transportation Management Unit 12](#_Toc502824045)

[8.A6.2 Training vouchers 12](#_Toc502824046)

[8.A6.3 Purchase Order and invoice name must match 12](#_Toc502824047)

[8.A6.4 Non-LPA supplier name discrepancy 13](#_Toc502824048)

[8.A6.5 LPA supplier name discrepancy 13](#_Toc502824049)

[Section B 14](#_Toc502824050)

[Finance and Payment Programs 14](#_Toc502824051)

[Overview 14](#_Toc502824052)

[Introduction 14](#_Toc502824053)

[Topic 1 – California’s Electronic Financial Marketplace 15](#_Toc502824054)

[8.B1.0 State Financial Marketplace (SFM) 15](#_Toc502824055)

[8.B1.1 SFM compliance certification form 15](#_Toc502824056)

[8.B1.2 Tax exempt rates 15](#_Toc502824057)

[8.B1.3 Financing conditions 15](#_Toc502824058)

[8.B1.4 Applicability 16](#_Toc502824059)

[8.B1.5 Tangible assets 16](#_Toc502824060)

[8.B1.6 Energy savings projects 17](#_Toc502824061)

[8.B1.7 DGS oversight 17](#_Toc502824062)

[8.B1.8 Assignments 17](#_Toc502824063)

[8.B1.9 Refinancing 18](#_Toc502824064)

[8.B1.10 Use of financing arrangements other than GS $Mart and budgetary conditions 18](#_Toc502824065)

[8.B1.11 Contact Financial Marketplace Managers 18](#_Toc502824066)

[8.B1.12 DGS Office of Fiscal Services 18](#_Toc502824067)

[Topic 2 - CAL-Card Purchase Card Program 19](#_Toc502824068)

[8.B2.0 About CAL-Card (rev 12/17) 19](#_Toc502824069)

[8.B2.1 CAL-Card Usage and Purchasing Authority (rev 12/17) 19](#_Toc502824070)

[8.B2.2 Payment Mechanism Only (rev 12/17) 19](#_Toc502824071)

[8.B2.3 Dollar Threshold for CAL-Card Use (rev 12/17) 19](#_Toc502824072)

[8.B2.4 Ineligibility (rev 12/17) 20](#_Toc502824073)

[8.B2.5 Splitting Purchases (rev 12/17) 20](#_Toc502824074)

[8.B2.6 Account suspension (rev 12/17) 20](#_Toc502824075)

[8.B2.7 Limitations (rev 7/20) 20](#_Toc502824076)

[Topic 3 – CAL-Card Program Participation Requirements 22](#_Toc502824077)

[8.B3.0 Request to Participate (RTP) Form (rev 12/17) 22](#_Toc502824078)

[8.B3.1 State Agency Contract with CAL-Card Contractor (rev 12/17) 22](#_Toc502824079)

[8.B3.2 Requirement to Designate Staff, Roles, and Responsibilities (rev 12/17) 22](#_Toc502824080)

[Topic 4 – Executing Purchases Using CAL-Card as the Payment Method 24](#_Toc502824081)

[8.B4.0 Executing Purchases Under $2,500.00 (added 4/17) (rev 12/17) 24](#_Toc502824082)

[8.B4.1 Executing Purchases $2,500.00 and Over (added 4/17) (rev 12/17) 24](#_Toc502824083)

[8.B4.3 Purchase Document Requirements (rev 12/17) 24](#_Toc502824084)

[Topic 5 – CAL-Card Statement Reconciliation and Documentation Requirements 26](#_Toc502824085)

[8.B5.0 General (added 4/17) (rev 12/17) 26](#_Toc502824086)

[8.B5.1 Documentation Requirements (rev 12/17) 26](#_Toc502824087)

[Section C 27](#_Toc502824088)

[Resources 27](#_Toc502824089)

#### Chapter 8

# Disbursements, Financing and Payment Programs

## Overview

### Introduction

This chapter describes the policies, processes, and programs applicable to invoice submittals and payments, state financing, prompt payment, and the CAL-Card Purchase Card Program.

# Section A

# Disbursements

## Overview

### Introduction

This section provides general payment information including when payment should be released, what is required prior to invoice payments, and what are acceptable and unacceptable payment practices.

## Topic 1 – Payment Fundamentals

### 8.A1.0 Basic requirements

Payment shall not be processed or released to any supplier for any goods and/or services without having in its possession all of the following:

* A properly authorized purchase document.
* Documentation verifying the goods/services were satisfactorily received and/or performed.
* An accurate and correct supplier invoice.

### 8.A1.1 Required payment date

State departments granted purchasing authority are expected to establish procedures and adhere to the provisions of the California Prompt Payment Act (GC section 927 et seq).

Payments to supplier are to be made in accordance with the provisions of the California Prompt Payment Act. The Act requires departments (unless expressly exempted by statute) to pay properly submitted, undisputed invoices, refunds or other undisputed payments due not more than forty-five (45) days after:

* The date of acceptance of goods or performance of services; or
* Receipt of an undisputed invoice, whichever is later.

If the requirement is not met, state departments must automatically calculate and pay the appropriate late payment penalties as specified in Government Code section 927, et seq.

Refer to Section C, [[Resources](#Resources8)](#Resources8), at the end of this chapter for access to the Prompt Payment Program.

The withheld amount pursuant to MVC 999.7 and SCM 3.A5.3 is not subject to late payment penalties under the Prompt Payment Act.

### 8.A1.2 Allocation of payment approval process time

Thirty (30) of the forty-five (45) calendar days allowed to pay invoices are allocated to a department’s payment approval process. The remaining fifteen (15) calendar days are allocated to the State Controller’s Office (SCO) claim audit and warrant generation process.

However, if a department elects to pay an invoice using the revolving fund process in order to take advantage of discounts or to avoid accruing late payment penalties, then the department can use the entire 45 day period.

### 8.A1.3 Administrative fee/billing

Department of General Service, Procurement Division (DGS/PD) charges each department an administrative fee for use of most purchasing authority transactions and categories (competitive bids, LPAs, NCB, etc.) based on the value of each purchase document. In most cases, DGS/PD may bill directly or rely on the contractor to collect the fee. Individual LPA contracts will describe any administrative fees associated with using the contract and how the fee will be collected.

IT transactions which are unusually complex in nature will be billed at an hourly rate. These include, preparation and evaluation of solicitations, contract negotiations, benchmark/equipment demonstrations, consultation at all levels of the procurement process, issuance of purchase orders and contracts for equipment, software or services, contract review and all NCB reviews.

### 8.A1.4 DGS price book

DGS/PD publishes a price book and directory of services that provides a listing of the services provided and prices charged by DGS.

Refer to Section C, [Resources](#Resources8), at the end of this chapter to access DGS Price Book and Directory of Services.

### 8.A1.5 Determining tax on purchases

The State does not pay federal taxes on purchases, only State sales tax and/or use tax. Taxes are assessed based upon where the products are physically received; therefore, it is recommended that a copy of the latest California Sales and Use Tax rate chart by county be obtained. This chart can be found on the California Department of Tax and Fee Administration’s (CDTFA) web page.

Refer to Section C, [Resources](#Resources8), at the end of this chapter to access the CDTFA web page.

### 8.A1.6 Maintenance sales tax

The CDTFA has ruled, in accordance with Regulation 1502 (IT) and 1546 (non-IT goods) of the Sales and Use Tax Regulations of the Business Taxes Law Guide, some supplies are taxable. See Regulation 1502, 1546 or contact CDTFA for additional information.

Refer to Section C, [Resources](#Resources8), at the end of this chapter to access Regulation 1502 (IT) and 1546 (non-IT goods).

## Topic 2 – Advance Payments

### 8.A2.0 Advance payment prohibited

California Constitution, Article XVI, section 3 and section 6, prohibits gifts/donations of public funds. An advance payment or pre-payment is considered a gift of public funds since the State has received no benefit and the subsequent receipt of goods/services cannot be guaranteed.

Consequently, departments shall not pay for services or goods in advance of service performance or goods received. The only exceptions are noted in GC section 11019 and 11256.

### 8.A2.1 (IT) Software support and maintenance programs

Software support and maintenance programs can be paid upon receipt of an undisputed invoice. Software support or maintenance service typically includes access to a customer technical support phone line, correcting customized software programs, software upgrades via different types of media and documentation. It does not include consulting services to develop or assist in correcting customized software programs.

#### 8.A2.2 Subscriptions

Subscriptions, magazines and periodicals can be paid upon receipt of an undisputed invoice.

## Topic 3 – Progress Payments

### 8.A3.0 Definition of progress payments

A progress payment is a partial payment approach identified in a contract related to steps or phases toward the completion of the contract for goods and/or services.  Use of this payment approach can require withhold of a percentage of payment pending completion of the entire contract and a bond. The portion of the payment withheld due to progress payments is paid upon final delivery or acceptance of goods or services.

### 8.A3.1 When progress payments are allowed

Pursuant to PCC section 12112 (IT goods and services), and PCC section 10314 (non-it goods), progress payments are allowable for work performed and costs incurred at the contractor’s shop or plant if the purchase transaction is unique to State business, not suitable for sale to others in the ordinary course of business. In these instances, not less than 10 percent of the contract price is required to be withheld until delivery and acceptance of the final goods and/or services.

For IT goods and services, lessor withholding levels may be appropriate based on an evaluation of risk determined under PCC 12112(b). Under these circumstances, if the contract price is $10,000,000 or more, the department shall withhold no less than 5% of the contract price until final delivery or acceptance of final goods or services. If the contract price is less than $10,000,000 the department shall withhold no less than 3% of the contract price until final delivery or acceptance of final goods or services.

For non-IT goods, the contractor is also required to provide a faithful performance bond, acceptable to the department, in a sum of not less than one-half of the total amount payable under the contract.

### 8.A3.2 Consideration of progress payments

In the course of the procurement planning activities, it should be carefully evaluated whether progress payments are warranted and whether the contract administrator will have the expertise to properly monitor contract activities before entering into purchases that include progress payments.

### 8.A3.3 Recommendations regarding progress payments

The following should be conformed to when dealing with progress payments:

* Discourage progress payments whenever possible.
* Purchase documents shall require a withholding of each progress payment in accordance with 8.A3.1 above, pending satisfactory completion of the purchase transaction or a separate and distinct task.
* Establish a procedure to indicate the amount to be withheld on invoices.
* Do not allow progress payments on purchase documents with a term of less than three months
* If progress payments are to be made, they should be made not more frequently than monthly in arrears or at clearly identifiable stages of progress, based upon written progress reports submitted with the contractor’s invoices
* Progress payments shall not be made in advance of delivery or acceptance of goods or services.
* Include a procedure in the purchase document for the contractor to request release of the amount withheld
* A written Statement of Work or Scope of Work should be developed to clearly define the tasks that constitute when a project is completed.

## Topic 4 – Payee Data Record (STD. 204)

### 8.A4.0 Payee data record (STD. 204) is required

A completed Payee Data Record (STD. 204) must be obtained from a supplier prior to executing any procurement if the supplier is not a government entity and not identified in FI$Cal prior to any payment released. The STD. 204 provides, among other data, a supplier’s taxpayer identification number and is used to determine when the payment(s) to the supplier is reportable (see SAM section 8422.190) and is needed in order to process payments of invoices.

The STD. 204 shall be submitted to the FI$Cal Change Management Office in order to obtain a vendor number. A supplier need only submit one STD. 204. Should any information change, a new form is required.

Refer to Section C, [Resources](#Resources8),at the end of this chapter to access the Payee Data Record (STD. 204).

### 8.A4.1 LPA contracts and STD. 204

LPA contracts include the contractor’s signed STD. 204 as part of the completed contract. Refer to LPA User Instructions for STD. 204 information.

.

### 8.A4.2 STD. 204 on file prior to any payments

Regardless of the procurement approach (competitive, NCB, LPA, etc.) or payment method (invoice payment, advance payment or progress payment, etc.) the department’s accounting office must ensure a completed STD.204 is in the FI$Cal system prior to releasing any payments.

## Topic 5 – Payment of Invoices

### 8.A5.0 Accurate invoice

Departments shall remind suppliers of the importance of submitting accurate and correct invoices to ensure timely payment for goods and/or services received. Departments must not pay for anything that is not in the procurement document (pallets, shipping, travel costs, etc.)

### 8.A5.1 Components of an accurate invoice

An accurate invoice provides the following:

* Purchase Order Number (FI$Cal PO) or Contract Number
* Identifies in detail the goods and/or services acquired, quantities, unit price, extension, description, etc.
* Sales tax and/or use tax as a separate line item from goods and/or services as applicable.
* Identifies all goods and/or services provided, service period, unit price (i.e. hourly, monthly) and quantity applicable to the service
* Accurate billing address as stated on the purchase order or contract
* Supplier invoice number
* Supplier invoice date
* Company name and remittance address
* Payment terms offered

### 8.A5.2 The clock starts ticking

A properly submitted invoice is:

* Submitted to the department address as identified in the purchase document as “billed to” or “invoice submitted to” for payment.
* Provides all the necessary information as identified in 8.A5.1 above
* Undisputed, see Chapter 9.
* Before approving the final payment on a contract or purchase order that includes a commitment to use DVBE subcontractors, refer to SCM 3.A5.3 and follow the department policy and procedures regarding the receipt of the Prime Contractor’s Certification – DVBE Subcontracting Report (STD 817) and the associated withhold requirements.

To accurately measure and track payment timeliness, all invoices must be:

* Date stamped or receipt date designated in ink on the front of the invoice (to accommodate photocopying) when first received at the “billed to” departmental location as identified in the purchase document.
* Promptly forwarded to the department’s accounting office if the invoice is received elsewhere in the department and the purchase document states the “bill to” address is the accounting office. It is recommended that the invoice be date stamped upon first arrival in the department, even if received at other than the “bill to” address on the purchase document.

### 8.A5.3 Invoice dispute notification (STD. 209)

Departments having a conflict or dispute with a submitted invoice shall immediately notify the supplier by phone and follow up in writing via an Invoice Dispute Notification (STD.209) within 15 working days. Buyers and contract administrators must consult with their department’s accounting office or other unit as determined by department policy and procedures to develop a plan of action for settling the dispute in a timely manner (see Chapter 9).

Refer to Section C, [Resources](#Resources8),at the end of this chapter to access the Invoice Dispute Notification (STD.209).

### 8.A5.4 Discounts

Departments are encouraged to take advantage of prompt payment discounts on invoices when offered by suppliers. CCR, Title II, Section 1895.8 states discounts involving discount periods of less than 20 days shall not be included in the calculation of low bid. Cash discounts can only be taken when the department is able to pay within the number of days specified by the supplier.

Example

5% in 20 days (This will be shown in the Comments field in FI$Cal and be reflected within the body of the FI$Cal purchase order).

Cash discounts offered by bidders for prompt payment of invoices are not to be considered in evaluating bids and offers to determine the purchase order award.

### 8.A5.5 Maintain a Clear Separation of Duties

Departments should have departmental policies and procedures in place to ensure a clear separation of duties. Buyers should not be involved in receiving goods, approving invoices or making payments for goods or services that they procured.

## Topic 6 – Other Payment and Invoice Considerations

### 8.A6.0 Travel provisions

All supplier travel and per diem expenses must be in relation to official State business, within contract parameters and incorporated into the executed purchase document. Travel and per diem rates paid to contractors shall be set in accordance with the rates of the Department of Personnel Administration (DPA) for comparable classes or verification supplied that such rates are not available to the contractor.

Necessary travel requirements must be settled before executing the purchase document because the detail and cost (only as allowed for in the contract) must be included in the purchase document to be payable.

All travel and per diem expenses authorized within LPA contract provisions must be verified.

Payments for travel and expenses of $25.00 or more must be supported by receipts.

### 8.A6.1 Freight bills must be audited by the Transportation Management Unit

In accordance with SAM section 3851, 3852, 1200 et seq., and 8422.1, all freight bills must be audited by the TMU before being scheduled for payment by the State Controller’s Office (SCO). If a freight bill does not bear TMU’s audit stamp, the invoice will be removed from the claim schedule by the SCO and returned to the department.

The TMU’s freight bill approval is not required for the following items:

* The amount of the freight bill is $500.00 or less.
* The freight is included in the goods purchase and the freight bill amount matches that listed in DGS/PD LPA.
* Freight services performed under a contract pursuant to the requirements of SAM Section 1200 et. Seq., specifying the exact rates to be applied for the services.

### 8.A6.2 Training vouchers

It is acceptable to contract for training vouchers in advance of the training being performed “IF” the contractor does not invoice and the training services are not paid for before receiving the training.

### 8.A6.3 Purchase Order and invoice name must match

The supplier name as shown on the purchase order/CAL-Card Statement of Account and the invoice must match or the SCO will not approve payment. Do not process invoices if the supplier name varies between these documents.

### 8.A6.4 Non-LPA supplier name discrepancy

If there is a discrepancy in a supplier name between purchase order and invoice, the department shall notify the supplier immediately by phone and follow the dispute process identified in Chapter 9. The invoice shall be disputed until such time as one of the following occurs:

* The invoice is corrected to match the purchase document
* An amendment to the purchase order to change the supplier name is executed. This may, dependent upon the nature of the name change, require an Assignment Acknowledgement or a Contract Novation document (document that substitutes a new obligation for an old one) to be incorporated within the amendment documentation.

The amendment documentation must be retained in the procurement file.

A new Payee Data Record, STD. 204 may be required.

Department buyers requiring assistance in determining the proper documentation to effect a name change should seek legal advice from their department counsel; DGS/PD buyers should seek assistance from DGS/OLS.

### 8.A6.5 LPA supplier name discrepancy

Departments encountering a discrepancy in supplier names when conducting LPA purchases shall immediately contact DGS/PD to verify whether or not the contractor has processed the appropriate documentation to effect the change in name.

Invoices shall be disputed in the FI$Cal system until such time as the LPA contract has been updated with the name change via DGS/PD issued supplement or amendment to the contract and the department has in its possession an executed amendment to the purchase document. Documentation to support the name change (LPA supplement/amendment) must be retained in the procurement file regardless of the purchasing authority type of category used.

# Section B

# Finance and Payment Programs

## Overview

### Introduction

This section describes the different financing and payment programs available to departments with purchasing authority. Included in this section is a detailed description of the processes that shall be followed when executing these purchases and using CAL-Card as the method of payment.

## Topic 1 – California’s Electronic Financial Marketplace

### 8.B1.0 State Financial Marketplace (SFM)

All State departments and local governmental agencies are permitted to enter into either installment purchase agreements (commonly referred to in the industry as “lease purchases”) or financed leases as described in the Uniform Commercial Code, Section 2A (commonly referred to as “operating leases”), via DGS’s State Financial Marketplace (SFM) , which includes “**GS $Mart”** and “Lease $Mart.” DGS is authorized to administer the State Financial Marketplace programs per Government Code section 14930 et seq.

Contact the SFM Managers prior to initiating a procurement that might involve financing.

Refer to Section C, [Resources](#Resources8), at the end of this chapter to access the State Financial Marketplace (SFM).

### 8.B1.1 SFM compliance certification form

State departments will be required to complete a SFM Certification of Compliance Form and a Request for Rate Quote (RFRQ) Form when contemplating financing a transaction using the SFM program. The completed form must be sent to the SFM Managers for approval before the SFM will proceed with the financing process.

Refer to Section C, [Resources](#Resources8), at the end of this chapter for the SMF Certification of Compliance Form and a Request for Rate Quote (RFRQ) Form.

### 8.B1.2 Tax exempt rates

The Golden State Financial Marketplace or GS $Mart offers tax-exempt rates which usually are less costly than commercial lending rates. For this reason, rates negotiated under GS $Mart tend to be the lowest obtainable. Also, loans are structured to comply with Internal Revenue Service (IRS) Tax Code. GS $Mart can be used for financed agreements as a matter of:

* Convenience;
* Efficiency; and
* Substantial cost savings.

### 8.B1.3 Financing conditions

Conditions for entering into a financed agreement include, but are not limited to, the following:

* Generally, the financed portion of an acquisition is a minimum of $50,000. This includes the cost of the tangible asset and, if applicable, sales tax. Financing an amount smaller than $50,000 may not be cost-effective. Contact the SFM for additional information regarding finance of lower dollar-value transactions.
* Acquisitions conducted under delegated purchasing authority that include financing must subscribe to the requirements identified in Chapter 1. For determination of whether the transaction is within a department’s delegated purchasing authority limit, the cost of financing is not included.
* The term duration of the finance agreement may not exceed the projected useful life of the asset being financed.
* If a department wishes to consider a lender that is not participating in the GS $Mart program, contact the GS $Mart Managers *prior* to proceeding to learn how the desired lender can qualify for the GS $Mart program. Requirements to become a lender are found on the GS $Mart home page in Section C, [Resources](#Resources8),at the end of this chapter.
* Any requested financing of an acquisition $10 million or larger must first be approved by the Department of Finance (DOF).

Current DGS-approved lenders and financing plans are posted on DGS’ website in State Financial Marketplace (GS $mart).

### 8.B1.4 Applicability

The above conditions for financed agreements apply to the following:

* Orders for applicable items placed against Statewide Contracts, and Leveraged Procurement Agreements including, unless otherwise stated in user instructions;
* A competitive acquisition; or
* A non-competitively bid acquisition.

The above conditions do not apply to operating leases and rental agreements.

### 8.B1.5 Tangible assets

Purchased tangible assets that may be financed through GS $Mart **include:**

* Vehicles
* Laboratory and medical equipment
* Furniture (including modular)
* Information technology equipment and necessary pre-integrated software (including mainframes, PCs, printers, network equipment, and storage)
* Software licenses
* Software development and integration (on a case-by-case basis by the Department of Technology)
* Select services included with the procurement of assets (e.g., warranty, installation, and training)
* Copy machines
* Video conferencing systems
* Mailing equipment
* Telephone systems
* Most energy efficiency and sustainability equipment and systems (see “Capital Outlay” below)

“Tangible assets” that may not be financed through GS $Mart**®** include:

* Consultant and other services
* Capital outlay projects:
  + Capital outlay projects are those that alter the purpose or capacity of real property. Projects that keep real property functioning at its designed level service, or improve the efficiency of its operating systems—such as repair projects and most energy efficiency projects—are not capital outlay. Note, however, that some energy efficiency projects (e.g., photovoltaics) can involve significant facility engineering issues that make them capital outlay in nature or could be limited by covenants on debt-financed buildings. Such projects must receive prior approval by the DOF before securing financing.

### 8.B1.6 Energy savings projects

GS $Mart financing may also be used for energy efficiency and sustainability projects. However, the approval of these projects will be based on a cost-benefit analysis to substantiate that there is enough energy savings derived to repay all associated project costs including financing. A Life Cycle Cost (LCC) analysis model is available from DGS to conduct this evaluation. The LCC model must be used for this analysis, and DGS will not approve any GS $Mart financing for such projects unless the applicant department certifies that the model has been applied and the results justify the asset acquisition on a cost-benefit basis.

### 8.B1.7 The DGS oversight

All State departments that use the SFM and are subject to DGS oversight must send a copy of any finance proposal to the GS $Mart manager for review. GS $Mart will conduct a Request for Rate Quote to qualified lenders for a department’s financing. The department will be required to create a financing agreement/purchase order under the authority of the GS $Mart manager to include the payment schedule and financing charges. The financing is reviewed to ensure compliance with IRS Tax Code requirements. The GS $Mart manager also files the required IRS tax forms and reports on behalf of the department. No financing contract may be signed by a department without prior written approval by DGS.

### 8.B1.8 Assignments

Contact the GS $Mart Managers prior to initiating an assignment of a contract that was financed using the GS $Mart program.

### 8.B1.9 Refinancing

GS $Mart program posts the latest market information on the Internet, including DGS‑approved lenders and finance rates. State departments are advised to review GS $Mart information periodically for refinancing opportunities and, if advantageous, to execute a refinancingcontract to realize the cost savings. To ensure refinancing is executed properly, departments should contact the GS $Mart Managers before proceeding.

### 8.B1.10 Financing arrangements other than GS $Mart and budgetary conditions

Use of any financing arrangement other than GS $Mart, even utilizing baseline budget resources, is prohibited without prior approval from the Department of Finance. A department proposing such financing must request approval in writing and must provide an analysis to support the basis for selection of the financing to the Department of Finance support unit. A proposed financing arrangement other than GS $Mart will be subjected to a rigorous evaluation that must demonstrate that it will provide the state with better terms than GS $Mart and will provide comparable financial security regarding such issues as tax exempt qualifications, financial health of the lender, and the financing’s effect on the state’s credit rating.

### 8.B1.11 Contact Financial Marketplace Managers

The State Financial Marketplace manager must conduct all leasing and financing solicitations. Departments considering financing options shall contact the State Financial Marketplace manager for assistance.

Refer to Section C, [Resources](#Resources8),at the end of this chapter to access the State Financial Marketplace.

### 8.B1.12 DGS Office of Fiscal Services

For those departments under DGS purview, DGS Office of Fiscal Service (OFS), under the direction of DOF, and in conjunction with the California State Controller’s Office, will have the money withdrawn from the using department’s budget and OFS will make the finance or lease payments on the using department’s behalf.

## Topic 2 - CAL-Card Purchase Card Program

### 8.B2.0 About CAL-Card

**“CAL-Card” is the registered name of the State’s Purchase Card Program. The CAL-Card Program provides VISA card services to participating state and local governmental agencies. The CAL-Card is a payment mechanism for the purchase of goods and services.**

DGS/PD establishes a Leveraged Procurement Agreement (LPA) which provides purchase card services to agencies participating in the state’s CAL-Card Program. State agencies execute individual contracts with the contractor awarded the Purchase Card Services LPA. User Instructions provide additional guidance for how to use this LPA.

Refer to Section C, [Resources](#Resources8), at the end of this chapter for information on the CAL-Card Program.

### 8.B2.1 CAL-Card Usage and Purchasing Authority

Only state agencies granted purchasing authority may participate in the state’s CAL-Card Program.

### 8.B2.2 Payment Mechanism Only

CAL-Card is a payment mechanism, not a procurement approach or acquisition method and therefore, does not relieve state agencies from adhering to all procurement laws, regulations, policies, procedures, and best practices. This includes but is not limited to the application of all sales and use tax laws, rules and policies as applicable to the purchase.

### 8.B2.3 Dollar Threshold for CAL-Card Use

CAL-Card is a payment mechanism for the acquisition of goods or services up to the purchasing authority dollar thresholds authorized for the state agency and individual cardholder.

Cardholder purchase limits are managed by the state agency’s CAL-Card Program Administrator (or Alternate) through the current Purchase Card Services LPA contractor (see User Instructions). Cardholder purchase limits may not exceed their state agency’s assigned purchasing authority dollar threshold for the acquisition method used (i.e. informal competitive).

### 8.B2.4 Ineligibility

A state agency will no longer be eligible to participate in the state’s CAL-Card Program if purchasing authority is revoked or if the Purchasing Authority Unit (PAU) identifies significant deficiencies.

All privileges will be cancelled until the PAU has determined that the state agency meets purchasing authority standards and has adequately resolved deficiencies.

### 8.B2.5 Splitting Purchases

State agencies will not split purchases to circumvent a cardholder’s daily or monthly purchase limits. Also, cardholders will not split transactions to avoid competitive bidding limits or purchasing authority dollar thresholds.

### 8.B2.6 Account suspension

Participating state agencies that maintain delinquent balances of 60 days or greater are subject to account suspension by the awarded contractor. Each state agency shall work to eliminate potential late payment penalties and receive the full benefit of the prompt payment rebate revenue program.

### 8.B2.7 Limitations

CAL-Card limitations are as follows:

|  | Description |
| --- | --- |
| 1 | CAL-Card use for personal activities is prohibited. CAL-Card must only be used for official state business purchases. |
| 2 | CAL-Card cannot be used for state travel-related expenses. This includes travel-related per diem expenses, normally reimbursed to state employees via travel expense claim. Travel is defined as airline tickets, ground transportation, vehicle rentals, restaurants, meals, lodging and gasoline for rental cars or personal cars used for official business. |
| 3 | CAL-Card cannot be used to pay for past-due invoices. |
| 4 | CAL-Card cannot be used to pay late payment penalties. |
| 5 | CAL-Card shall only be used by the assigned cardholder. |
| 6 | Only the state agency-designated Cardholder and Approving Official can approve CAL-Card charges and payments. Backup approval authority for the Cardholder, Approving Official and/or the Agency Program Administrator must be designated within the state agency procedures. |
| 7 | All purchases from CALPIA using CAL-Card as the payment mechanism require a FI$Cal PO; phone orders with CAL-Card as the payment mechanism are prohibited when purchasing from CALPIA. |
| 8 | Individual state agencies may establish additional limitations and/or prohibit transactions within their own CAL-Card Programs. |

## Topic 3 – CAL-Card Program Participation Requirements

### 8.B3.0 Request to Participate (RTP) Form

State agencies granted purchasing authority that are interested in participating in the state’s CAL-Card Program are required to provide a completed Request to Participate (RTP) form to the contractor awarded the Purchase Card Services Leveraged Procurement Agreement (LPA).

Refer to Section C, [Resources](#Resources8), at the end of this chapter to access the CAL-Card website for participation forms.

### 8.B3.1 State Agency Contract with CAL-Card Contractor

In addition to the RTP form, state agencies are required to execute a contract with the contractor utilizing the state’s contract form (outlined in the User Instructions) in accordance with the terms and conditions of the DGS Purchase Card Services LPA. Once the state agency and the contractor enter into a contract, the formal implementation process is initiated.

Refer to Section C, [Resources](#Resources8), at the end of this chapter to access the CAL-Card website for participation forms.

### 8.B3.2 Requirement to Designate Staff, Roles, and Responsibilities

State agencies that have met the initial CAL-Card Program participation requirements must also designate the following staff assignments to perform program administration responsibilities.

| If you are the | Your administration responsibilities include: |
| --- | --- |
| CAL-Card Program Administrator (or Alternate) | * Overseeing your state agency’s CAL-Card program. * Administering new and existing accounts. * Maintaining records of all account set ups and/or updates. * Maintaining audit file records for verification. * Monitoring system reports. * Providing program procedures and training. * Taking appropriate action related to account maintenance and payment process. * Coordinating CAL-Card procurement activities with the state agency’s purchasing authority contact(s). * Monitoring past due reports. |

| If you are the | Your administration responsibilities include: |
| --- | --- |
| Cardholder | * Authorizing the purchase with the assigned purchase card. * Ensuring that all transactions comply with purchasing authority requirements. * Complying with all state and state agency procurement policies and procedures. * Reconciling the CAL-Card statement transactions with receipts and supporting documentation. * Reviewing and approving the CAL-Card statement transactions. * Filing a Cardholder Statement of Questioned Item (dispute form) for billing issues unresolved with merchants. Refer to Section C, [Resources](#Resources8), at the end of this chapter to access the dispute form. * Monitoring disputes through resolution and closure. |
| CAL-Card Approver | * Approving Budget expenditure. * Complying with all state and departmental procurement policies and procedures. * Reviewing and approving cardholder statements. * Maintaining familiarity with the duties and authorities of the authorized cardholders. * Timely submission of the CAL-Card statements to the billing office for payment. |
| Accounting/Billing Office Contact | * Receiving and reconciling CAL-Card statements to the corresponding monthly invoices. * Ensuring timely payment of the CAL-Card program invoices. * Monitoring invoice payments and past due reports through completion. * Reporting inconsistencies to the CAL-Card Agency Program Administrator. |

## Topic 4 – Executing Purchases Using CAL-Card as the Payment Method

### 8.B4.0 Executing Purchases Under $2,500.00

For purchases valued less than $2,500.00 and not acquired through a Leveraged Procurement Agreement (LPA), state agencies are not required to execute a purchase document. However, the procurement must be processed through the FI$Cal system for payment. When purchases to an individual supplier have reached $7,500.00 within a calendar year, a purchase document must be issued for the next purchase.

DGS/PD recommends that state agencies evaluate each non-LPA transaction less than $2,500.00 to determine whether it’s in the state’s best interest to execute a purchase document.

Reference: Government Code sections 8355 and 12990. Public Contract Code sections 6108, 10286.1, 10295.1, and 10296.

### 8.B4.1 Executing Purchases $2,500.00 and Over

A purchase document is required for all purchases valued at $2,500.00 and over that will be paid using CAL-Card.

Reference: Government Code sections 8355 and 12990. Public Contract Code sections 6108, 10286.1, 10295.1, and 10296.

#### 8.B4.2 Leveraged Procurement Agreements (LPA) and CAL-Card Payment

A purchase document is required for all LPA purchases paid using CAL-Card. Individual LPA User Instructions will indicate the required purchase document (i.e. STD 213).

### 8.B4.3 Purchase Document Requirements

Purchase documents must identify that payment will be made using CAL-Card and include all required terms, conditions, attachments or documentation applicable to the transaction.

#### 8.B4.4 Restriction for “Encumbrance Only” Acquisition Type

“Encumbrance Only” is an acquisition type available for use by accounting personnel **only** for the purposes of encumbering funds for transactions that do not require a contract (aka “agreement” or ”purchase order”) such as the following:

* Court Orders / Settlements
* Payroll Estimates
* Workers Compensation Claims
* Retirement Cash-Out / Payout
* Debt Services
* Travel / CalATERS
* Grants (only grants that meet criteria specified in SCM Volume 1, Section 4.06)

State agencies **are PROHIBITED** from using the “Encumbrance Only” acquisition type in FI$Cal for Cal-Card transactions.  Compliance with SCM policy is required to maintain purchasing authority granted by the DGS/PD.

## Topic 5 – CAL-Card Statement Reconciliation and Documentation Requirements

### 8.B5.0 General

For state agencies that participate in the CAL-Card Program, all CAL-Card transaction reconciliation and payment processing will occur within the FI$Cal system.

### 8.B5.1 Documentation Requirements

State agencies must provide required documentation within FI$Cal for every CAL-Card transaction, regardless of dollar value. At a minimum, reconcilers are required to enter transaction details within FI$Cal as follows:

| If transaction… | Then reconcilers must: |
| --- | --- |
| Required a  Purchase Document | * Identify the contract/purchase order number for the transaction in FI$Cal * Upload an itemized detailed invoice/receipt |
| Did not require a Purchase Document | * Enter supplier information (when merchants are registered suppliers within FI$Cal) * Upload an itemized detailed invoice/receipt * Upload additional documentation (as applicable) in support of the transaction, such as: * Documentation to support the acquisition method used (i.e. fair and reasonable pricing, competitive quotes, NCB Justification Form, etc.). * Pre-procurement requirements (i.e. CalPIA waiver, etc.) * Stock received information including the date received and by whom. |

Refer to Section B, Topic 4 of this Chapter for purchase document requirements.

# Section C

# Resources

**Chapter 8 Resources**

**C**

Cal-Card Program [Link to Website](https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Acquisitions/CAL-Card-Program)

Cal-Card Standard Agreement [Link to Website](https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Acquisitions/CAL-Card-Program)

California Department of Tax and Fee Administration [Link to Website](http://www.cdtfa.ca.gov/)

Certification of Compliance Form

**D**

DGS Price Book & Directory of Services [Link to Website](https://www.dgs.ca.gov/OFS/Price-Book)

**G**

GS $Mart [Link to Website](https://www.dgs.ca.gov/PD/Services/Page-Content/Procurement-Division-Services-List-Folder/Finance-an-Acquisition-through-GS-$Mart)

**I**

Invoice Dispute Notification (STD.209) [PDF](http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std209.pdf)

**P**

Payee Data Record (STD.204) [PDF](http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std204.pdf)

Prompt Payment Program [Link to Website](https://www.dgs.ca.gov/PD/Resources/Page-Content/Procurement-Division-Resources-List-Folder/Late-Payment-Penalty-Paid-Reports)

**R**

Regulation 1502 (IT) and 1546 (non-IT goods) [Link to Website](https://www.cdtfa.ca.gov/lawguides/vol1/sutr/1502.html)

Request for Rate Quote (RFRQ) Form [Link to Website](https://www.dgs.ca.gov/-/media/Divisions/PD/Acquisitions/State-Financial-Marketplace/Request_for_Rate_Quote_12092019.docx?la=en&hash=4D402B5704217A396E3C5AA10965D2A10C73D499)

Request to Participate (RTP) Form [Link to Website](https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Acquisitions/CAL-Card-Program)

**S**

State Financial Marketplace (SFM) [Link to Website](https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Acquisitions/State-Financial-Marketplace)