STATE OF TENNESSEE
DEPARTMENT OF GENERAL SERVICES

BILL HASLAM
GOVERNOR

ROBERT E. OGLESBY, AIA
COMMISSIONER

AGENDA

ADVISORY COUNCIL ON STATE PROCUREMENT MEETING #015
WEDNESDAY, APRIL 2, 2014 – 1:00 P.M.
TN TOWER – 3rd FLOOR, NASHVILLE ROOM

	AGENDA ITEM	PAGE #
I.	Call to Order	--
II.	Approve Minutes from March 5, 2014 Meeting (see attached documentation)	1
III.	Welcome to new Advisory Council Member: Scottie Domenico	--
IV.	New Business Proposed revisions to the following Central Procurement Office documents (see attached redline and clean versions):	
	(1) Request for Proposals (RFP) Standard Template and Request for Qualifications (RFQ) Template, Section B.15..... (2) Request for Proposals (RFP) Amendment Template..... (3) Interagency Agreement (IA) Model..... (4) Grant Management and Subrecipient Monitoring Policy and Procedures.....	7 11 21 39
V.	Other Business	--
VI.	Adjournment	--

CENTRAL PROCUREMENT OFFICE
312 ROSA L. PARKS AVENUE, 3RD FLOOR • NASHVILLE, TENNESSEE 37243
(615) 741-1035 • FAX: (615) 741-0684 • WWW.TN.GOV/GENERALSERV/

MINUTES OF MARCH 5, 2014 MEETING

MINUTES
ADVISORY COUNCIL ON STATE PROCUREMENT MEETING #014
WEDNESDAY, MARCH 5, 2014 – 1:00 P.M.
TN TOWER – 3RD FLOOR – NASHVILLE ROOM

Members in Attendance:

Mike Perry, Sondra Howe, Buddy Lea, Kelly Smith, Jason Mumpower, Melissa Kmiecik, Michelle Lane

Others in Attendance:

Bryan Chriske, Jenny Young, Mark Naftel, Hannah Terry, Melinda Parton, Paul Krivacka, Elaine Williams, Shannon Howell, Jamil Moore, Jeaneene Johnson, Charlotte McKinney

I. **Call to Order:** Mike Perry, Chief Procurement Officer and Advisory Council on State Procurement Chairman, officially called the meeting to order. He recognized that a quorum of members was present. Chief Procurement Officer Perry stated that this was the first Advisory Council meeting to be streamed and videotaped and that a link to the video would be placed on the Central Procurement Office web page.

II. **Minutes from the January 30, 2014 Meeting:** Chief Procurement Officer Perry asked if there were any corrections or additions to the minutes from the January 30, 2014 meeting. Seeing none, a motion was made by Jason Mumpower, Chief of Staff, Comptroller's Office, to accept the minutes as presented. The motion was seconded by Kelly Smith, Assistant Commissioner, Department of General Services. All members voted in favor – none opposed.

III. **Welcome to new Advisory Council Member:** Chief Procurement Officer Perry stated that Scottie Domenico had been appointed to the Advisory Council ("Council"); however, she sent her apologies for being unable to attend this meeting. Ms. Domenico is a long-time vendor with the State of Tennessee. She currently works for AED Brands and was previously with Pitney Bowes for many years. Chief Procurement Officer Perry stated that he was pleased to have Ms. Domenico as a new member on the Council and her official welcome will be postponed until the next meeting.

IV. New Business: Chief Procurement Officer Perry turned the floor over to Paul Krivacka, Lead Attorney/Director of Category Management, Central Procurement Office, to discuss the following New Business agenda item:

Proposed revisions to:

(1) Business Conduct and Ethics Policy and Procedures

Mr. Krivacka stated that the current Policy #2013-009, Business Conduct and Ethics Policy and Procedures, addresses individual conflicts of interest with respect to procurement activities. Recently, there has been some concern in State government regarding the effects of organizational conflicts of interest, which had not previously been dealt with under State law. The proposed Business Conduct and Ethics Policy and Procedures will require identification and management of organizational conflicts of interest. The revised policy has a new defined term, "personnel," which includes State employees and non-employees who are involved in the procurement process. Most of the changes to the policy are consistent with the organizational conflict of interest policy that was previously approved by the State Building Commission ("SBC"). The Central Procurement Office's revised policy has subtle but significant differences. The SBC policy applies to both "actual" and "perceived" organizational conflicts of interest. However, due to the thousands of transactions processed by the Central Procurement Office ("CPO"), and the agency procurements supervised by the CPO, the revised policy's focus is on "actual" rather than "perceived" organizational conflicts of interest.

Chief Procurement Officer Perry clarified that in addition to the SBC policy, the Department of Transportation also has (or will be adopting) a policy to address organizational conflicts of interest for highway and bridge construction contracts. The policy now being presented to the Advisory Council applies to procurement activities within the penumbra of the Central Procurement Office's statutory jurisdiction. Mr. Krivacka stated that the policy applies to "covered state agencies," which is defined under the revised policy to include those state agencies that are required by statute to follow CPO policies, procedures, and rules with respect to their procurement activities. It does not cover procurements of exempted agencies or branches of government (e.g., the legislative branch, judicial branch, University of Tennessee, Board of Regents, or Department of Transportation) that are not under the Central Procurement Office's statutory jurisdiction.

Chief Procurement Officer Perry stated that the revised policy may need to be refined going forward and, if so, the approval process by the Advisory Council and the Procurement Commission would be the same.

Buddy Lea, Assistant Commissioner, Department of Finance and Administration, wanted to highlight for the record that covered state agency personnel involved in the

procurement process would be required to file an annual conflict of interest disclosure. Mr. Krivacka indicated that was correct. Any covered state agency personnel with a role in "contract administration" as defined in the policy would have an annual conflict of interest requirement. Also, employees who are involved in certain Requests for Qualifications ("RFQs") and Requests for Proposals ("RFPs") would be required to file a conflict of interest disclosure on a case-by-case basis.

Chief Procurement Officer Perry asked if there were any additional comments or questions regarding the policy. Seeing none, a motion was made by Mr. Lea to recommend the proposed Business Conduct and Ethics Policy and Procedures, as presented, to the Procurement Commission for approval. Mr. Lea's motion was seconded by Mr. Mumpower. All members voted in favor – none opposed.

V. **Other Business:** Chief Procurement Officer Perry stated that Ms. Smith and Mr. Mumpower would like to update the Council on the status of pending legislation that could potentially affect state procurement. Ms. Smith and Mr. Mumpower discussed the following pending bills:

- SB1447/HB1872

Ms. Smith stated that this is the organizational conflict of interest bill. The Department of General Services ("DGS") believes that DGS has already taken the proper steps through policy, and DGS has philosophical concerns with the legislation as drafted. Ms. Smith indicated that SB1447/HB1872 would be up in Senate State and Local Committee on Tuesday, March 11.

Mr. Mumpower stated the Office of the Comptroller of the Treasury ("COT") also had philosophical concerns, as well as specific concerns related to State Audit. Comptroller Wilson is prepared to testify, if necessary, regarding this legislation.

- SB1842/HB1726

Ms. Smith stated that this bill would require agencies to give a preference to goods manufactured in the United States when awarding certain state contracts. Ms. Smith indicated that DGS was fiscally flagged on the bill.

- SB2394/HB2197

Ms. Smith stated that this bill would require the CPO to establish an online database and the bill includes other various changes to the public contracting laws of the State. Ms. Smith stated that DGS was working with the sponsors on this bill, and it was flagged fiscally.

Mr. Mumpower added that he believed the fiscal note would define the outcome of this bill.

- SB1714/HB1670

Ms. Smith stated that this bill would allow local government to distribute and receive invitations to bid and RFPs electronically instead of by mail. Ms. Smith stated that this bill has no impact on the CPO.

Mr. Mumpower stated that this bill came from the Tennessee Association of Purchasing Professionals ("TAPP") and that his office had recently become aware of an amendment that would remove the requirement for posting solicitations on the Internet. The COT believes that this could create an issue with transparency and plans to speak with the sponsors of the Senate bill about its concerns. Chief Procurement Officer Perry and Ms. Smith agree with Mr. Mumpower's concerns and clarified that this bill would only apply to local government.

- SB1973/HB1890

Ms. Smith stated that this bill would require that the Central Procurement Office post the Governor's Office of Diversity Business Enterprise ("GoDBE") annual report on the CPO website and that this was already being done by the CPO.

- SB2431/HB2327

Ms. Smith stated that this bill would expand the requirements for all state agencies to actively solicit bids and proposals from service-disabled veteran-owned businesses to any veteran-owned businesses. Ms. Smith stated that there was a fiscal impact to DGS on this bill due to the additional amount of work required.

Mr. Mumpower added that there are no philosophical issues with this bill and agreed that from a practical standpoint, it could cause some unforeseen issues.

- SB2080/HB1946

Ms. Smith stated that this bill would enact the Tennessee Small Business Procurement and Contracting Opportunity Act. Ms. Smith stated that there was a large fiscal impact and DGS was watching this bill.

Mr. Mumpower indicated that the COT was also watching this bill.

- SB1779/HB1531

Mr. Mumpower mentioned that this bill was brought by COT but that COT did not plan on pursuing passage of the bill this year. The bill would delete the requirement for COT to approve RFPs to purchase certain internet services submitted by Local Education Agencies ("LEAs"). Mr. Mumpower stated that there was only one local contract of this type that COT was required to approve.

As a side note, Chief Procurement Officer Perry stated that approximately 20 percent of LEAs have taken advantage of the state contract that AT&T currently holds for NetTN to provide internet services. The Central Procurement Office was investigating why LEAs were pursuing their own contracts and not taking advantage of the state contract, especially if lower rates were available.

VI. **Adjournment:** A motion for adjournment was made by Ms. Smith and seconded by Mr. Mumpower. All members voted in favor – none opposed.

REQUEST FOR PROPOSALS (RFP) STANDARD TEMPLATE AND REQUEST FOR QUALIFICATIONS (RFQ) TEMPLATE SECTION B.15

REDLINE COMPARISON TO 3/5/14 VERSION

Request: Delete and Replace RFP-Standard Template Attachment 6.2., Section B.15. and RFQ Attachment B, Section B.15. with the following:

	B.15.	Provide documentation of the Respondent's commitment to diversity as represented by ~~its business strategy, business relationships, and workforce — this documentation should detail all of~~ the following: (a) Business Strategy. Provide a description of the Respondent's existing programs and procedures designed to encourage and foster commerce with business enterprises owned by minorities, women, Tennessee service-disabled veterans, and small business enterprises. Please also include a list of the Respondent's certifications as a diversity business, if applicable.; (b) Business Relationships. Provide a listing of the Respondent's current contracts with business enterprises owned by minorities, women, Tennessee service-disabled veterans and small business enterprises, ~~certified by the Governor's Office of Diversity Business Enterprise~~, Please includeing the following information: (i) contract description and total value; (ii) contractor name and ownership characteristics (*i.e.*, ethnicity, gender, ~~disability~~Tennessee service-disabled); (iii) contractor contact name and telephone number. ; (c) Estimated Participation. Provide an estimated ~~of the~~ level of participation by business enterprises owned by minorities, women, Tennessee service-disabled veterans, and small business enterprises ifn a contract is awarded to the Respondent pursuant to this RFP.; Please includeing the following information: (i) a percentage (%) indicating the participation estimate. (Eexpressed the estimated participation number as a percentage of the total estimated contract value that will be dedicated to business with subcontractors and supply contractors having such ownership characteristics only and — **~~PERCENTAGES ONLY~~** — DO NOT **INCLUDE DOLLAR AMOUNTS**); (ii) anticipated goods or services contract descriptions; ~~of anticipated contracts~~ (iii) names and ownership characteristics (i.e., ethnicity, gender, ~~disability~~Tennessee service-disabled veterans) of anticipated subcontractors and supply contractors ~~anticipated; and~~. NOTE: In order to claim status as a Diversity Business Enterprise under this contract, businesses must be certified by the Governor's Office of Diversity Business Enterprise (Go-DBE). Please visit the Go-DBE website at https://tn.diversitysoftware.com/FrontEnd/StartCertification.asp?TN=tn&XID=9265 for more information. (d) Workforce. Provide the percentage of the Respondent's total current employees by ethnicity, and gender~~, and handicap or disability~~. NOTE: Respondents that demonstrate a commitment to diversity will advance State efforts to expand opportunity to do business with the State as contractors and sub-contractors. Response evaluations will recognize the positive qualifications and experience of a Respondent that does business with enterprises owned by minorities, women, ~~persons with a handicap or disability~~Tennessee service-disabled veterans and small business enterprises and who offers a diverse workforce~~, to meet service needs~~.

Formatted: Underline

Formatted: Underline

Formatted: Underline

Formatted: Underline

REQUEST FOR PROPOSALS (RFP) STANDARD TEMPLATE AND REQUEST FOR QUALIFICATIONS (RFQ) TEMPLATE SECTION B.15

CLEAN VERSION

Request: Delete and Replace RFP-Standard Template Attachment 6.2., Section B.15. and RFQ Attachment B, Section B.15. with the following:

	B.15.	Provide documentation of the Respondent's commitment to diversity as represented by the following: (a) Business Strategy. Provide a description of the Respondent's existing programs and procedures designed to encourage and foster commerce with business enterprises owned by minorities, women, Tennessee service-disabled veterans, and small business enterprises. Please also include a list of the Respondent's certifications as a diversity business, if applicable. (b) Business Relationships. Provide a listing of the Respondent's current contracts with business enterprises owned by minorities, women, Tennessee service-disabled veterans and small business enterprises. Please include the following information: (i) contract description and total value; (ii) contractor name and ownership characteristics (*i.e.*, ethnicity, gender, Tennessee service-disabled); (iii) contractor contact name and telephone number. (c) Estimated Participation. Provide an estimated level of participation by business enterprises owned by minorities, women, Tennessee service-disabled veterans, and small business enterprises if a contract is awarded to the Respondent pursuant to this RFP. Please include the following information: (i) a percentage (%) indicating the participation estimate. (Express the estimated participation number as a percentage of the total estimated contract value that will be dedicated to business with subcontractors and supply contractors having such ownership characteristics only and **DO NOT INCLUDE DOLLAR AMOUNTS**); (ii) anticipated goods or services contract descriptions; (iii) names and ownership characteristics (i.e., ethnicity, gender, Tennessee service-disabled veterans) of anticipated subcontractors and supply contractors. NOTE: In order to claim status as a Diversity Business Enterprise under this contract, businesses must be certified by the Governor's Office of Diversity Business Enterprise (Go-DBE). Please visit the Go-DBE website at https://tn.diversitysoftware.com/FrontEnd/StartCertification.asp?TN=tn&XID=9265 for more information. (d) Workforce. Provide the percentage of the Respondent's total current employees by ethnicity and gender. NOTE: Respondents that demonstrate a commitment to diversity will advance State efforts to expand opportunity to do business with the State as contractors and subcontractors. Response evaluations will recognize the positive qualifications and experience of a Respondent that does business with enterprises owned by minorities, women, Tennessee service-disabled veterans and small business enterprises and who offer a diverse workforce.

REQUEST FOR PROPOSALS (RFP) AMENDMENT TEMPLATE

REDLINE COMPARISON TO 3/10/14 VERSION

REQUEST FOR PROPOSAL (RFP) AMENDMENT TEMPLATE

This template prescribes the format and content for a RFP amendment and should be utilized when submitting the State's official, written responses to Respondents after the RFP release date. Note: any State RFP clarification, addenda, Schedule of Events change or official response to questions constitutes an RFP Amendment. Documents of this type must adhere to this template with revisions only as instructions permit. A Rule Exception is required unless the deviation is immaterial; however, even immaterial deviations are subject to disapproval.

Procurement professionals should complete template fields and follow, replace, or otherwise address red instructional text (*e.g.*, State Agency Name, amount, will/will not) as indicated and with conforming font and color. Draft the document using the applicable optional sections available in the RFP Amendment Template, which begins after the additional instructional text below:

1. ~~1.~~ **RFP Schedule of Events.** Each amendment must include a ~~current~~ RFP Schedule of Events that either updates or confirms all scheduled dates. ~~The schedule may add or delete events~~Insert the RFP Schedule of Events from the last release of the RFP, as amended and add, delete, or modify the Schedule of Events as appropriate. Please refer to the RFP Template for the recommended minimum amount of time between events ~~that is generally recommended~~. Consider whether the ~~proposed amendment~~RFP Amendment warrants an extension of the Response Deadline to ensure adequate time for Respondents to respond ~~to the changes~~.

2. **The State's Responses to Written "Questions & Comments".** Delete this section (appropriately renumbering any subsequent sections) if ~~the~~this amendment will not include Respondents' questions and comments and the State's responses.

   In the Question/Comment column, copy the question or comment received by the State. In the State Response column, the CPO will assume that the proposed State responses have been vetted by Agency leadership or Counsel, as appropriate.

3. **New RFP Release**. Delete this section (appropriately renumbering any subsequent sections) if the amendment will not attach a completely new RFP Release.

   This section offers a RFP amendment option for instances where publishing a new RFP release may make it easier for Respondents to understand the changes made. Draft a new RFP Release to emphasize ALL revisions from the replaced RFP as indicated by the template text.

4. **Delete and Replace Section(s).** Delete this section (appropriately renumbering any subsequent sections) if the amendment will attach a completely new RFP Release or if this section is otherwise not applicable. Repeat the template text for this section as needed for each individual RFP section deletion.

5. **Add Section(s).** Delete this section (appropriately renumbering any subsequent sections) if the amendment will attach a completely new RFP Release or if this section is otherwise not applicable. Repeat the template text for this section as needed for each individual RFP section addition.

6. **RFP Amendment Effective Date.** Each amendment must include an RFP Amendment Effective Date as the last section. Renumber as appropriate.

APPROVAL, PUBLICATION & NOTICE INSTRUCTIONS

1. **Approval.** Each RFP amendment must be approved for release by the Central Procurement Office (CPO)~~. Further, if an amendment substantively revises the RFP, then the CPO may also require and coordinate~~ and the Comptroller ~~approval review~~of the Treasury, if those approvals were required on the original RFP.

2. **Publication.** Once an amendment is approved, e-mail one business day before the RFP amendment release date: a final copy of the amendment ready to be published online (typically presented as one (1), PDF format, digital file) to the Central Procurement Office (CPO); and send a copy to the Comptroller's office.

3. **Notice**. On the release date of an approved RFP amendment, send a notice of the RFP Amendment to all Respondents that submitted a Notice of Intent to Respond.

STATE OF TENNESSEE
STATE AGENCY NAME

REQUEST FOR PROPOSALS # NUMBER
AMENDMENT # NUMBER
FOR GOODS OR SERVICES CAPTION

DATE: RFP AMENDMENT RELEASE DATE

RFP # NUMBER IS AMENDED AS FOLLOWS:

1. **This RFP Schedule of Events updates and confirms scheduled RFP dates.** Any event, time, or date containing revised or new text is highlighted.

EVENT	TIME (central time zone)	DATE (all dates are state business days)	UPDATED / CONFIRMED
1. RFP Issued			Updated / Confirmed
2. Disability Accommodation Request Deadline	2:00 p.m.		Updated / Confirmed
3. Pre-response Conference			Updated / Confirmed
4. Notice of Intent to Respond Deadline	2:00 p.m.		Updated / Confirmed
5. Written "Comments & Comments" Deadline	2:00 p.m.		Updated / Confirmed
6. State Response to Written "Questions & Comments"			Updated / Confirmed
7. Response Deadline	2:00 p.m.		Updated / Confirmed
8. State Completion of Technical Response Evaluations			Updated / Confirmed
9. State Opening & Scoring of Cost Proposals	2:00 p.m.		Updated / Confirmed
10. State Notice of Intent to Award Released and RFP Files Opened for Public Inspection	2:00 p.m.		Updated / Confirmed
11. State sends contract to Contractor for signature			Updated / Confirmed

EVENT	TIME (central time zone)	DATE (all dates are state business days)	UPDATED / CONFIRMED
12. Contractor Signature Deadline	2:00 p.m.	———	Updated / Confirmed

2. **State responses to questions and comments in the table below amend and clarify this RFP.**

   Any restatement of RFP text in the Question/Comment column shall NOT be construed as a change in the actual wording of the RFP document.

QUESTION / COMMENT	STATE RESPONSE
1	
2	

3. **Delete RFP # , in its entirety, and replace it with RFP # , Release # , attached to this amendment.** Revisions of the original RFP document are emphasized within the new release. Any sentence or paragraph comprised by containing revised or new text is highlighted in yellow.

4. **Delete RFP section in its entirety and insert the following in its place** (any sentence or paragraph comprised by containing revised or new text is highlighted in yellow):

5. **Add the following as RFP section and renumber any subsequent sections as necessary:**

6. **RFP Amendment Effective Date.** The revisions set forth herein shall be effective upon release. All other terms and conditions of this RFP not expressly amended herein shall remain in full force and effect.

Document comparison by Workshare Compare on Wednesday, March 26, 2014 2:08:20 PM

Input:	
Document 1 ID	file://C:\Users\ba01350\Desktop\Docs for Policy Subcmte\RFP Amendment Template last version.doc
Description	RFP Amendment Template last version
Document 2 ID	file://C:\Users\ba01350\Desktop\Docs for Policy Subcmte\(5) RFP Amendment Template 3-11-14 (clean).docx
Description	(5) RFP Amendment Template 3-11-14 (clean)
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	13
Deletions	75
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	88

REQUEST FOR PROPOSALS (RFP) AMENDMENT TEMPLATE

CLEAN VERSION

REQUEST FOR PROPOSAL (RFP) AMENDMENT TEMPLATE

This template prescribes the format and content for a RFP amendment and should be utilized when submitting the State's official, written responses to Respondents after the RFP release date. Note: any State RFP clarification, addenda, Schedule of Events change or official response to questions constitutes an RFP Amendment. Documents of this type must adhere to this template with revisions only as instructions permit. A Rule Exception is required unless the deviation is immaterial; however, even immaterial deviations are subject to disapproval.

Procurement professionals should complete template fields and follow, replace, or otherwise address red instructional text (*e.g.*, State Agency Name, amount, will/will not) as indicated and with conforming font and color. Draft the document using the applicable optional sections available in the RFP Amendment Template, which begins after the additional instructional text below:

1. **RFP Schedule of Events.** Each amendment must include a RFP Schedule of Events that either updates or confirms all scheduled dates. Insert the RFP Schedule of Events from the last release of the RFP, as amended and add, delete, or modify the Schedule of Events as appropriate. Please refer to the RFP Template for the recommended minimum amount of time between events. Consider whether the RFP Amendment warrants an extension of the Response Deadline to ensure adequate time for Respondents to respond.

2. **The State's Responses to Written "Questions & Comments".** Delete this section (appropriately renumbering any subsequent sections) if this amendment will not include Respondents' questions and comments and the State's responses.

   In the Question/Comment column, copy the question or comment received by the State. In the State Response column, the CPO will assume that the proposed State responses have been vetted by Agency leadership or Counsel, as appropriate.

3. **New RFP Release.** Delete this section (appropriately renumbering any subsequent sections) if the amendment will not attach a completely new RFP Release.

   This section offers a RFP amendment option for instances where publishing a new RFP release may make it easier for Respondents to understand the changes made. Draft a new RFP Release to emphasize ALL revisions from the replaced RFP as indicated by the template text.

4. **Delete and Replace Section(s).** Delete this section (appropriately renumbering any subsequent sections) if the amendment will attach a completely new RFP Release or if this section is otherwise not applicable. Repeat the template text for this section as needed for each individual RFP section deletion.

5. **Add Section(s).** Delete this section (appropriately renumbering any subsequent sections) if the amendment will attach a completely new RFP Release or if this section is otherwise not applicable. Repeat the template text for this section as needed for each individual RFP section addition.

6. **RFP Amendment Effective Date.** Each amendment must include an RFP Amendment Effective Date as the last section. Renumber as appropriate.

APPROVAL, PUBLICATION & NOTICE INSTRUCTIONS

1. **Approval.** Each RFP amendment must be approved for release by the Central Procurement Office (CPO) and the Comptroller of the Treasury, if those approvals were required on the original RFP.
2. **Publication.** Once an amendment is approved, e-mail one business day before the RFP amendment release date: a final copy of the amendment ready to be published online (typically presented as one (1), PDF format, digital file) to the Central Procurement Office (CPO); and send a copy to the Comptroller's office.
3. **Notice.** On the release date of an approved RFP amendment, send a notice of the RFP Amendment to all Respondents that submitted a Notice of Intent to Respond.

STATE OF TENNESSEE
STATE AGENCY NAME

REQUEST FOR PROPOSALS # NUMBER
AMENDMENT # NUMBER
FOR GOODS OR SERVICES CAPTION

DATE: RFP AMENDMENT RELEASE DATE

RFP # NUMBER IS AMENDED AS FOLLOWS:

1. **This RFP Schedule of Events updates and confirms scheduled RFP dates.** Any event, time, or date containing revised or new text is highlighted.

   INSERT RFP SCHEDULE OF EVENTS

2. **State responses to questions and comments in the table below amend and clarify this RFP.**

   Any restatement of RFP text in the Question/Comment column shall NOT be construed as a change in the actual wording of the RFP document.

QUESTION / COMMENT	STATE RESPONSE
1	
2	

3. **Delete RFP # , in its entirety, and replace it with RFP # , Release # , attached to this amendment.** Revisions of the original RFP document are emphasized within the new release. Any sentence or paragraph containing revised or new text is highlighted.

4. **Delete RFP section in its entirety and insert the following in its place** (any sentence or paragraph containing revised or new text is highlighted)**:**

5. **Add the following as RFP section and renumber any subsequent sections as necessary:**

6. **RFP Amendment Effective Date.** The revisions set forth herein shall be effective upon release. All other terms and conditions of this RFP not expressly amended herein shall remain in full force and effect.

INTERAGENCY AGREEMENT (IA) MODEL

REDLINE COMPARISON TO 3/10/14 VERSION

INTERAGENCY AGREEMENT (IA) MODEL

This model replaces and supersedes the ID, ~~and~~ ID-NC, and ED Models and provides format and content for drafting an interagency agreement between TN state agencies, including the ~~. (This model is optional with respect to the~~ University of Tennessee and Board of Regents colleges and universities~~)~~. The use of this model is optional and serves as a guide. This model should ONLY be utilized between two (2) agencies of the State, where neither State Agency has the independent capacity to contract or sue or be sued and should NOT be used where the funding source is a grant. Questions regarding whether this ~~form~~ model should be used should be directed to the Central Procurement Office. Please also refer to Department of Finance and Administration – Policy 18 "Interunit Journals" for additional information, as applicable.

Formatted: Underline

Complete ~~form~~ model fields and follow, replace, or otherwise address red instructional text (*e.g.*, State Agency Name, amount, will/will not) as indicated and with conforming font and color.

SUMMARY ~~COVER~~ SHEET

Complete ~~summary~~ ~~cover~~sheet fields as indicated within the model ~~and the following field directions~~. A summary ~~cover~~ sheet properly completed and in accordance with the model is required for every copy of the Interagency Agreement.

Agency Tracking #	a unique number comprised of: 5-digit business unit # + unique, 5-digit # example: 31707-12345
Funding	amounts by fiscal year & funding source and with row & column totals; the sum of the TOTAL Amount column (the grand total amount for all fiscal years & all sources of funding) MUST equal the agreement maximum liability

PREAMBLE

Add additional information only if necessary.

A. SCOPE OF SERVICES

Describe all of the duties of each party to the agreement. Draft the specification of goods or scope of services to clearly, specifically, and definitively detail State Agency duties, responsibilities, and associated performance requirements and describe, in detail, the service and deliverable requirements and all related specifications. The specification of goods or scope of services section should not include any payment terms.

It is the responsibility of the Procuring State Agency to adequately draft specifications of goods or a scope of services, and oversight examiners will rely on the contracting agency head's signature on the Interagency Agreement as certification and assurance that the proposed specification of goods or scope of services is clear and correct, adequate for all legal and enforcement purposes, and sufficiently detailed to ensure Contracting State Agency accountability and results.

Option: Incorporation of Additional Documents

A.#. Incorporation of Additional Documents. Each of the following documents is included as a part of this Interagency Agreement by reference or attachment. In the event of a discrepancy or ambiguity regarding the Contracting State Agency's duties, responsibilities, and performance hereunder, these items shall govern in order of precedence below.

a. this Interagency Agreement document with any attachments or exhibits (excluding the items listed at subsections below);

b. Add text as appropriate

B. AGREEMENT PERIOD

Draft the agreement with an appropriate, definitive, and complete term of agreement with a commencement date and a termination date. **Do NOT route an agreement for approval after the commencement date.**

Option: Term Extension

To reserve the right to extend the agreement period beyond the original period, change the designation of the paragraph under B. to B.1., and add the following section:

B.2. Term Extension. The Procuring State Agency reserves the right to extend this Agreement for an additional period or periods of time. If a term extension necessitates additional funding beyond that which was included in the original Agreement, an increase of the Procuring State Agency's maximum liability will also be effected through an amendment to this Interagency Agreement.

C. PAYMENT TERMS AND CONDITIONS

Revise Payment Terms and Conditions sections as needed.

Payment Methodology

The default payment methodology used in the model provides for unit, milestone & temporal rate payments.

Requirement: *Pro Rata* Payments

If temporal payment rates result in payment for service periods greater than an hour (*e.g.*, daily payment rates), add a new subsection (similar to the following example) that defines the payment period and provides for *pro rata* payments for completed periods of service less than the payment rate period.

d. A "day" shall be defined as a minimum of eight (8) hours of service. If the State Agency provides fewer than eight (8) hours of service in a standard twenty-four (24) hour day, the Contracting State Agency shall bill *pro rata* for only those portions of the day in which service was actually delivered. The Contracting State Agency shall not bill more than the daily rate even if the Contracting State Agency works more than eight hours in a day.

Option: Rate Escalation

Replace C.3.b. with the following if specific rate escalation during the term of agreement is appropriate.

b. The Contracting State Agency shall be compensated based upon the following payment rates:

(1) For service performed from Date, through Date, the following rates shall apply:

Service Description	Amount (per compensable increment)
Milestone	$ Number
Service Unit	$ Number each
Job Title /Activity	$ Number per Hour /Day /etc.
Use & Repeat Rows Above as Necessary	

(2) For service performed from Date, through Date, the Contracting State Agency shall be compensated based upon the Contracting State Agency's actual cost of providing goods or services, subject to review and verification by the Procuring State Agency.

Repeat Previous Subsection for Each Subsequent Agreement Period

Option: Payment Upon Completion

Replace sections in the model with the following sections, respectively, if one, lump sum payment after completion of all work under the Agreement is appropriate.

C.1. Maximum Liability. In no event shall the maximum liability of the Procuring State Agency under this Agreement exceed Written Dollar Amount ($Number). This amount shall constitute the entire compensation due the Contracting State Agency for all goods delivered and accepted or services completed and the Contracting State Agency obligations hereunder regardless of the difficulty, hours worked, or materials or equipment required. This Agreement amount includes, but is not limited to, all applicable taxes, fees, overhead, profit, and all other direct and indirect costs incurred or to be incurred by the Contracting State Agency.

C.2. Compensation Firm. The maximum liability of the Procuring State Agency under this Agreement is firm for the duration of the term of this Agreement and is not subject to escalation for any reason unless amended.

C.3. Payment Methodology. Upon completion of the work described in section A of this Agreement, the Contracting State Agency shall be compensated Written Dollar Amount ($Number).

C.4.	Travel Compensation. The Contracting State Agency shall be compensated or reimbursed for the indirect costs it incurs, e.g., travel, meals, or lodging, related to providing goods or services to the Procuring State Agency under this Agreement.

Option: No Cost

C.1.	There shall be no cost to the Procuring State Agency for the performance of services under this Agreement.

D. STANDARD TERMS AND CONDITIONS

Add additional terms and conditions as needed and as recommended by the agencies' legal counsel.

~~113-260-143~~ IA

INTERAGENCY AGREEMENT ~~T~~ SUMMARY

(Interagency Agreement between state agencies– ~~NOT~~, including the University of Tennessee or Board of Regents colleges and universities)

Begin Date	End Date	Agency Tracking #	Edison ID

Contracting State Agency Name

CFDA #

~~CFDA #~~

☐ ~~Subrecipient~~ ☐ ~~Vendor~~

Service Caption

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Agreement Amount
TOTAL:					

American Recovery and Reinvestment Act (ARRA) Funding: ☐ YES ☐ NO

Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.	*CPO USE - IA*
Speed Chart (optional) / Account Code (optional)	

v

Formatted: Font: 8 pt, Bold

Formatted: Indent: Left: 0"

Formatted: Indent: Left: 0"

Formatted Table

INTERAGENCY AGREEMENT BETWEEN THE STATE OF TENNESSEE
PROCURING STATE AGENCY'S NAME & CONTRACTING STATE AGENCY'S NAME

This Interagency Agreement ("Agreement"), by and between the State of Tennessee, Procuring State Agency Name hereinafter referred to as the "Procuring State Agency" and Contracting State Agency, hereinafter referred to as the "Contracting State Agency," is for the provision of Scope of Service Caption, as further defined in the "Scope of Services."

A. SCOPE OF SERVICES:

A.1. The Contracting State Agency shall provide all goods, services or deliverables as required, described, and detailed herein and shall meet all service and delivery timelines as specified by this Agreement.

A.#. Specify the goods, services, deliverables, technical specifications, & delivery requirements that the Contracting State Agency must provide & meet (sufficient detail is required to ensure Contracting State Agency accountability & definitive results).

B. AGREEMENT PERIOD:

This Agreement is effective for the period commencing Date, and ending on Date. The Contracting State Agency hereby acknowledges and affirms that the Procuring State Agency shall have no obligation for goods or services rendered by the Contracting State Agency that were not delivered and accepted or performed within this specified Agreement period.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability. In no event shall the maximum liability of the Procuring State Agency under this Agreement exceed Written Dollar Amount ($Number). The payment rates in Section C.3 and the Travel Compensation provided in Section C.4.shall constitute the entire compensation due the Contracting State Agency for the goods delivered and accepted or for services performed and all of the Contracting State Agency's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contracting State Agency.

C.2. Compensation Firm. The payment rates and the maximum liability of the Procuring State Agency under this Agreement are firm for the duration of the Agreement and are not subject to escalation for any reason unless amended.

C.3. Payment Methodology. The Contracting State Agency shall be compensated based on the payment rates herein for goods delivered and accepted or for units of service authorized by the Procuring State Agency in a total amount not to exceed the Agreement Maximum Liability established in section C.1.

a. The Contracting State Agency's compensation shall be contingent upon the delivery and acceptance of goods that conform to specifications or the satisfactory completion of units, milestones, or increments of service defined in section A.

b. The Contracting State Agency shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

Service Description	Amount (per compensable increment)
Milestone	$ Number
Service Unit	$ Number each
Job Title /Activity	$ Number per Hour /Day /etc.
Use & Repeat Rows Above as Necessary	

Add Contingently Required Subsections as Appropriate (refer to instructions for details)

C.4. Travel Compensation. Compensation to the Contracting State Agency for travel, meals, or lodging shall be subject to amounts and limitations specified in the "State Comprehensive Travel Regulations," as they are amended from time to time. Additional Travel Compensation Restriction(s)

The Contracting State Agency must provide a complete itemization of travel compensation requested in accordance with and attach documentation and receipts as required by the above-referenced "State Comprehensive Travel Regulations."

D. STANDARD TERMS AND CONDITIONS:

D.1. Required Approvals. The Procuring State Agency and the Contracting State Agency are not bound by this Agreement until it is signed by the agency head or the agency head's designee. Each agency's legal counsel shall review and approve the Agreement as to form and legality.

D.2. Modification and Amendment. Any modifications, amendments, renewals or extensions shall be in writing, signed, and approved by all parties who signed and approved this Agreement.

D.3. Termination for Convenience. This Agreement may be terminated by either party by giving written notice to the other, at least thirty (30) days before the effective date of termination. Should the Procuring State Agency exercise the option of terminating this Agreement for convenience, the Contracting State Agency shall be entitled to compensation for all goods delivered and accepted or satisfactory and authorized services completed as of the termination date. Should the Contracting State Agency exercise this provision, the Procuring State Agency shall have no liability to the Contracting State Agency except for those goods delivered and accepted or those units of service that were satisfactorily completed by the Contracting State Agency. The final decision as to the acceptability of goods or whether units of service were satisfactorily completed shall be determined by the Procuring State Agency in its sole discretion.

D.4. Subject to Funds Availability. This Agreement is subject to the appropriation and availability of state and/or federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the Procuring State Agency reserves the right to terminate this Agreement upon written notice to the Contracting State Agency. Said termination shall not be deemed a breach of this Agreement by the Procuring State Agency. Upon receipt of the written notice, the Contracting State Agency shall cease all work associated with this Agreement. Should such an event occur, the Contracting State Agency shall be entitled to compensation for all satisfactory and goods delivered and accepted or authorized services completed as of the termination date. Upon such termination, the Contracting State Agency shall have no

right to recover from the Procuring State Agency any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

D.5. Completeness. This Agreement is complete and contains the entire understanding between the parties relating to this subject matter, including all the terms and conditions of the parties' agreement. There are no other prior or contemporaneous agreements that modify, supplement, or contradict any of the express terms of the agreement.

D.6. Communications and Contacts. All instructions, notices, consents, demands, or other communications shall be made in writing and directed to the following designated contact persons:

The Procuring State Agency:
Procuring State Agency Contact Name & Title
Address
Email Address
Telephone # Number
FAX # Number

The Contracting State Agency:
Contracting State Agency Contact Name & Title
Address
Email Address
Telephone # Number
FAX # Number

Formatted: Font: Not Bold, Font color: Red

IN WITNESS WHEREOF,

CONTRACTING STATE AGENCY'S SIGNATURE DATE

PRINTED NAME AND TITLE OF SIGNATORY (ABOVE)

Approved as to Form and Legality:

DATE

PROCURING STATE AGENCY SIGNATURE DATE

PRINTED NAME AND TITLE OF SIGNATORY (ABOVE)

Approved as to Form and Legality:

DATE

INTERAGENCY AGREEMENT (IA) MODEL

CLEAN VERSION

INTERAGENCY AGREEMENT (IA) MODEL

This model replaces and supersedes the ID, ID-NC, and ED Models and provides format and content for drafting an interagency agreement between TN state agencies, including the University of Tennessee and Board of Regents colleges and universities. The use of this model is optional and serves as a guide. This model should ONLY be utilized between two (2) agencies of the State, where neither State Agency has the independent capacity to contract or sue or be sued and should NOT be used where the funding source is a grant. Questions regarding whether this model should be used should be directed to the Central Procurement Office. Please also refer to Department of Finance and Administration – Policy 18 "Interunit Journals" for additional information, as applicable.

Complete model fields and follow, replace, or otherwise address red instructional text (*e.g.*, State Agency Name, amount, will/will not) as indicated and with conforming font and color.

SUMMARY SHEET

Complete summary sheet fields as indicated within the model. A summary sheet properly completed and in accordance with the model is required for every copy of the Interagency Agreement.

Agency Tracking #	a unique number comprised of: 5-digit business unit # + unique, 5-digit # example: 31707-12345
Funding	amounts by fiscal year & funding source and with row & column totals; the sum of the TOTAL Amount column (the grand total amount for all fiscal years & all sources of funding) MUST equal the agreement maximum liability

PREAMBLE

Add additional information only if necessary.

A. SCOPE OF SERVICES

Describe all of the duties of each party to the agreement. Draft the specification of goods or scope of services to clearly, specifically, and definitively detail State Agency duties, responsibilities, and associated performance requirements and describe, in detail, the service and deliverable requirements and all related specifications. The specification of goods or scope of services section should not include any payment terms.

> **It is the responsibility of the Procuring State Agency to adequately draft specifications of goods or a scope of services, and oversight examiners will rely on the contracting agency head's signature on the Interagency Agreement as certification and assurance that the proposed specification of goods or scope of services is clear and correct, adequate for all legal and enforcement purposes, and sufficiently detailed to ensure Contracting State Agency accountability and results.**

Option: Incorporation of Additional Documents

A.#. Incorporation of Additional Documents. Each of the following documents is included as a part of this Interagency Agreement by reference or attachment. In the event of a discrepancy or ambiguity regarding the Contracting State Agency's duties, responsibilities, and performance hereunder, these items shall govern in order of precedence below.

a. this Interagency Agreement document with any attachments or exhibits (excluding the items listed at subsections below);

b. Add text as appropriate

B. AGREEMENT PERIOD

Draft the agreement with an appropriate, definitive, and complete term of agreement with a commencement date and a termination date. **Do NOT route an agreement for approval after the commencement date.**

Option: Term Extension

To reserve the right to extend the agreement period beyond the original period, change the designation of the paragraph under B. to B.1., and add the following section:

B.2. Term Extension. The Procuring State Agency reserves the right to extend this Agreement for an additional period or periods of time. If a term extension necessitates additional funding beyond that which was included in the original Agreement, an increase of the Procuring State Agency's maximum liability will also be effected through an amendment to this Interagency Agreement.

C. PAYMENT TERMS AND CONDITIONS

Revise Payment Terms and Conditions sections as needed.

Payment Methodology

The default payment methodology used in the model provides for unit, milestone & temporal rate payments.

Requirement: *Pro Rata* Payments

If temporal payment rates result in payment for service periods greater than an hour (*e.g.*, daily payment rates), add a new subsection (similar to the following example) that defines the payment period and provides for *pro rata* payments for completed periods of service less than the payment rate period.

d. A "day" shall be defined as a minimum of eight (8) hours of service. If the State Agency provides fewer than eight (8) hours of service in a standard twenty-four (24) hour day, the Contracting State Agency shall bill *pro rata* for only those portions of the day in which service was actually delivered. The Contracting State Agency shall not bill more than the daily rate even if the Contracting State Agency works more than eight hours in a day.

Option: Rate Escalation

Replace C.3.b. with the following if specific rate escalation during the term of agreement is appropriate.

b. The Contracting State Agency shall be compensated based upon the following payment rates:

(1) For service performed from Date, through Date, the following rates shall apply:

Service Description	Amount (per compensable increment)
Milestone	$ Number
Service Unit	$ Number each
Job Title /Activity	$ Number per Hour /Day /etc.
Use & Repeat Rows Above as Necessary	

(2) For service performed from Date, through Date, the Contracting State Agency shall be compensated based upon the Contracting State Agency's actual cost of providing goods or services, subject to review and verification by the Procuring State Agency.

Repeat Previous Subsection for Each Subsequent Agreement Period

Option: Payment Upon Completion

Replace sections in the model with the following sections, respectively, if one, lump sum payment after completion of all work under the Agreement is appropriate.

C.1. Maximum Liability. In no event shall the maximum liability of the Procuring State Agency under this Agreement exceed Written Dollar Amount ($Number). This amount shall constitute the entire compensation due the Contracting State Agency for all goods delivered and accepted or services completed and the Contracting State Agency obligations hereunder regardless of the difficulty, hours worked, or materials or equipment required. This Agreement amount includes, but is not limited to, all applicable taxes, fees, overhead, profit, and all other direct and indirect costs incurred or to be incurred by the Contracting State Agency.

C.2. Compensation Firm. The maximum liability of the Procuring State Agency under this Agreement is firm for the duration of the term of this Agreement and is not subject to escalation for any reason unless amended.

C.3. Payment Methodology. Upon completion of the work described in section A of this Agreement, the Contracting State Agency shall be compensated Written Dollar Amount ($Number).

C.4.	Travel Compensation. The Contracting State Agency shall be compensated or reimbursed for the indirect costs it incurs, e.g., travel, meals, or lodging, related to providing goods or services to the Procuring State Agency under this Agreement.

Option: No Cost

C.1.	There shall be no cost to the Procuring State Agency for the performance of services under this Agreement.

D. STANDARD TERMS AND CONDITIONS

Add additional terms and conditions as needed and as recommended by the agencies' legal counsel.

INTERAGENCY AGREEMENT SUMMARY

(Interagency Agreement between state agencies, including the University of Tennessee or Board of Regents colleges and universities)

Begin Date	End Date	Agency Tracking #	Edison ID

Contracting State Agency Name

CFDA #

Service Caption

Funding —

FY	State	Federal	Interdepartmental	Other	TOTAL Agreement Amount
TOTAL:					

American Recovery and Reinvestment Act (ARRA) Funding: ☐ YES ☐ NO

Budget Officer Confirmation: There is a balance in the appropriation from which obligations hereunder are required to be paid that is not already encumbered to pay other obligations.

CPO USE - IA

Speed Chart (optional)	Account Code (optional)

INTERAGENCY AGREEMENT BETWEEN THE STATE OF TENNESSEE
PROCURING STATE AGENCY'S NAME & CONTRACTING STATE AGENCY'S NAME

This Interagency Agreement ("Agreement"), by and between the State of Tennessee, Procuring State Agency Name hereinafter referred to as the "Procuring State Agency" and Contracting State Agency, hereinafter referred to as the "Contracting State Agency," is for the provision of Scope of Service Caption, as further defined in the "Scope of Services."

A. SCOPE OF SERVICES:

A.1. The Contracting State Agency shall provide all goods, services or deliverables as required, described, and detailed herein and shall meet all service and delivery timelines as specified by this Agreement.

A.#. Specify the goods, services, deliverables, technical specifications, & delivery requirements that the Contracting State Agency must provide & meet (sufficient detail is required to ensure Contracting State Agency accountability & definitive results).

B. AGREEMENT PERIOD:

This Agreement is effective for the period commencing Date, and ending on Date. The Contracting State Agency hereby acknowledges and affirms that the Procuring State Agency shall have no obligation for goods or services rendered by the Contracting State Agency that were not delivered and accepted or performed within this specified Agreement period.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability. In no event shall the maximum liability of the Procuring State Agency under this Agreement exceed Written Dollar Amount ($Number). The payment rates in Section C.3 and the Travel Compensation provided in Section C.4.shall constitute the entire compensation due the Contracting State Agency for the goods delivered and accepted or for services performed and all of the Contracting State Agency's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contracting State Agency.

C.2. Compensation Firm. The payment rates and the maximum liability of the Procuring State Agency under this Agreement are firm for the duration of the Agreement and are not subject to escalation for any reason unless amended.

C.3. Payment Methodology. The Contracting State Agency shall be compensated based on the payment rates herein for goods delivered and accepted or for units of service authorized by the Procuring State Agency in a total amount not to exceed the Agreement Maximum Liability established in section C.1.

a. The Contracting State Agency's compensation shall be contingent upon the delivery and acceptance of goods that conform to specifications or the satisfactory completion of units, milestones, or increments of service defined in section A.

b. The Contracting State Agency shall be compensated for said units, milestones, or increments of service based upon the following payment rates:

Service Description	Amount (per compensable increment)
Milestone	$ Number
Service Unit	$ Number each
Job Title /Activity	$ Number per Hour /Day /etc.
Use & Repeat Rows Above as Necessary	

Add Contingently Required Subsections as Appropriate (refer to instructions for details)

C.4. Travel Compensation. Compensation to the Contracting State Agency for travel, meals, or lodging shall be subject to amounts and limitations specified in the "State Comprehensive Travel Regulations," as they are amended from time to time. Additional Travel Compensation Restriction(s)

The Contracting State Agency must provide a complete itemization of travel compensation requested in accordance with and attach documentation and receipts as required by the above-referenced "State Comprehensive Travel Regulations."

D. STANDARD TERMS AND CONDITIONS:

D.1. Required Approvals. The Procuring State Agency and the Contracting State Agency are not bound by this Agreement until it is signed by the agency head or the agency head's designee. Each agency's legal counsel shall review and approve the Agreement as to form and legality.

D.2. Modification and Amendment. Any modifications, amendments, renewals or extensions shall be in writing, signed, and approved by all parties who signed and approved this Agreement.

D.3. Termination for Convenience. This Agreement may be terminated by either party by giving written notice to the other, at least thirty (30) days before the effective date of termination. Should the Procuring State Agency exercise the option of terminating this Agreement for convenience, the Contracting State Agency shall be entitled to compensation for all goods delivered and accepted or satisfactory and authorized services completed as of the termination date. Should the Contracting State Agency exercise this provision, the Procuring State Agency shall have no liability to the Contracting State Agency except for those goods delivered and accepted or those units of service that were satisfactorily completed by the Contracting State Agency. The final decision as to the acceptability of goods or whether units of service were satisfactorily completed shall be determined by the Procuring State Agency in its sole discretion.

D.4. Subject to Funds Availability. This Agreement is subject to the appropriation and availability of state and/or federal funds. In the event that the funds are not appropriated or are otherwise unavailable, the Procuring State Agency reserves the right to terminate this Agreement upon written notice to the Contracting State Agency. Said termination shall not be deemed a breach of this Agreement by the Procuring State Agency. Upon receipt of the written notice, the Contracting State Agency shall cease all work associated with this Agreement. Should such an event occur, the Contracting State Agency shall be entitled to compensation for all satisfactory and goods delivered and accepted or authorized services completed as of the termination date. Upon such termination, the Contracting State Agency shall have no

right to recover from the Procuring State Agency any actual, general, special, incidental, consequential, or any other damages whatsoever of any description or amount.

D.5. Completeness. This Agreement is complete and contains the entire understanding between the parties relating to this subject matter, including all the terms and conditions of the parties' agreement. There are no other prior or contemporaneous agreements that modify, supplement, or contradict any of the express terms of the agreement.

D.6. Communications and Contacts. All instructions, notices, consents, demands, or other communications shall be made in writing and directed to the following designated contact persons:

The Procuring State Agency:
Procuring State Agency Contact Name & Title
Address
Email Address
Telephone # Number
FAX # Number

The Contracting State Agency:
Contracting State Agency Contact Name & Title
Address
Email Address
Telephone # Number
FAX # Number

IN WITNESS WHEREOF,

CONTRACTING STATE AGENCY'S SIGNATURE DATE

PRINTED NAME AND TITLE OF SIGNATORY (ABOVE)

Approved as to Form and Legality:

DATE

PROCURING STATE AGENCY SIGNATURE DATE

PRINTED NAME AND TITLE OF SIGNATORY (ABOVE)

Approved as to Form and Legality:

DATE

PROPOSED CHANGES TO:

POLICY NO. 2013-007:

CENTRAL PROCUREMENT OFFICE GRANT MANAGEMENT AND SUBRECIPIENT MONITORING POLICY AND PROCEDURES

REDLINE COMPARISON TO 3/5/14 VERSION

Policy Number 2013-007
Central Procurement Office
Grant Management and Subrecipient Monitoring Policy and Procedures

Effective: May 28, 2013
Last Amended: DATE
Prepared by: The Central Procurement Office of the State of Tennessee

1. **Purpose.**

To provide uniformity in the reporting of, and controls over, the expenditure of awards in connection with the delivery of services by subrecipients of federal and State awards.

To establish guidelines for subrecipient monitoring by Grantor State Agencies.

2. **Scope.**

These policies and procedures apply to all State agencies that award State or federal funds or non-cash assistance to subrecipients. Direct Appropriation Grants are exempt from the requirements of these policies and procedures.

3. Definitions.

For purposes of this policy, the following terms shall have the meanings described below:

"Award" - means any grant of money, loans, non-cash assistance, etc. awarded to the State, or awarded by the State to a person or legal entity, for the furnishing by the State of assistance, whether financial or otherwise, to any person or entity to support a program authorized by law.

"Cognizant State Agency" - means the State Agency whose funds comprise the greatest percentage of Awards received by a subrecipient as determined by the Department of Finance and Administration (F&A) as defined in F&A Policy 3.

"Cost Allocation Plan" - means the method of distributing to various programs the costs which benefit more than one program and are not directly assigned as approved by the Department of Finance and Administration.

"Central Procurement Office" - means the Central Procurement Office of the State of Tennessee acting by and through the Chief Procurement Officer or his or her designee as the context requires.

"Direct Appropriation Grant" - means a grant listed on the Department of Finance and Administration Division of Budget's annual direct appropriation list. ~~n authorization by the General Assembly to spend public funds for specific purposes, limited to such terms and conditions, expenditures of a specific amount and purpose and within a fiscal year or biennial period as authorized by the General Assembly.~~

"Endowment Grant" - means a limited Grant Contract that originates from a specific appropriation, effecting an award and conveyance of funds or property to a Grantee for a particular purpose to benefit the general public as a whole or some population of the general public. An Endowment Grant is used to transfer funds to a Grantee pursuant to an appropriation.

"Grant" - means any grant of money awarded to the State, or awarded by the State to a person or legal entity, for the furnishing by the State of assistance, whether financial or otherwise, to any person or entity to support a program authorized by law. The term "Grant" does not include an award with the primary purpose of procuring an end product, whether in the form of supplies, services, or construction, or any contract resulting from such an award that should otherwise be provided on a competitive basis.

"Grant Budget" - means a budget itemizing one or more specific activities or purposes under the grant and the maximum amounts a Grantee may be reimbursed.

"Grant Contract" – means a written contract between the federal government, the State, a Grantee, or a Subrecipient that contains the terms and conditions govern the parties duties and responsibilities with respect to an Award.

"Grantee" - means the person or entity receiving an Award.

"Grantor State Agency" - means a State Agency that provides an Award to a person or entity.

"State" - means the State of Tennessee and its agencies, boards and commissions as the context requires.

"Subrecipient" - means a non-federal entity that expends State or federal funds received from the State to carry out a State or federal program. Subrecipients may also include, by example only, natural persons, not-for-profit organizations, for-profit organizations, cities, municipalities, counties, authorities, the State and its agencies, boards, commissions, or private and public colleges and universities if they receive federal funds from a State department or agency.

"Vendor" - means a dealer, distributor, merchant, or other seller providing goods or services that are in support of project activities. These goods or services may be for an organization's own use or for the use of beneficiaries of a State or federal program.

4. Grantee Selection Process.

Competition is encouraged with all Grantee selections. If competition is not sought, the Grantor State Agency is required to justify the selection of the Grantee to the Central Procurement Office for approval on such forms as required by the Central Procurement Office.

5. Advance Payments.

Formatted: Indent: Left: 0"

It is recommended that all contracts generally provide that the State is only obligated to pay for goods received or services performed, which are acceptable to the State, prior to the date of the State's payment. However, in extraordinary circumstances, advance payments may be authorized if doing so is in the best interests of the State. Upon approval by the Chief Procurement Officer, a grant contract may authorize a partial, periodic, or total advance payment; however, ~~,~~ total advance payment should be avoided unless warranted by exceptional circumstances. The Grantor Agency must provide a written justification for any type of advance payment, to the Chief Procurement Officer. ~~Upon approval by the Chief Procurement Officer, a grant contract may authorize a partial, periodic, or total advance payment. The Grantor Agency must provide a written justification for any type of advance payment.~~ All grant contracts with approved advanced payments will ~~be~~ also require approval of ~~reported to~~ the Comptroller of the Treasury.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Indent: Left: 0.08", Right: -0.01", Space Before: 0 pt, Line spacing: single, Tab stops: 0.58", Left

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Indent: Left: 0"

6. Cognizant Agency Determination Process.

The Cognizant State Agency shall be responsible for approval of the cost allocation plan of the Grantee State Agency. Other funding State Agencies, which also have funds at the Grantee State Agency, must abide by the methods of cost allocation approved by the Cognizant State Agency. Determination of the Cognizant State Agency shall be made by the Department of Finance and Administration. Once assigned, the term of responsibility shall be indefinite, although responsibility may be reassigned upon written request and justification to the Department of Finance and Administration by either the Cognizant State Agency or the Grantee State Agency.

7. Grant Budget/Cost Allocation Plan.

Allocation Plan requirements apply to subrecipients other than cities, counties (and subdivisions thereof), and state colleges universities and technology centers. Affected Subrecipients, include all legal entities, which includes without limitation, for profit entities and private not-for-profit entities that are subject to accounting and financial reporting standards promulgated by the Financial Accounting Standards Board (FASB). Allocation Plan requirements also apply to governmental not-for-profit entities that are subject to Governmental Accounting Standards Board (GASB) standards. Vendor contracts are exempt from this requirement.

Acceptable allocation methods to be used by Grantee shall be determined by the Cognizant State Agency. Methods used for allocating costs may differ between Grantees. Once a Grantee receives approval for its method of cost allocation, all other Grantor State Agencies shall accept the Grantee's program application. However, Grantor State Agencies are not required to fully fund the costs that are charged to a particular program under an allocation method if such costs are not allowable under the Grantor State Agency's agreement with the Grantee or exceed the prescribed funding percentage or budgets.

7.1 Types of Costs.

7.1.1. *Direct costs.*

Direct costs are those costs that can be identified to benefit a specific program. Such costs include:

- Salaries of persons who provide direct services to program beneficiaries and work on only one program (e.g. aging director, transportation program director);
- Travel costs that can be specifically identified to benefit a particular program;
- Equipment purchased for use in only one program;
- Maintenance or insurance for purchased equipment;
- Supplies which are utilized in only one program;
- A contract for professional services which benefits a single program; and
- Printing which benefits a single program.

7.1.2. *Allocable direct costs.*

Allocable direct costs are those that benefit more than one program, but do not fall under the criteria of administrative costs. Such costs include:

- Salaries and benefits of program employees whose work benefits more than one program (e.g. nurses, eligibility workers, etc.);
- Travel costs of employees whose work benefits more than one program;
- Occupancy costs of programs;
- Telephone costs of programs;
- Supplies utilized by more than one program;
- Rental and maintenance of equipment used by more than one program;
- Audit costs; and
- Contracted Services that benefit more than one program.

7.1.3. *Administrative costs.*

Administrative costs are those that benefit the operations of the entire entity, but cannot be identified to specific programs. Such costs include:

- Executive director's salary and benefits (or the administrative portion thereof if the executive director spends time on program-related activities);
- Fiscal Officer's salary and benefits;
- Secretarial support of administrative employees;
- Supplies of administrative employees;
- Travel of administrative employees;
- Occupancy costs (e.g. rent and utilities) of administrative employees;
- Postage and telephone costs of administrative employees; and

7.2 Liability Insurance.

7.2.1. *Allocation Methods.*

The periodic allocation of actual expenditures, rather than the use of a fixed or provisional indirect cost rate, is the most equitable method of cost allocation. The following are allowable methods to allocate administrative costs and allocable direct costs. Any exceptions to these methods must receive prior approval by the Cognizant State Agency.

Administrative costs allocable to programs should be accumulated in a separate cost pool. After allocating the administrative cost pool its share of the allocable direct costs, the total should be periodically allocated to the programs based on the percentage of direct program salaries versus total direct salaries, applied to total administrative costs.

Administrative costs may also be allocated by using total costs to distribute administrative costs. The actual administrative costs are allocated to each program based on its percentage of total actual direct costs for the period after allocation of allocable direct costs.

Usually, the appropriate time for allocation of allocable direct costs is when they are recorded on the books. However, cost pools may be used for various categories of allocable direct costs for periodic allocation to programs and the administrative cost pool. Examples of acceptable methods for the allocation of allocable direct costs include:

- Salaries and Benefits – allocate on the basis of time records, records of the number of clients served, or other approved bases.
- Travel – allocate on the same basis as salaries and benefits.
- Occupancy costs for program areas – allocate based on the number of square feet occupied by the program area as a percentage of total square feet allocated to all program areas.
- Telephone costs – allocate based on the number of personnel, number of lines, or other equitable method for local service.
- Supplies – allocate based on the number of personnel per program, number of clients served, or other equitable method.
- Contracts for services benefitting more than one program – allocate based on the number of clients served or other equitable method.
- Equipment rental and maintenance – allocate based on usage logs or other equitable method.

7.2.2. *Instructions for Cost Allocation Plans*

Each subrecipient shall prepare a narrative describing in detail the methods used to allocate costs to the various programs. The plan should include an organizational chart and documents and schedules to support the allocation methods.

The following guidelines should be used when preparing the Cost Allocation

Plan:

- The nature of the charges to be allocated will depend on the sophistication of the accounting system. The more sophisticated the system, the fewer the types of charges will be treated as allocable direct expense and included for distribution. For example, if each employee keeps a detailed time report, the payroll expenditures might be charged directly to each program, and cost allocation per se would not be involved.
- The cost allocation plan must include plans for allocation of allocable direct costs as well as administrative costs. Allocable direct costs will be included with other direct costs of the program in reports to the grantor. Allocations that are reported in separate line items on the grantor reports should involve the administrative cost pool only. An entity may wish to have more than one cost allocation pool so that certain types of costs are allocated on different bases.
- All proposed cost allocation plans developed by the Grantee must be reviewed and approved by the entity's designated Cognizant State Agency.
- Once the cost allocation plan has been approved by the Cognizant State Agency, all other funding state agencies must accept the approved plans. Where a contracting state agency has reason to believe that special factors affecting its awards necessitate special consideration, the contracting State Agency should communicate this to the Cognizant State Agency.
- If a dispute arises between the Cognizant State Agency and a Grantor State Agency, the dispute shall be resolved through an appeals process headed by the Commissioner of the Department of Finance and Administration or his or her designee.

8. Subrecipient Contract Monitoring Plan - General Rule.

All State agencies affected by this Policy shall develop and submit an annual monitoring plan for review and approval to the Central Procurement Office annually by October 1.

The monitoring plan is a summary of the agency's planned monitoring activities for the current annual monitoring cycle and must include:

- The total subrecipient contract population;
- All subrecipient contracts to be monitored during the agency monitoring cycle;
- The identification of the agency monitoring cycle (e.g., the State or federal fiscal year);
- Sample monitoring guides to be utilized for each State or federal program;
- Full-time equivalents and personnel classifications for all staff dedicated to monitoring activities;
- A program description of each State or federal program to be monitored;
- A risk assessment for each subrecipient and its related contracts;
- An explanation of the criteria used to assign risk to subrecipients and their related contracts;
- A summary of the findings from the previous monitoring cycle; and
- An explanation of the agency's corrective action process.

Any changes to the agency monitoring plan following approval by the Central Procurement Office shall be documented by the agency and maintained with their approved plan. Changes to the population of contracts to be monitored should be well documented with an explanation accompanying the changes.

9. How to Distinguish Between a Subrecipient and a Vendor.

If it is determined that the grantee is a subrecipient, monitoring requirements set forth in this policy shall apply.

There may be unusual circumstances or exceptions to the characteristics of subrecipients and vendors. When determining whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all subrecipient characteristics will be present. Judgment should be used in determining whether a contract represents a subrecipient or a vendor relationship. If the contractual relationship with the State meets the vendor criteria, the State agency must ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and contract provisions.

Any entity meeting the subrecipient criteria will be subject to subrecipient contract monitoring. This includes private non-profit entities, for-profit entities, governmental entities, and State and local governments.

To distinguish a subrecipient from a vendor, the characteristics below from OMB Circular A-133, Section 210 should be considered.

9.1 *Subrecipient.*

9.1.1 *Subrecipient Characteristics..*

A subrecipient determines who is eligible to receive the State or Federal financial assistance available through the program that is administered:

- A subrecipient determines the means and methods for carrying out the State or Federal program.
- A subrecipient must fulfill the scope of work requirements.

A subrecipient has its performance measured against whether the objectives of the State or Federal program are met through methods such as, but not limited to:

- A subrecipient must meet performance goals.
- The State must monitor the subrecipient to ensure funds are properly expended.
- The subrecipient must submit periodic progress reports.

A subrecipient has responsibility for programmatic decision making :

- A subrecipient has the authority to make decisions within the terms

of agreement.

- A subrecipient determines how to implement its program.
- A subrecipient determines the type of assistance to program beneficiaries.

A subrecipient has responsibility for adherence to applicable State or federal program compliance requirements:

- A subrecipient shall comply with applicable statutes, regulations, rules, and policies.
- The State shall monitor the subrecipient for compliance with program requirements.

9.2 *Vendor*

9.2.1 Vendor's Characteristics

Vendor's characteristics include the following:

- The vendor provides goods or services to many different purchasers.

Goods or services are provided by the vendor in the normal course of business operations and where:

- The vendor controls the means and methods of how it will produce its goods and services.
- The vendor is not required to provide periodic or year-end reports.
- The vendor's performance is measured against whether it meets contract specifications, not whether it achieves a program's performance outcomes.

The vendor operates in a competitive environment, i.e., more than one vendor provides similar goods or services.

The vendor provides goods or services that are ancillary to the operation of a State or Federal program.

The vendor is not subject to compliance requirements of the State or Federal program, e.g., subrecipient monitoring.

10. State Monitoring Requirements.

All subrecipient grant contracts must be monitored by the Grantor State Agency at least once every three years. However, it is the Grantor State Agency's responsibility to monitor at a frequency required by the Federal Government. Additionally, more frequent monitoring should be conducted if there are findings from the previous monitoring efforts.

Subrecipient grant contracts with federal frequency monitoring requirements should be

reviewed in accordance with such requirements.

Both State and federally funded subrecipient grant contracts shall be reviewed for compliance with the core monitoring areas listed in Section XI of this Policy. All applicable core monitoring areas must be addressed in each monitoring report.

Risk should be assigned to all subrecipients by the Grantor State Agency. At a minimum, the scope of a review must include the program-specific monitoring requirements and the core monitoring areas listed in Section XI of this Policy.

When the Grantor State Agency is selecting the population of grant contracts to be included in the monitoring plan, the following should be considered:

- The level of programmatic or financial risk to the State;
- Whether the grant contract has been monitored in the past three years; and
- Whether the grant contract has had prior findings indicating serious deficiencies.

11. Core Monitoring Areas.

In addition to State or federal program specific monitoring requirements, all monitoring activities undertaken by any State agency should address the following areas:

- All applicable requirements of Title VI of the *Civil Rights Act of 1964*, as defined in the Title VI Compliance Commission Advisory Memorandum No. 3, April 14, 2004.
- The applicable core monitoring areas, as defined by OMB Circular No. A-133 Compliance Supplement. Currently, these core areas include: activities allowed or unallowed; allowable costs/cost principles; cash management; Davis-Bacon Act; eligibility; equipment and real property management; matching, level of effort, and earmarking; period of availability of funds; procurement, suspension and debarment; program income; real property acquisition and relocation assistance; reporting and special tests and provisions.

12. Exception.

Pursuant to Tenn. Code Ann. §§ 42-3-114 and 42-2-203, the Tennessee Department of Transportation (TDOT) may accept and expend transit and aviation grant dollars according to the terms and conditions as prescribed by the federal government.

The federal government permits grantees to incur preliminary incidental costs prior to the grant start date. For such TDOT subrecipient grants, preliminary incidental costs incurred by the grantee may be reimbursed.

Other exceptions to this policy may also be set forth in applicable Federal or State law.

13. Reporting Requirements.

Grantor State agencies shall issue reports summarizing any findings or observations identified during monitoring reviews within 30 business days of completing all field work. Reports shall be distributed to the subrecipient entity and the Comptroller of the Treasury,

Division of State Audit. The State agency shall retain a copy of the report.

Upon receipt of a monitoring report with findings, the subrecipient shall prepare a corrective action plan detailing the actions to be taken to correct such findings. The corrective action plan shall include:

- The name of the contact person responsible for the corrective action plan;
- The corrective actions to be taken; and
- The anticipated completion date.

The corrective action plan shall be submitted to the Grantor State Agency for review and approval. It is the responsibility of the Grantor State Agency to notify the subrecipient, in a timely manner, of the approval or rejection of the corrective action plan. If a corrective action plan is not approved, the State Agency and the subrecipient shall work together to develop solutions for correcting the monitoring report findings.

14. Compliance Reviews.

Agency records obtained pursuant to this Policy shall be subject to evaluation by the Chief Procurement Officer or the Comptroller of the Treasury, or their duly appointed representatives.

Related Statutes, Rules and Policies
Tenn. Code Ann. §§ 4-56-101, *et seq.*
Tenn. Code Ann. §§ 12-3-101, *et seq.*
Tenn. Code Ann. §§ 12-4-101, *et seq.*

PROPOSED CHANGES TO:

POLICY NO. 2013-007:

CENTRAL PROCUREMENT OFFICE GRANT MANAGEMENT AND SUBRECIPIENT MONITORING POLICY AND PROCEDURES

CLEAN VERSION

Policy Number 2013-007
Central Procurement Office
Grant Management and Subrecipient Monitoring Policy and Procedures

Effective: May 28, 2013
Last Amended: DATE
Prepared by: The Central Procurement Office of the State of Tennessee

1. **Purpose.**

To provide uniformity in the reporting of, and controls over, the expenditure of awards in connection with the delivery of services by subrecipients of federal and State awards.

To establish guidelines for subrecipient monitoring by Grantor State Agencies.

2. **Scope.**

These policies and procedures apply to all State agencies that award State or federal funds or non-cash assistance to subrecipients. Direct Appropriation Grants are exempt from the requirements of these policies and procedures.

3. Definitions.

For purposes of this policy, the following terms shall have the meanings described below:

"Award" - means any grant of money, loans, non-cash assistance, etc. awarded to the State, or awarded by the State to a person or legal entity, for the furnishing by the State of assistance, whether financial or otherwise, to any person or entity to support a program authorized by law.

"Cognizant State Agency" - means the State Agency whose funds comprise the greatest percentage of Awards received by a subrecipient as determined by the Department of Finance and Administration (F&A) as defined in F&A Policy 3.

"Cost Allocation Plan" - means the method of distributing to various programs the costs which benefit more than one program and are not directly assigned as approved by the Department of Finance and Administration.

"Central Procurement Office" - means the Central Procurement Office of the State of Tennessee acting by and through the Chief Procurement Officer or his or her designee as the context requires.

"Direct Appropriation Grant" - means a grant listed on the Department of Finance and Administration Division of Budget's annual direct appropriation list.
"Endowment Grant" - means a limited Grant Contract that originates from a specific appropriation, effecting an award and conveyance of funds or property to a Grantee for a particular purpose to benefit the general public as a whole or some population of the

general public. An Endowment Grant is used to transfer funds to a Grantee pursuant to an appropriation.

"Grant" - means any grant of money awarded to the State, or awarded by the State to a person or legal entity, for the furnishing by the State of assistance, whether financial or otherwise, to any person or entity to support a program authorized by law. The term "Grant" does not include an award with the primary purpose of procuring an end product, whether in the form of supplies, services, or construction, or any contract resulting from such an award that should otherwise be provided on a competitive basis.

"Grant Budget" - means a budget itemizing one or more specific activities or purposes under the grant and the maximum amounts a Grantee may be reimbursed.

"Grant Contract" – means a written contract between the federal government, the State, a Grantee, or a Subrecipient that contains the terms and conditions govern the parties duties and responsibilities with respect to an Award.

"Grantee" - means the person or entity receiving an Award.

"Grantor State Agency" - means a State Agency that provides an Award to a person or entity.

"State" - means the State of Tennessee and its agencies, boards and commissions as the context requires.

"Subrecipient" - means a non-federal entity that expends State or federal funds received from the State to carry out a State or federal program. Subrecipients may also include, by example only, natural persons, not-for-profit organizations, for-profit organizations, cities, municipalities, counties, authorities, the State and its agencies, boards, commissions, or private and public colleges and universities if they receive federal funds from a State department or agency.

"Vendor" - means a dealer, distributor, merchant, or other seller providing goods or services that are in support of project activities. These goods or services may be for an organization's own use or for the use of beneficiaries of a State or federal program.

4. Grantee Selection Process.

Competition is encouraged with all Grantee selections. If competition is not sought, the Grantor State Agency is required to justify the selection of the Grantee to the Central Procurement Office for approval on such forms as required by the Central Procurement Office.

5. Advance Payments.

It is recommended that all contracts generally provide that the State is only obligated to pay for goods received or services performed, which are acceptable to the State, prior to the date of the State's payment. However, in extraordinary circumstances, advance payments may be authorized if doing so is in the best interests of the State. Upon approval by the Chief Procurement Officer, a

grant contract may authorize a partial, periodic, or total advance payment; however, total advance payment should be avoided unless warranted by exceptional circumstances. The Grantor Agency must provide a written justification for any type of advance payment to the Chief Procurement Officer. All grant contracts with approved advance payments will also require approval of the Comptroller of the Treasury.

6. Cognizant Agency Determination Process.

The Cognizant State Agency shall be responsible for approval of the cost allocation plan of the Grantee State Agency. Other funding State Agencies, which also have funds at the Grantee State Agency, must abide by the methods of cost allocation approved by the Cognizant State Agency. Determination of the Cognizant State Agency shall be made by the Department of Finance and Administration. Once assigned, the term of responsibility shall be indefinite, although responsibility may be reassigned upon written request and justification to the Department of Finance and Administration by either the Cognizant State Agency or the Grantee State Agency.

7. Grant Budget/Cost Allocation Plan.

Allocation Plan requirements apply to subrecipients other than cities, counties (and subdivisions thereof), and state colleges universities and technology centers. Affected Subrecipients, include all legal entities, which includes without limitation, for profit entities and private not-for-profit entities that are subject to accounting and financial reporting standards promulgated by the Financial Accounting Standards Board (FASB). Allocation Plan requirements also apply to governmental not-for-profit entities that are subject to Governmental Accounting Standards Board (GASB) standards. Vendor contracts are exempt from this requirement.

Acceptable allocation methods to be used by Grantee shall be determined by the Cognizant State Agency. Methods used for allocating costs may differ between Grantees. Once a Grantee receives approval for its method of cost allocation, all other Grantor State Agencies shall accept the Grantee's program application. However, Grantor State Agencies are not required to fully fund the costs that are charged to a particular program under an allocation method if such costs are not allowable under the Grantor State Agency's agreement with the Grantee or exceed the prescribed funding percentage or budgets.

7.1 Types of Costs.

7.1.1. *Direct costs.*

Direct costs are those costs that can be identified to benefit a specific program. Such costs include:

- Salaries of persons who provide direct services to program beneficiaries and work on only one program (e.g. aging director, transportation program director);
- Travel costs that can be specifically identified to benefit a particular program;

- Equipment purchased for use in only one program;
- Maintenance or insurance for purchased equipment;
- Supplies which are utilized in only one program;
- A contract for professional services which benefits a single program; and
- Printing which benefits a single program.

7.1.2. *Allocable direct costs.*

Allocable direct costs are those that benefit more than one program, but do not fall under the criteria of administrative costs. Such costs include:

- Salaries and benefits of program employees whose work benefits more than one program (e.g. nurses, eligibility workers, etc.);
- Travel costs of employees whose work benefits more than one program;
- Occupancy costs of programs;
- Telephone costs of programs;
- Supplies utilized by more than one program;
- Rental and maintenance of equipment used by more than one program;
- Audit costs; and
- Contracted Services that benefit more than one program.

7.1.3. *Administrative costs.*

Administrative costs are those that benefit the operations of the entire entity, but cannot be identified to specific programs. Such costs include:

- Executive director's salary and benefits (or the administrative portion thereof if the executive director spends time on program-related activities);
- Fiscal Officer's salary and benefits;
- Secretarial support of administrative employees;
- Supplies of administrative employees;
- Travel of administrative employees;
- Occupancy costs (e.g. rent and utilities) of administrative employees;
- Postage and telephone costs of administrative employees; and

7.2 Liability Insurance.

7.2.1. *Allocation Methods.*

The periodic allocation of actual expenditures, rather than the use of a fixed or provisional indirect cost rate, is the most equitable method of cost allocation. The following are allowable methods to allocate administrative costs and allocable direct costs. Any exceptions to these methods must receive prior approval by the Cognizant State Agency.

Administrative costs allocable to programs should be accumulated in a separate cost pool. After allocating the administrative cost pool its share of the allocable

direct costs, the total should be periodically allocated to the programs based on the percentage of direct program salaries versus total direct salaries, applied to total administrative costs.

Administrative costs may also be allocated by using total costs to distribute administrative costs. The actual administrative costs are allocated to each program based on its percentage of total actual direct costs for the period after allocation of allocable direct costs.

Usually, the appropriate time for allocation of allocable direct costs is when they are recorded on the books. However, cost pools may be used for various categories of allocable direct costs for periodic allocation to programs and the administrative cost pool. Examples of acceptable methods for the allocation of allocable direct costs include:

- Salaries and Benefits – allocate on the basis of time records, records of the number of clients served, or other approved bases.
- Travel – allocate on the same basis as salaries and benefits.
- Occupancy costs for program areas – allocate based on the number of square feet occupied by the program area as a percentage of total square feet allocated to all program areas.
- Telephone costs – allocate based on the number of personnel, number of lines, or other equitable method for local service.
- Supplies – allocate based on the number of personnel per program, number of clients served, or other equitable method.
- Contracts for services benefitting more than one program – allocate based on the number of clients served or other equitable method.
- Equipment rental and maintenance – allocate based on usage logs or other equitable method.

7.2.2. *Instructions for Cost Allocation Plans*

Each subrecipient shall prepare a narrative describing in detail the methods used to allocate costs to the various programs. The plan should include an organizational chart and documents and schedules to support the allocation methods.

The following guidelines should be used when preparing the Cost Allocation Plan:

- The nature of the charges to be allocated will depend on the sophistication of the accounting system. The more sophisticated the system, the fewer the types of charges will be treated as allocable direct expense and included for distribution. For example, if each employee keeps a detailed time report, the payroll expenditures might be charged directly to each program, and cost allocation per se would not be involved.
- The cost allocation plan must include plans for allocation of allocable direct costs as well as administrative costs. Allocable direct costs will be included

with other direct costs of the program in reports to the grantor. Allocations that are reported in separate line items on the grantor reports should involve the administrative cost pool only. An entity may wish to have more than one cost allocation pool so that certain types of costs are allocated on different bases.

- All proposed cost allocation plans developed by the Grantee must be reviewed and approved by the entity's designated Cognizant State Agency.
- Once the cost allocation plan has been approved by the Cognizant State Agency, all other funding state agencies must accept the approved plans. Where a contracting state agency has reason to believe that special factors affecting its awards necessitate special consideration, the contracting State Agency should communicate this to the Cognizant State Agency.
- If a dispute arises between the Cognizant State Agency and a Grantor State Agency, the dispute shall be resolved through an appeals process headed by the Commissioner of the Department of Finance and Administration or his or her designee.

8. Subrecipient Contract Monitoring Plan - General Rule.

All State agencies affected by this Policy shall develop and submit an annual monitoring plan for review and approval to the Central Procurement Office annually by October 1.

The monitoring plan is a summary of the agency's planned monitoring activities for the current annual monitoring cycle and must include:

- The total subrecipient contract population;
- All subrecipient contracts to be monitored during the agency monitoring cycle;
- The identification of the agency monitoring cycle (e.g., the State or federal fiscal year);
- Sample monitoring guides to be utilized for each State or federal program;
- Full-time equivalents and personnel classifications for all staff dedicated to monitoring activities;
- A program description of each State or federal program to be monitored;
- A risk assessment for each subrecipient and its related contracts;
- An explanation of the criteria used to assign risk to subrecipients and their related contracts;
- A summary of the findings from the previous monitoring cycle; and
- An explanation of the agency's corrective action process.

Any changes to the agency monitoring plan following approval by the Central Procurement Office shall be documented by the agency and maintained with their approved plan. Changes to the population of contracts to be monitored should be well documented with an explanation accompanying the changes.

9. How to Distinguish Between a Subrecipient and a Vendor.

If it is determined that the grantee is a subrecipient, monitoring requirements set forth in this policy shall apply.

There may be unusual circumstances or exceptions to the characteristics of subrecipients and vendors. When determining whether a subrecipient or vendor relationship exists, the substance of the relationship is more important than the form of the agreement. It is not expected that all subrecipient characteristics will be present. Judgment should be used in determining whether a contract represents a subrecipient or a vendor relationship. If the contractual relationship with the State meets the vendor criteria, the State agency must ensure that the procurement, receipt, and payment for goods and services comply with laws, regulations, and contract provisions.

Any entity meeting the subrecipient criteria will be subject to subrecipient contract monitoring. This includes private non-profit entities, for-profit entities, governmental entities, and State and local governments.

To distinguish a subrecipient from a vendor, the characteristics below from OMB Circular A-133, Section 210 should be considered.

9.1 *Subrecipient.*

9.1.1 *Subrecipient Characteristics.*

A subrecipient determines who is eligible to receive the State or Federal financial assistance available through the program that is administered:

- A subrecipient determines the means and methods for carrying out the State or Federal program.
- A subrecipient must fulfill the scope of work requirements.

A subrecipient has its performance measured against whether the objectives of the State or Federal program are met through methods such as, but not limited to:

- A subrecipient must meet performance goals.
- The State must monitor the subrecipient to ensure funds are properly expended.
- The subrecipient must submit periodic progress reports.

A subrecipient has responsibility for programmatic decision making :

- A subrecipient has the authority to make decisions within the terms of agreement.
- A subrecipient determines how to implement its program.
- A subrecipient determines the type of assistance to program beneficiaries.

A subrecipient has responsibility for adherence to applicable State or federal program compliance requirements:

- A subrecipient shall comply with applicable statutes, regulations, rules, and policies.
- The State shall monitor the subrecipient for compliance with

program requirements.

9.2 *Vendor*

9.2.1 Vendor's Characteristics

Vendor's characteristics include the following:

- The vendor provides goods or services to many different purchasers.

Goods or services are provided by the vendor in the normal course of business operations and where:

- The vendor controls the means and methods of how it will produce its goods and services.
- The vendor is not required to provide periodic or year-end reports.
- The vendor's performance is measured against whether it meets contract specifications, not whether it achieves a program's performance outcomes.

The vendor operates in a competitive environment, i.e., more than one vendor provides similar goods or services.

The vendor provides goods or services that are ancillary to the operation of a State or Federal program.

The vendor is not subject to compliance requirements of the State or Federal program, e.g., subrecipient monitoring.

10. State Monitoring Requirements.

All subrecipient grant contracts must be monitored by the Grantor State Agency at least once every three years. However, it is the Grantor State Agency's responsibility to monitor at a frequency required by the Federal Government. Additionally, more frequent monitoring should be conducted if there are findings from the previous monitoring efforts.

Subrecipient grant contracts with federal frequency monitoring requirements should be reviewed in accordance with such requirements.

Both State and federally funded subrecipient grant contracts shall be reviewed for compliance with the core monitoring areas listed in Section XI of this Policy. All applicable core monitoring areas must be addressed in each monitoring report.

Risk should be assigned to all subrecipients by the Grantor State Agency. At a minimum, the scope of a review must include the program-specific monitoring requirements and the core monitoring areas listed in Section XI of this Policy.

When the Grantor State Agency is selecting the population of grant contracts to be included

in the monitoring plan, the following should be considered:

- The level of programmatic or financial risk to the State;
- Whether the grant contract has been monitored in the past three years; and
- Whether the grant contract has had prior findings indicating serious deficiencies.

11. Core Monitoring Areas.

In addition to State or federal program specific monitoring requirements, all monitoring activities undertaken by any State agency should address the following areas:

- All applicable requirements of Title VI of the *Civil Rights Act of 1964*, as defined in the Title VI Compliance Commission Advisory Memorandum No. 3, April 14, 2004.
- The applicable core monitoring areas, as defined by OMB Circular No. A-133 Compliance Supplement. Currently, these core areas include: activities allowed or unallowed; allowable costs/cost principles; cash management; Davis-Bacon Act; eligibility; equipment and real property management; matching, level of effort, and earmarking; period of availability of funds; procurement, suspension and debarment; program income; real property acquisition and relocation assistance; reporting and special tests and provisions.

12. Exception.

Pursuant to Tenn. Code Ann. §§ 42-3-114 and 42-2-203, the Tennessee Department of Transportation (TDOT) may accept and expend transit and aviation grant dollars according to the terms and conditions as prescribed by the federal government.

The federal government permits grantees to incur preliminary incidental costs prior to the grant start date. For such TDOT subrecipient grants, preliminary incidental costs incurred by the grantee may be reimbursed.

Other exceptions to this policy may also be set forth in applicable Federal or State law.

13. Reporting Requirements.

Grantor State agencies shall issue reports summarizing any findings or observations identified during monitoring reviews within 30 business days of completing all field work. Reports shall be distributed to the subrecipient entity and the Comptroller of the Treasury, Division of State Audit. The State agency shall retain a copy of the report.

Upon receipt of a monitoring report with findings, the subrecipient shall prepare a corrective action plan detailing the actions to be taken to correct such findings. The corrective action plan shall include:

- The name of the contact person responsible for the corrective action plan;
- The corrective actions to be taken; and
- The anticipated completion date.

The corrective action plan shall be submitted to the Grantor State Agency for review and approval. It is the responsibility of the Grantor State Agency to notify the subrecipient, in a timely manner, of the approval or rejection of the corrective action plan. If a corrective action plan is not approved, the State Agency and the subrecipient shall work together to develop solutions for correcting the monitoring report findings.

14. Compliance Reviews.

Agency records obtained pursuant to this Policy shall be subject to evaluation by the Chief Procurement Officer or the Comptroller of the Treasury, or their duly appointed representatives.

Related Statutes, Rules and Policies
Tenn. Code Ann. §§ 4-56-101, *et seq.*
Tenn. Code Ann. §§ 12-3-101, *et seq.*
Tenn. Code Ann. §§ 12-4-101, *et seq.*