Chapter 9

Disbursements, Financing and Payment Programs

Table of Contents

[Chapter 9 4](#_Toc295196049)

[Disbursements, Financing and Payment Programs 4](#_Toc295196050)

[Overview 4](#_Toc295196051)

[Introduction 4](#_Toc295196052)

[Contents 4](#_Toc295196053)

[Section A 4](#_Toc295196054)

[Disbursements 4](#_Toc295196055)

[Overview 4](#_Toc295196056)

[Introduction 4](#_Toc295196057)

[Topic 1 – Payment Fundamentals 5](#_Toc295196059)

[9.A1.0 Basic requirements](#_Toc295196060) 5

[9.A1.1 Required payment date 5](#_Toc295196061)

[9.A1.2 Allocation of payment approval process time 5](#_Toc295196062)

[9.A1.3 Administrative fee/billing 5](#_Toc295196063)

[9.A1.4 The DGS price book 6](#_Toc295196064)

[9.A1.5 Determining tax on purchases 6](#_Toc295196065)

[9.A1.6 Maintenance sales tax 6](#_Toc295196066)

[9.A1.7 CAL-Card usage 6](#_Toc295196067)

[Topic 2 – Advance Payments 8](#_Toc295196068)

[9.A2.0 Advance payment prohibited 8](#_Toc295196069)

[9.A2.1 Software support and maintenance programs 8](#_Toc295196070)

[Topic 3 – Progress Payments 9](#_Toc295196071)

[9.A3.0 Definition of progress payments 9](#_Toc295196072)

[9.A3.1 When progress payments are allowed 9](#_Toc295196073)

[9.A3.2 Consideration of progress payments 9](#_Toc295196074)

[9.A3.3 Recommen-dations regarding progress payments 9](#_Toc295196075)

[Topic 4 – Payee Data Record (STD. 204) 11](#_Toc295196076)

[9.A4.0 Payee data record (STD. 204) is required 11](#_Toc295196077)

[9.A4.1 LPA contracts and STD. 204 11](#_Toc295196078)

[Topic 5 – Payment of Invoices 12](#_Toc295196079)

[9.A5.0 Accurate invoice 12](#_Toc295196080)

[9.A5.1 Components of an accurate invoice 12](#_Toc295196081)

[9.A5.2 The clock starts ticking 12](#_Toc295196082)

[9.A5.3 Invoice dispute notification (STD.209) 13](#_Toc295196083)

[9.A5.4 Discounts 13](#_Toc295196084)

[9.A5.5 Maintain a Clear Separation of Duties 13](#_Toc295196085)

[Topic 6 – Other Payment and Invoice Considerations 1](#_Toc295196086)4

[9.A6.0 Travel provisions 1](#_Toc295196087)4

[9.A6.1 Freight bills must be audited by the TMU 1](#_Toc295196088)4

[9.A6.2 Training vouchers 1](#_Toc295196089)4

[9.A6.3 Purchase document and invoice name must match 1](#_Toc295196090)4

[9.A6.4 Non-LPA supplier name discrepancy 1](#_Toc295196091)5

[9.A6.5 LPA supplier name discrepancies 1](#_Toc295196092)5

[Section B 16](#_Toc295196093)

[Finance and Payment Programs 16](#_Toc295196094)

[Overview 16](#_Toc295196095)

[Introduction 16](#_Toc295196096)

[Topic 1 – California’s Electronic Financial Marketplace 17](#_Toc295196098)

[9.B1.0 State Financial Marketplace (SFM) 17](#_Toc295196099)

[9.B1.1 SFM compliance certification form 17](#_Toc295196100)

[9.B1.2 Tax exempt rates 17](#_Toc295196101)

[9.B1.3 Financing conditions 17](#_Toc295196102)

[9.B1.4 Applicability 18](#_Toc295196103)

[9.B1.5 Tangible assets 18](#_Toc295196104)

[9.B1.6 Energy savings projects 19](#_Toc295196105)

[9.B1.7 The DGS oversight 19](#_Toc295196106)

[9.B1.8 Assignments 20](#_Toc295196107)

[9.B1.9 Refinancing 20](#_Toc295196108)

[9.B1.10 Use of financing arrangements other than GS $Mart and budgetary conditions 20](#_Toc295196109)

[9.B1.11 Contact Financial Marketplace Administrator 20](#_Toc295196110)

[Topic 2 – California Prompt Payment Program 21](#_Toc295196111)

[9.B2.0 California Prompt Payment Act and compliance 21](#_Toc295196112)

[9.B2.1 Late payment penalty report 21](#_Toc295196113)

[Topic 3 - CAL-Card Purchase Card Program 22](#_Toc295196114)

[9.B3.0 About CAL-Card 22](#_Toc295196115)

[9.B3.1 CAL-Card usage and purchasing authority 22](#_Toc295196116)

[9.B3.2 Departments 22](#_Toc295196117)

[exempt from purchasing authority requirements and local agencies 22](#_Toc295196118)

[9.B3.3 Payment mechanism only 22](#_Toc295196119)

[9.B3.4 Dollar threshold for CAL-Card use 22](#_Toc295196120)

[9.B3.5 Dollar limit increases 22](#_Toc295196121)

[9.B3.6 Eligibility 23](#_Toc295196122)

[9.B3.7 Splitting purchases 23](#_Toc295196123)

[9.B3.8 Account suspension 23](#_Toc295196124)

[9.B3.9 Limitations 23](#_Toc295196125)

[Topic 4 – CAL-Card Program Participation Requirements 25](#_Toc295196126)

[9.B4.0 Request to Participate (RTP) Form 25](#_Toc295196127)

[9.B4.1 Addendum to CAL-Card MSA 25](#_Toc295196128)

[9.B4.2 Staffing requirements 25](#_Toc295196129)

[Topic 5 – Executing Purchases Valued $2,500.00 and Over Using CAL-Card as the Payment Method 27](#_Toc295196130)

[9.B5.0 CAL-Card transactions $2,500 and over 27](#_Toc295196131)

[9.B5.1 Purchase document attachments 27](#_Toc295196132)

[Topic 6 – Executing Purchases Valued Less than $2,500.00 and Using CAL-Card as a Payment Method 28](#_Toc295196133)

[9.B6.0 General 28](#_Toc295196134)

[9.B6.1 LPA purchase documents 28](#_Toc295196135)

[9.B6.2 Supporting documentation 28](#_Toc295196136)

[9.B6.3 Evaluate each transaction 28](#_Toc295196137)

# Chapter 9

# 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

### 9.A1.0 Basic requirements

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

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

### 9.A1.1 Required payment date

Payments to supplier are to be made in accordance with the provisions of the California Prompt Payment Act (GC section 927 et seq). The Act requires departments (unless expressly exempted by statute) to pay properly submitted, undisputed invoices not more than 45 days after:

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

The [Prompt Payment Program](https://www.dgs.ca.gov/PD/Resources/Page-Content/Procurement-Division-Resources-List-Folder/Late-Payment-Penalty-Paid-Reports) can be accessed at <https://www.dgs.ca.gov/PD/Resources/Page-Content/Procurement-Division-Resources-List-Folder/Late-Payment-Penalty-Paid-Reports> .

The withheld amount pursuant to MVC 999.7 and SCM 3.5.3 is not subject to late payment penalties under the Prompt Payment Act.

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

Thirty (30) of the 45 calendar days allowed to pay invoices are allocated to a department’s payment approval process. The remaining 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.

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

The 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, the 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.

### 9.A1.4 The DGS price book

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

Click here to access the [DGS Price Book and Directory of Services](https://www.dgs.ca.gov/OFS/Price-Book).

### 9.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.

Click here to access the [California Department of Tax and Fee Administration web page](http://www.boe.ca.gov/)

### 9.A1.6 Maintenance sales tax

The CDTFA has ruled, in accordance with [Regulation 1546](https://www.cdtfa.ca.gov/lawguides/vol1/sutr/1546.html) of the Sales and Use Tax Regulations of the Business Taxes Law Guide, some supplies are taxable. See Regulation 1546 or contact CDTFA for additional information.

### 9.A1.7 CAL-Card usage

The CAL-Card is a payment mechanism, not a procurement approach. Only departments granted purchasing authority for any IT goods and services purchasing categories (includes eligible LPAs as allowed by individual contract agreements) may use CAL-Card. Refer to Section B, Topics 3-6, of this Chapter for information regarding the State’s CAL-Card Purchase Card Program.

Local governmental entities may apply to participate in the State’s CAL-Card Purchase Card Program (CCPCP).

**Note:** Non-IT services outside of an LPA procurement approach are subject to the contracting requirements of the SCM, Vol. 1.

When using the CAL-Card as a payment method for purchases all sales and use tax laws, rules and policies are applicable (see 9.A1.5 and 9.A1.6 above).

## Topic 2 – Advance Payments

### 9.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.

### 9.A2.1 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.

## Topic 3 – Progress Payments

### 9.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 IT 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.

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

Pursuant to PCC section 12112 (IT goods and services), 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. 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.

### 9.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.

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

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

* 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 services rendered
* 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 when completed constitute a completed project

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

### 9.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 purchase document if the supplier is not a government entity and before any payment is 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 should be retained at the department’s business services or accounting office, as determined by each department’s policy, and in the procurement file.

Note: Since each supplier’s STD. 204 is maintained at the department’s business services or accounting office, a supplier need only submit one Std. 204 to the department. Should any information change, a new form would be required.

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

LPA contracts such as CMAS include the contractor’s signed STD. 204 as part of the completed contract. If a completed STD. 204 is not included in a LPA contract, it is the buyer’s responsibility to obtain a completed STD. 204 from the supplier.

Click here to access the [Payee Data Record (STD.204)](https://www.dgsapps.dgs.ca.gov/osp/StatewideFormsWeb/Forms.aspx).

## Topic 5 – Payment of Invoices

### 9.A5.0 Accurate invoice

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

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

An accurate invoice provides the following:

* Agency Order Number (STD.65) or Contract Number (STD.213)
* Identifies in detail the IT goods acquired, quantities, unit price, extension, description, etc.
* Sales tax and/or use tax as a separate line item from goods
* Identifies IT 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

### 9.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 the previous information block.
* Undisputed, see info Chapter 10.
* Before approving the final payment on a contract or purchase order that includes a commitment to use DVBE subcontractors, refer to SCM 3.5.3 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.

### 9.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.

Click here to access the [Invoice Dispute Notification (STD.209)](http://www.documents.dgs.ca.gov/dgs/fmc/pdf/std209.pdf).

### 9.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 “Payment Terms” block on the STD.65)

**Note:** 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.

### 9.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 IT goods, approving invoices or making payments for IT goods or services that they procured.

## Topic 6 – Other Payment and Invoice Considerations

### 9.A6.0 Travel provisions

All 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.

### 9.A6.1 Freight bills must be audited by the TMU

In accordance with SAM section 3851, 3852 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 IT goods purchase and the freight bill amount matches that listed in the DGS/PD LPA.

### 9.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.

### 9.A6.3 Purchase document and invoice name must match

The supplier name as shown on the purchase document/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.

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

If there is a discrepancy in a supplier name between purchase document and invoice, 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 document 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.

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

### 9.A6.5 LPA supplier name discrepancies

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

Click here to access the [Procurement Related Resources Directory](http://www.dgs.ca.gov/pd/Resources.aspx) found in the Introduction of the SCM, Vol. 3.

Invoices shall be disputed until such time as the LPA contract has been updated with the name change via the 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

### 9.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 the DGS State Financial Marketplace programs – “**GS $Mart**” or “Lease $Mart.” DGS is authorized to administer the State Financial Marketplace programs per Government Code section 14930 et seq.

Contact the DGS State Financial Marketplace prior to initiating a procurement that involves financing.

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

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

State departments will be required to complete a State Financial Marketplace Certification of Compliance form when contemplating financing a transaction. The completed form must be sent to the State Financial Marketplace manager for approval before the program will proceed with the financing process.

Click here to access the [State Financial Marketplace](https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Acquisitions/State-Financial-Marketplace) for additional information regarding this certification.

### 9.B1.2 Tax exempt rates

The Golden State Financial Marketplace or GS $Mart (pronounced “G S Smart”) 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 regulations. GS $Mart can be used for financed agreements as a matter of:

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

### 9.B1.3 Financing conditions

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

* Generally, the financed portion of an acquisition is a minimum of $100,000. This includes the cost of the tangible asset and, if applicable, sales tax. Financing an amount smaller than $100,000 may not be cost-effective. Contact the State Financial Marketplace 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 program manager *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 $Mart [home page](https://www.dgs.ca.gov/PD/Services/Page-Content/Procurement-Division-Services-List-Folder/Finance-an-Acquisition-through-GS-$Mart).

**Note**: Currently, the DGS-approved lenders and financing plans are posted on the GS $Mart website.

### 9.B1.4 Applicability

The above conditions for financed agreements apply to the following:

* Orders for applicable items placed against Leveraged Procurement Agreements such as the California Multiple Award Schedules (CMAS), unless otherwise stated in user instructions;
* A competitive acquisition; or
* A non-competitively bid acquisition.

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

### 9.B1.5 Tangible assets

Purchased tangible assets that may be financed through GS $Mart **include (See SAM Chapter 3400):**

* 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)
* Other select services, such as, but not limited to, extended warranty, ongoing maintenance (on a case-by-case basis, the state must pay for these in the fiscal year the services are used)
* Copy machines
* Video conferencing systems
* Mailing equipment
* Telephone systems
* Most energy efficiency, energy savings, 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 generation projects (e.g., photovoltaic) 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.

### 9.B1.6 Energy savings projects

GS $Mart financing may also be used for energy efficiency, energy savings, 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 the DGS to conduct this evaluation. The LCC model must be used for this analysis, and the 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.

### 9.B1.7 The DGS oversight

All State departments that use GS $Mart and are subject to the DGS oversight must send a copy of any finance proposals to the GS $Mart manager for review. GS $Mart will conduct a Request For Rate Quote to qualified lenders for a department’s financing. After a lender is awarded and provides a payment schedule, 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 Internal Revenue Service code requirements. The GS $Mart manager also files the necessary tax forms and reports on behalf of the department. No financing contract may be signed by a department without prior written approval by the DGS.

### 9.B1.8 Assignments

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

### 9.B1.9 Refinancing

The GS $Mart program posts the latest market information on the Internet, including the 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 **manager** before proceeding.

### 9.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 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.

### 9.B1.11 Contact Financial Marketplace Manager

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.

Click here to access the [State Financial Marketplace](https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Acquisitions/State-Financial-Marketplace).

## Topic 2 – California Prompt Payment Program

### 9.B2.0 California Prompt Payment Act and compliance

The California Prompt Payment Act requires State departments to pay properly submitted, undisputed invoices within 45 calendar days of initial receipt.  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. State departments are expected to adhere to the provisions of the California Prompt Payment Act. State departments granted any types of purchasing authority are required to establish procedures in compliance with the provisions of the California Prompt Payment Act, GC 927, et seq.

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

### 9.B2.1 Late payment penalty report

Refer to Chapter 12 – Reporting Requirements.

## Topic 3 - CAL-Card Purchase Card Program

### 9.B3.0 About CAL-Card

**CAL-Card is a payment card for State departments and local governmental agencies to make purchases for IT goods and services.**

The DGS/PD entered into a Master Services Agreement (MSA) for payment card services that allows California State and local agencies to use the VISA card for making purchases of IT goods and services.

### 9.B3.1 CAL-Card usage and purchasing authority

Only departments granted purchasing authority (includes eligible LPAs as allowed by individual contract agreements) may apply to participate in the State’s CAL-Card Purchase Card Program (CCPCP).

**Note:** Non-IT services outside of an LPA procurement approach are subject to the contracting requirements of the SCM, Vol. 1.

### 9.B3.2 Departments

### exempt from purchasing authority requirements and local agencies

Click here for information on the [CAL-Card Program](https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Acquisitions/CAL-Card-Program).

### 9.B3.3 Payment mechanism only

The CAL-Card is a payment mechanism, not a procurement approach and, therefore, does not relieve departments from adhering to all procurement laws, regulations, policies, procedures, and best practices, including those discussed in the SCM, Vol. 1, Vol. 2, and Vol.3. This includes but is not limited to the application of all sales and use tax laws, rules and policies as applicable to the purchase. Refer to the above information blocks

9.A1.5 – 9.A1.6.

### 9.B3.4 Dollar threshold for CAL-Card use

The CAL-Card is a payment mechanism for the acquisition of IT goods or services up to the delegated purchasing limits authorized for the department and individual cardholder.

### 9.B3.5 Dollar limit increases

The CAL-Card is a payment mechanism for the purchase of IT goods and services up to the delegated purchasing limits authorized for the department. Increases to cardholder limits are done by the Agency’s Program Administrator (or Alternate) through U.S. Bank. However, these limits may not exceed the delegated purchasing authority threshold for the procurement approach used.

### 9.B3.6 Eligibility

A department will no longer be eligible for the CCPCP if any of the following occurs:

* The department does not renew its purchasing authority or
* The department allows its purchasing authority to lapse or
* Purchasing authority is revoked by the DGS/PD.

All privileges will be cancelled until the department has an approved purchasing authority.

### 9.B3.7 Splitting purchases

Departments 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 limits.

### 9.B3.8 Account suspension

Participating departments that maintain delinquent balances of 60 days or greater are subject to account suspension by the bankcard issuer. Each department shall work to eliminate potential late payment penalties and receive the full benefit of the prompt payment rebate revenue program.

### 9.B3.9 Limitations

CAL-Card limitations are as follows:

| Stage | Description |
| --- | --- |
| 1 | CAL-Card must be used for state purchasing only. CAL-Card use for personal activities will not be tolerated. |
| 2 | CAL-Card cannot be used for state travel-related expenses. This includes travel-related per diem expense, normally reimbursed to state employees on a travel expense claim. Travel is defined as airline tickets, ground transportation, vehicles rentals, restaurants, meals, lodging and gasoline for rental cars or personal cars used for official business. |
| 3 | CAL-Card can only be used by the assigned cardholder. |
| 4 | Only the department-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 department procedures. |
| 5 | CAL-Card cannot be used to pay for past-due invoices. |
| 6 | CAL-Card cannot be used to pay late payment penalties. |
| 7 | Individual departments may establish additional prohibited transactions within their CAL-Card programs. |
| 8 | Using the CAL-Card for an LPA order does not relieve the department from executing a STD.65 or other contract document as allowed by the LPA. Contact the CAL-Card Program at (916) 375-4579 for additional information. |

## Topic 4 – CAL-Card Program Participation Requirements

### 9.B4.0 Request to Participate (RTP) Form

Departments granted purchasing authority that are interested in participating in the CAL-Card Program are required to complete a Request to Participate (RTP) to U.S. Bank.

Click here to access the [RTP form](https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Acquisitions/CAL-Card-Program) under the “Participant Information” ribbon.

### 9.B4.1 Addendum to CAL-Card MSA

In addition to the RTP, departments are required to execute an addendum to the CAL-Card MSA by signing a formatted Standard Agreement (STD.213) in accordance with the terms and conditions of the CAL-Card MSA. Two copies of the STD. 213 should be sent to U.S. Bank and request that one fully executed STD. 213 is returned to the agency for the contract file. Once the requesting department and U.S. Bank sign the STD.213, the formal implementation process is initiated.

Click here to access the [CAL-Card Standard Agreement](https://www.dgs.ca.gov/PD/About/Page-Content/PD-Branch-Intro-Accordion-List/Acquisitions/CAL-Card-Program) under the “Participation Information” ribbon.

For additional information contact the DGS CAL-Card contract administrator at: 916-375-4579.

### 9.B4.2 Staffing requirements

Departments that have met the initial CAL-Card 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 the department’s CAL-Card program. * Administrator for 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 and taking appropriate action related to account maintenance and payment process. * Coordinating CAL-Card procurement activities with the department’s purchasing authority contact(s). * Monitor past due reports. |

| If you are the | Your administration responsibilities include: |
| --- | --- |
| CAL-Card Approver | * Budget expenditure approval. * Complying with all state and departmental procurement policies and procedures. * Reviewing and approving cardholder statements, and maintaining familiarity with the duties and authorities of the authorized cardholders. * Timely submission of the certified Cardholder Statement of Account (CSA) to the billing office for payment. |
| Accounting/Billing Office Contact | * Receiving and reconciling CSA 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 Coordinator. |
| Cardholder | * Authorizing the purchase with the assigned purchase card. * Ensuring that all transactions comply with purchasing authority requirements. * Reconciling the CSA with the transaction receipts and supporting documentation. * Reviewing and approving the CSA. * Responsible for filing a CSQI (dispute form) for billing issues unresolved with merchant. * Monitor disputes through resolution and closure. |

## Topic 5 – Executing Purchases Valued $2,500.00 and Over Using CAL-Card as the Payment Method

### 9.B5.0 CAL-Card transactions $2,500 and over

All purchases valued at $2,500.00 and over that are paid using the CAL-Card payment process must be executed using standard purchase documents as identified in Chapter 8 – Purchase Documents as applicable to the department’s purchasing authority type and category used.

### 9.B5.1 Purchase document attachments

Any terms and conditions, model language and/or attachments (i.e. statement of work, specifications, etc.) applicable to the transaction must be attached to or incorporated by reference into the purchase document.

**Note:** Purchases executed on a STD.65 have a designated block to check to identify that payment will be made with the CAL-Card.

## Topic 6 – Executing Purchases Valued Less than $2,500.00 and Using CAL-Card as a Payment Method

### 9.B6.0 General

For purchases valued less than $2,500.00 and not acquired through an LPA, departments are not required to execute a purchase document. When purchases to an individual supplier have reached $7,500 within a calendar year a STD. 65 must be issued for the next purchase.

### 9.B6.1 LPA purchase documents

All LPA purchases must be executed on a STD.65 or other purchase document as referenced in the individual user instructions and must include all required documentation applicable to the purchase.

### 9.B6.2 Supporting documentation

For those transactions that don’t require a purchase document to be created, the following, as applicable, must be documented and retained in support of the transaction or attached to the CSA and the invoice documentation:

* Documentation to support fair and reasonable pricing for the purchase transaction.
* Responsive bids from at least two responsive suppliers.
* An approved NCB contract justification.
* An itemized detailed original invoice/receipt.
* Stock received information including the date received and by whom.
* Other documentation to support the transaction.

### 9.B6.3 Evaluate each transaction

The DGS/PD recommends that departments evaluate each non-LPA transaction less than $2,500 to determine whether it would be in the State’s best interest to execute a purchase document.