



**STATE OF TENNESSEE**  
**PROCUREMENT COMMISSION**  
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- AGENDA -

**PROCUREMENT COMMISSION MEETING #020**  
**THURSDAY, MARCH 24, 2016 – 2:00 P.M.**  
**TN TOWER, 3<sup>RD</sup> FLOOR, NASHVILLE ROOM**

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**LARRY B. MARTIN, Chairman**  
 Commissioner of Finance & Administration

**JUSTIN P. WILSON**  
 Comptroller of the Treasury

**ROBERT E. OGLESBY**  
 Commissioner of General Services

**MICHAEL F. PERRY**  
 Chief Procurement Officer

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**MINUTES OF JANUARY 21, 2016  
MEETING**



**MINUTES**  
**PROCUREMENT COMMISSION MEETING #019**  
**THURSDAY, JANUARY 21, 2016 - 2:00 P.M.**  
**TN TOWER, 3<sup>RD</sup> FLOOR, NASHVILLE ROOM**

**Members in Attendance:**

Larry B. Martin, Commissioner, Department of Finance & Administration; Justin P. Wilson, Comptroller of the Treasury; Robert E. Oglesby, Commissioner, Department of General Services, Mike Perry, Chief Procurement Officer

**Others in Attendance:**

Don Ivancic, Paul Krivacka, Angela White, Johnny Stites, Jenny Young, Shelia Simpson, Kyle Hunter, Douglas Whitcomb, Thad Watkins, Laura Kinard, Kaci Stewart, Charlotte McKinney

**I. Call to Order.**

Commissioner Martin called the meeting to order and recognized that all Procurement Commission members were present.

**II. Minutes from the September 14, 2015 Procurement Commission Meeting.**

Commissioner Martin presented the September 14, 2015 minutes for approval. Comptroller Wilson stated the minutes had been reviewed by his office and made a motion to approve the minutes from the September 14, 2015 Procurement Commission meeting as presented. The motion was seconded by Commissioner Oglesby; whereupon the minutes were unanimously approved.

**New Business:**

**III. Proposed Changes to the following Central Procurement Office documents.**

Commissioner Martin asked Paul Krivacka, Lead Attorney/Director of Category Management, Central Procurement Office, to present the New Business agenda items.

(1) Solicitation for Edison-generated Contracts

Mr. Krivacka summarized the following points with regard to the Solicitation for Edison-generated Contracts:

- The Central Procurement Office Policy Review Subcommittee (“Subcommittee”) prepared this document as part of an ongoing project to review all terms and conditions housed in the State’s e-procurement software, Edison. The solicitation terms and conditions in the Edison configurator have been combined into a comprehensive set of terms and conditions, just as was done with contract terms and conditions that were previously approved by the Procurement Commission.
- This document contains the terms and conditions for solicitations generated in Edison and has some familiar elements.
- One notable innovation is the section designated for award provisions. Procurement professionals choose from among many options for how to award the contract, e.g., award by lowest cost for all lines, award by line, award by grouped lines. This section even gives procurement professionals the opportunity to draft particular award procedures that appear in the specifications.

Mr. Krivacka asked if there were any comments or questions regarding the Solicitation for Edison-generated Contracts. Commissioner Oglesby asked if input was gathered from other client agencies in preparing this item. Mr. Krivacka responded that agency procurement professionals actively participate in the Subcommittee meetings and do provide input.

A motion was made by Comptroller Wilson to approve the Solicitation for Edison-generated Contracts as presented. The motion was seconded by Commissioner Oglesby; whereupon the item was unanimously approved.

## (2) Request for Proposals (“RFP”) Template

Mr. Krivacka summarized the following points with regard to the Request for Proposals (“RFP”) Template:

- The Subcommittee made a minor revision to the “Instructions, Considerations, and Options” portion of the RFP Template.
- In consultation with the Statewide P-Card Program Administrator, the Subcommittee revised optional section 4.9, the section that requires the awarded respondent to accept the P-Card as a form of payment.
- This section should be added only after performing market research, and the Subcommittee added instructions that the research should include whether accepting credit card payments and providing level III data reporting is generally accepted in the marketplace. The objective was not to place vendors that do not accept P-Cards at a disadvantage.
- The addition of the “level III data reporting” language is significant – based on research statistics show that of the approximately 3 million U.S. vendors who accept Visa cards, about 400,000 provide level III reporting data.

Commissioner Martin asked Mr. Krivacka to please explain the definition of level III data reporting. Mr. Krivacka stated level III data reporting includes more intensive reporting on transactions and what types of goods and services are being procured and allows better tracking of dollars spent on those items.

Comptroller Wilson asked for confirmation that if research indicates that P-Cards are not generally accepted in the marketplace then the State would not ask for that requirement in the RFP. Mr. Krivacka confirmed that Comptroller Wilson was correct.

Comptroller Wilson made a motion to approve the Request for Proposals ("RFP") Template as presented. The motion was seconded by Commissioner Oglesby; whereupon the item was unanimously approved.

### (3) Payment Bond Template

Mr. Krivacka summarized the following points with regard to the Payment Bond Template:

- The Subcommittee developed this document to assist Agencies with preparing payment bonds.
- Previously, procurement templates and models had provisions that would require the Contractor to provide a payment bond, but agencies were responsible for drafting the actual bond document.
- Introduction of a standard payment bond template for agencies to use reduces risk to the State and increases consistency with each payment bond request.

Seeing no questions or comments, Comptroller Wilson made a motion to approve the Payment Bond Template as presented. The motion was seconded by Commissioner Oglesby; whereupon the item was unanimously approved.

### (4) Notice of Intent to Award Model

Mr. Krivacka summarized the following points with regard to the Notice of Intent to Award Model:

- The Subcommittee prepared this document to create uniformity in communication between the State and respondents which will reduce the risk of protests and of the State being in violation of notice requirements.
- Previously, State agency and CPO procurement professionals used different documents to identify the awarded respondent.
- The Notice of Intent to Award Model will be used for all solicitation types. The document identifies the respondent recommended for award and when the open file period begins.

Comptroller Wilson made a motion to approve the Notice of Intent to Award Model as presented. The motion was seconded by Commissioner Oglesby; whereupon the item was unanimously approved.

### (5) Governmental Grant ("GG") Template

### (6) Grant ("GR") Template

Mr. Krivacka presented agenda items (5) and (6) together as the changes are similar. Mr. Krivacka summarized the following points with regard to the Governmental Grant ("GG") Template and the Grant ("GR") Template:

- Instructional language was added to the audit terms that will aid grantees and agencies to be in compliance with state and federal audit requirements.
- A large number of additional optional terms were added to both templates as a result of the CPO reviewing Rule Exception Requests ("RERs") to identify commonly requested exceptions. This allows agencies to use these terms without having to obtain a RER. This will significantly improve the cycle time for approval of these documents.

Comptroller Wilson made a motion to approve agenda item (5) Governmental Grant ("GG") Template and agenda item (6) Grant ("GR") Template as presented. Commissioner Oglesby seconded the motion; whereupon the item was unanimously approved.

(7) Endowment Grant ("GE") Model

Mr. Krivacka summarized the following points with regard to the Endowment Grant Model:

- The terms of the model were updated to match current template language in the GR and GG templates and to comply with Central Procurement Office Rules and Regulations (Tenn. Comp. R. & Regs. 0690-03-01-.15).
- Agencies will now be required to obtain a Rule Exception Request for advance payments when using this document.
- Instructions were added to assist agencies when the GE model is appropriate

Comptroller Wilson made a motion to approve the Endowment Grant ("GE") Model as presented. Commissioner Oglesby seconded the motion; whereupon the item was unanimously approved.

(8) *Procurement Procedures Manual of the Central Procurement Office*, Section 4.1, definition of "Subrecipient"

Mr. Krivacka summarized the following points with regard to *Procurement Procedures Manual of the Central Procurement Office*, Section 4.1, definition of "Subrecipient":

- The previous definition of subrecipient incorporated the definition contained in U.S. OMB Circular A-133.
- Because the U.S. OMB issued regulations that superseded Circular A-133, the Subcommittee drafted a new definition of subrecipient and added the following sentence at the end of the current definition:
 

*Additionally, a Subrecipient means a non-federal entity that receives an award from the State to carry out part of a State program; but does not include an individual that is a beneficiary of such program.*
- The new definition is consistent with the U.S. OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Supercircular") and distinguishes between subrecipient relationships arising from federal grant awards and state grant awards.

Comptroller Wilson indicated that state audit had reviewed this item and made a motion to approve *Procurement Procedures Manual of the Central Procurement Office*, Section 4.1, definition of "Subrecipient" as presented. Commissioner Oglesby seconded the motion; whereupon the item was unanimously approved.

(9) *Procurement Procedures Manual of the Central Procurement Office*, Section 11 – Templates and Models

Mr. Krivacka summarized the following points with regard to the *Procurement Procedures Manual of the Central Procurement Office*, Section 11 – Templates and Models:

- The Subcommittee revised this section of the *Procurement Procedures Manual of the Central Procurement Office* ("Manual") to more clearly:
  - Distinguish between a template and model;
  - Identify when a Rule Exception Request is required; and
  - Explain the process for revising procurement documents.
- This section of the Manual also catalogues the documents available on the Central Procurement Office's Templates and Models webpage. The Subcommittee updated this section to reflect the introduction of several new documents, including the Rule Exception Request for the DA and DG Templates and the Click-wrap Approval Request.

Comptroller Wilson made a motion to approve *Procurement Procedures Manual of the Central Procurement Office*, Section 11 – Templates and Models as presented. Commissioner Oglesby seconded the motion; whereupon the item was unanimously approved.

(10) Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*

Commissioner Martin stated that Mike Perry, Chief Procurement Officer, had some comments regarding agenda item (10) Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*.

Mr. Perry stated that agenda item (10) would add Collaborative Value Development ("CVD") as a procurement method in Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*. Mr. Perry noted that CVD is a new procurement method that has not been used by the State of Tennessee previously and that a consultant has been engaged to guide the State through the process. For the record, Mr. Perry noted that the CVD process is to be used exclusively by the Central Procurement Office ("CPO") and no other State agency or department; and the CPO will select an initial pilot procurement to utilize the process. Mr. Perry stated that the CVD process will be spelled out in the solicitation document and will be reviewed and approved by the CPO and the office of the Comptroller of the Treasury. Mr. Perry stated that the CPO is first seeking approval to utilize the CVD method in a solicitation. Mr. Perry added that on the initial procurement it would be wise to come back to the Procurement Commission with updates on the progress and results of using the CVD method once the contract award is made. Since this is a new process, Mr. Perry stated that the CPO would move forward cautiously and work hand-in-hand with business partners such as the Advisory Council and Procurement Commission. Further, Mr. Perry stated that the CPO would recommend that Comptroller Wilson have a staff member present to observe the CVD

process, particularly in the collaborative value workshops where the vendors will be actively involved. Mr. Perry added that the Department of Finance and Administration ("F&A") would also be welcome to have a staff member present to observe the process.

Mr. Perry stated that at this point, the CPO is still in the learning stage and has not selected a procurement as the initial pilot. Mr. Perry anticipates the pilot will be selected within the next few months and the Procurement Commission would be advised of the selection and progress updates would be provided at Procurement Commission meetings.

Since the CVD process is new to the State, Commissioner Martin asked where it has been commonly used and for what types of procurements. Mr. Perry responded that the process was developed by faculty at the University of Tennessee in collaboration with the United States Air Force. Mr. Perry continued that the CVD process had been broadly used by the Defense Department and by the public sector in Vancouver, Canada. Mr. Perry added that to his knowledge, Tennessee would be the first state government to use the process in its current form and that is why the CPO will move cautiously and keep the Procurement Commission members updated throughout the initial procurement.

Commissioner Martin asked if the CVD process was used more often in the private sector. Mr. Perry responded that it was more often used in the private sector. Mr. Perry stated the primary difference is that once the initial Request for Qualifications ("RFQ") is issued and a shortlist of the most highly-qualified proposers from a technical standpoint is determined, then representatives from those vendors are actually engaged with the State and a third party facilitator in a workshop to help craft what the Request for Proposal should reflect based on industry input. Mr. Perry continued that it is a training program/workshop that lasts for several weeks and the CPO would encourage COT and F&A to participate or at least observe the process.

Comptroller Wilson added that books have been written about the CVD process and they set forth wonderful results. Comptroller Wilson added that to be clear, the CPO is requesting to proceed with one project only and the CPO would come back to the Procurement Commission before proceeding to a second project. Mr. Perry stated that Comptroller Wilson was correct.

Mr. Perry asked Mr. Krivacka to provide further explanation as to changes to the Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*.

Mr. Krivacka summarized the following points with regard to the Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*:

- The Subcommittee recommended some minor changes to this *Procurement Methods Policy and Procedures* to either make the document clearer or to make it consistent with information provided in other policies and procedures. These changes include:
  - adding new definitions for competitive range, qualified respondents and proprietary procurement;
  - adding new sections to include "proprietary" procurements (§§ 4 and 19.7) and
  - changing the dollar amount in § 19.1. to \$50,000 (instead of \$25,000). This is to mirror the dollar limit for informal solicitations that is included in other policies and models (such as the informal purchases model)

- The major revisions to this Policy are to introduce a new procurement technique referred to as "Collaborative Value Development" or "CVD." The purpose of CVD is to utilize the expertise and knowledge of the vendor community to develop a Solicitation where complex procurements are involved.
- CVD is a multi-step procurement process that begins with a shortlist of respondents and includes a workshop with the shortlisted respondents participating to assist in developing the solicitation that sets the ground rules for future award of the contract. The CVD process was used by the Air Force for multi-billion dollar procurements; the State would not use the CVD process on routine procurements such as plastic spoons or vehicles. A complicated IT procurement is a good example of when a CVD event would be valuable.
- It adds an additional step to the RFQ process that occurs after respondents are shortlisted within the Competitive Range (as defined in the RFQ). Each Qualified Respondent will have an equal opportunity to provide representatives to participate in the CVD event where they will collaborate with representatives from the State. At the conclusion of the CVD event, the Solicitation Coordinator will then independently draft a Solicitation. Participation in the CVD is required to respond to the Solicitation and to be considered for contract award.
- If a respondent was excluded from the shortlist, the respondent would have standing to file a protest but per statute, only after award of the contract. The right to protest would not be truncated by utilizing the CVD process. An aggrieved party that is not included in the shortlist would have the right to protest, just as would any respondent not awarded a contract have the right to protest. The protest would follow the protest statute.
- The State would probably seek help from UT for training and guidance on how to properly conduct the workshops.

Mr. Krivacka asked if there were any questions or comments regarding Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*. Commissioner Oglesby asked if the updates to the Procurement Commission would be during the pilot project procurement process, and if so would specific details of the procurement be confidential. Mr. Perry responded that the updates to the Procurement Commission would take place during the pilot project procurement process and would include the status of the project, milestones reached, and lessons learned along the way but could not include specific details that would violate the confidentiality of the procurement.

Commissioner Martin asked what things would need to work well if using the CVD event was going to be successful. Mr. Perry responded that the primary difference with the CVD process was the collaborative value workshop where the shortlisted vendors from the RFQ would actively participate. The collaborative value workshop process is brand new and it is important that the workshop be facilitated correctly with absolutely no bias and that all parties are on a level playing field. Commissioner Martin then asked if using a CVD event would lengthen the procurement process. Mr. Perry responded that it would lengthen the process and that is why the CVD process would be used very selectively on complex, high-dollar, high-risk procurements where vendor engagement would add value and knowledge. Commissioner Oglesby commented that the value added would be throughout the life of the contract and not just during the procurement process.

Subject to the comments of the CPO, Comptroller Wilson made a motion to approve Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures* as presented. Commissioner Martin seconded the motion, whereupon the item was unanimously approved.

(11) Request for Qualifications (RFQ) Template

Mr. Krivacka summarized the following points with regard to the Request for Qualifications (RFQ) Template:

- This item is to implement the CVD policy changes by amending the RFQ Template to include options for a CVD event.
- This proposal adds optional language to section 1.5. explaining Collaborative Value Development and to section 2. Schedule of Events.

Seeing no further discussion, Comptroller Wilson made a motion to approve the Request for Qualifications ("RFQ") Template, as presented. Commissioner Oglesby seconded the motion, whereupon the item was unanimously approved.

(12) Central Procurement Office Policy Number 2015-010, *Statewide Purchasing Card Policy and Procedures*

Mr. Krivacka summarized the following points with regard to Central Procurement Office Policy Number 2015-010, *Statewide Purchasing Card Policy and Procedures*:

- This proposal creates a new class of P-Card, adds a new definition for State Agency Central Fiscal Office P-Card, and increases the Single Transaction Limit ("STL") on the designated Central Fiscal Office P-Card to \$50,000. The \$50,000 STL was per agency request as the \$10,000 STL created a hardship on agencies in some cases and reflects Procurement Commission approval of a \$50,000 transaction limit on goods and services.
- The Subcommittee also recommended the addition of reminders to follow all CPO rules, policies, and procedures with respect to procurements. (The P-Card is just a method of payment; all procurement rules and policies must still be followed, unless otherwise exempt).

Comptroller Wilson asked if the Central Procurement Office was satisfied with security issues on this item. Mr. Krivacka responded that the security issues with the \$50,000 STL would be no different than the security issues with the \$10,000 STL and that the Central Procurement Office was satisfied with security.

Seeing no further discussion, Comptroller Wilson made a motion to approve Central Procurement Office Policy Number 2015-010, *Statewide Purchasing Card Policy and Procedures* as presented. Commissioner Oglesby seconded the motion, whereupon the item was unanimously approved.

(13) FA Template – FERPA Clause

Mr. Krivacka summarized the following points with regard to FA Template – FERPA Clause:

- This proposal changes the word “grantee” to “contractor” to make the language consistent with all of the other contract provisions in the FA Template.

Seeing no discussion, Comptroller Wilson made a motion to approve FA Template – FERPA Clause as presented. Commissioner Oglesby seconded the motion, whereupon the item was unanimously approved.

(14) Edison Configurator – Incorporation of additional documents

Mr. Krivacka summarized the following points with regard to Edison Configurator – Incorporation of additional documents:

- This proposal will add the “incorporation of additional documents” contract clause into the Edison configurator. A similar provision is already included in the FA template, so this will add symmetry between the Edison configurator and other templates, such as the FA Template. The Edison configurator is being used more often to procure IT services or software and unfortunately it was not originally set up to handle additional attachments like service level agreements and license agreements that often need to be negotiated and are part of the contract.
- This clause will govern the order of precedence of the additional documents, which will clear up any ambiguities should they arise in the course of the Contractor’s performance.

Seeing no discussion, Comptroller Wilson made a motion to approve Edison Configurator – Incorporation of additional documents as presented. Commissioner Oglesby seconded the motion, whereupon the item was unanimously approved.

(15) Edison Configurator – FA Template and Purchase Order Terms – Liens, Encumbrances, and Title

Mr. Krivacka summarized the following points with regard to Edison Configurator – FA Template and Purchase Order Terms – Liens, Encumbrances, and Title:

- “Liens, Encumbrances, and Title” is a new contract clause that will be included as optional language in the FA Template, Edison Configurator, and PO terms. This new clause will remedy a defect in State contract documents that has probably existed for years and was recently brought to the attention of the Central Procurement Office by the Department of Transportation.
- It requires the Contractor to have clear title that is free and clear of all Encumbrances (i.e., free and clear of any and all liens, security interests, pledges, mortgages, charges, limitations, claims, restrictions, rights of first refusal, rights of first offer, rights of first negotiation or other encumbrances of any kind or nature...)
- This clause should be added for any contract involving the purchase of goods where title will pass from the vendor to the state.

Seeing no further discussion, Commissioner Martin made a motion to approve Edison Configurator – FA Template and Purchase Order Terms – Liens, Encumbrances, and Title, as presented. Commissioner Oglesby seconded the motion, whereupon the item was unanimously approved. Comptroller Wilson added that this item seems very reasonable.

Commissioner Martin thanked Mr. Krivacka for presenting the New Business items and moved to the next agenda item.

#### **IV. Reports:**

Chief Procurement Officer Perry stated the following standard reports reflect activity since the last Procurement Commission meeting and are presented for Procurement Commission review and acknowledgement:

- 1) Certification Related Items
- 2) Limitation of Liability
- 3) Memorandum of Understanding (MOU)

Chief Procurement Officer Perry stated that these standard reports were being presented for acknowledgement only by the Procurement Commission with no action needed and that Mr. Krivacka was available to answer any questions.

Comptroller Wilson stated that his office had reviewed the reports and they appeared to be in order. Commissioner Martin acknowledged receipt of all three reports and thanked Mr. Perry for the information.

#### **V. Other Business.**

Commissioner Martin asked if there was any other business that needed to be heard by the Procurement Commission.

Mr. Perry reported on the ongoing efforts to collaborate with higher education institutions. The CPO successfully awarded a contract with Staples for office supplies for Tennessee Board of Regents ("TBR"), University of Tennessee ("UT"), and general government. The CPO is about to release a solicitation for a new P-Card contract also in collaboration with TBR and UT. All parties will benefit from a single card, a single bank provider, and the aggregate amount of spend on which the rebate will be based should result in higher tier rebates for all. The solicitation has been reviewed by the Comptroller's Office and should be posted in the near future. It has been sent back to TBR, UT, and the Department of General Services Office of Financial Management for final review and should be posted soon.

#### **VII. Adjournment.**

Seeing no other business to be heard, a motion to adjourn was made by Comptroller Wilson and seconded by Commissioner Oglesby; whereupon the January 21, 2016 Procurement Commission meeting was adjourned.

***PROCUREMENT PROCEDURES MANUAL  
OF THE CENTRAL PROCUREMENT  
OFFICE***

**SECTION 11.2 - SERVICE CONTRACTS  
COORDINATOR DESIGNATION  
DOCUMENT**

**REQUEST: Remove the below Service Coordinator Designation document from the CPO intranet and from § 11.2., General Information of the Procurement Procedures Manual of the Central Procurement Office.**

## Service Contracts Coordinator Designation

<b>Calendar Year of Designation:</b>	
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This designation (superseding all prior documents of this purpose) shall be effective immediately and remain so until superseded by a new designation properly filed, except it shall NOT be effective beyond the calendar year specified above.

I understand the designated Service Contracts Coordinator serves as an agency's internal specialist with responsibility for:

- all service procurements and contracting,
- providing service contracting information and training to the agency's staff as necessary, and
- serving as the agency's primary RFP Coordinator or resource for other designated RFP Coordinators.

I further understand that because limited staffing in the central professional service procurement oversight function, communications on behalf of my agency with Office of Contracts Review staff should be limited to those from the designated Service Contracts Coordinator.

As chief executive of the agency identified below, I hereby designate the following person as the agency's Service Contracts Coordinator.

<b>Name:</b>
<b>Address:</b>
<b>Telephone:</b>
<b>E-Mail:</b>

**Agency Chief Executive  
Signature & Date**

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**Printed Name & Title**

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**Agency Name**

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***PROCUREMENT PROCEDURES MANUAL  
OF THE CENTRAL PROCUREMENT  
OFFICE:***

- (a) Section 5.4.7. Exceptions from Requisitions for Purchase – Direct Purchase Orders**
- (b) Section 6.4.2.1. Description of Informal Purchase**
- (c) Website Reference Updates**

**REQUEST: Make the following amendments to the *Procurement Procedures Manual of the Central Procurement Office* related to Direct Purchase Orders.**

1. Add new section 5.4.7., *Exceptions from Requisitions for Purchase - Direct Purchase Order* to the Table of Contents
  
2. Add the following new definitions to Section 4. Definitions, Abbreviations and Codes section:
  - a. "Direct Purchase Order" means a purchase of goods or services in accordance with section 5.4.6. of the Procedures Manual.
  
  - b. "External Approval" means an approval that is required in addition to a particular State Agency's intradepartmental approvals in order to procure or purchase goods or services. External Approval may be required by applicable law, by contract, or by State business processes. For example, External Approval may include approval from Finance and Administration for IT products and services, the Department of Human Resources for training and staffing, and Finance and Administration, Division of Accounts.
  
  - c. "Special Request" means the purchase of goods or services within the scope of a Contract that is not specified within Edison.

3. Add new section 5.4.7., *Exceptions from Requisitions for Purchase - Direct Purchase Orders*:

5.4.7. *Exceptions from Requisitions for Purchase - Direct Purchase Orders*

Direct Purchase Orders are Purchase Orders that are created without first creating a Requisition for Purchase in Edison. Direct Purchase Orders may be used if ALL of the following are true:

- The purchase does not require any External Approvals. In addition to the approvals required in section 5.15.3., External Approvals may also be required by:
  - Finance and Administration, Budget
  - Finance and Administration, Strategic Technology Services (IT products and services)
  - Department of Human Resources (training and staffing)
  - TDEC Hospitality Purchases
  - Department of General Services, Printing
  - Department of General Services, Postal

- The purchase is not a Special Request item;
- The purchase does not utilize TN SmartShop;
- The purchase does not utilize the Edison Inventory module; and
- It is not a request to establish a new Contract.

A requisition should be used in connection with purchasing items with defined prices, even if the purchase satisfies all of the requirements to proceed with a Direct Purchase Order. The Direct Purchase Order should be used for Contracts with funds identified by the Agency to pay the Contractor or Grantee, such as with Delegated Authorities or Delegated Grant Authorities.

**REQUEST:** Replace section 6.4.2.1., *Description of Informal Purchases*, of the *Procurement Procedures Manual of the Central Procurement Office* with the following.

6.4.2.1. *Description of Informal Purchase.*

State procurement professionals shall use competitive methods whenever practicable. State Agencies may utilize their Informal Purchase authority by soliciting quotes or proposals from at least three (3) vendors when the total value of a contract or a purchase will cost less than such amounts approved by the Procurement Commission. A non-response from a vendor contacted by a State procurement professional shall not count as one of the three (3) required quotes for purposes of exercising informal purchase authority. A current website, catalogue, price list, or price available at retail to the general public may count as a quote. State procurement professionals shall also perform due diligence to ensure that the State is procuring goods and services on terms, conditions, and pricing that is in the State's best interests. All due diligence performed by a state procurement professional shall be documented and made a part of the procurement file. State procurement professionals should follow *Manual, Section 5.4.2*, to identify prospective vendors of goods or services. State procurement professionals should also consult *Section 10.1* of the *Manual* and actively solicit goods and services from minority-owned, woman-owned, Tennessee service-disabled veteran owned, and small businesses when possible. Agency purchasing professionals shall obtain the Chief Procurement Officer's prior approval for procuring goods or services from sources other than a Statewide Contract when the goods or services to be procured are available from an existing Statewide Contract. In allowing a State Agency to purchase other than "off" of a Statewide Contract, the Chief Procurement Officer may consider, by way of example only, a Contracting Party's past performance, timeliness of performance, the Contracting Party's ability to supply the goods or services, pricing, quality or compatibility concerns. See *Manual, Section 10.4. Purchases Made "Off" Statewide Contract*. See also Policy Number 2013-004, *Central Procurement Office Contract Management Policy and Procedures, Section 4.2.3*.

**REQUEST: Make the following amendments to the *Procurement Procedures Manual of the Central Procurement Office*.**

1. Update the website reference in section 1.2., Edison to:  
[www.tn.gov/generalservices/section/central-procurement-office](http://www.tn.gov/generalservices/section/central-procurement-office)
2. Update the website reference in section 4.2., Abbreviations to:  
[www.tn.gov/generalservices/section/central-procurement-office](http://www.tn.gov/generalservices/section/central-procurement-office)
3. Update the website reference in section 10.5., Vendor Registration to:  
<http://tn.gov/generalservices/section/central-procurement-office>
4. Update the website reference in section 11.2., General Information to:  
<http://intranet.state.tn.us/generalserv/cpo/model.html>

**RULE EXCEPTION REQUEST FOR THE  
DELEGATED AUTHORITY (“DA”) OR  
DELEGATED GRANT AUTHORITY  
 (“DG”) TEMPLATES**

## Rule Exception Request for the DA or DG templates

Use this document to request changes to the Delegated Authority ("DA") Template or Delegated Grant Authority ("DG") Template or to request a delegation of authority that remains in force and effect for more than twelve (12) months. If requesting a delegation period in excess of twelve (12) months because of the term of a federal award, attach supporting documentation of the federal award, which may include a hyperlink to the federal award information. Complete section ten (10) below only if requesting a delegation period in excess of twelve (12) months and the delegation does NOT involve federal funds. Complete this document in conformity with Tenn. Comp. R. & Reg. 0690-03-01-.17 and send it in PDF format to: Agsprs.Agsprs@tn.gov. In accordance with Tenn. Comp. R. & Reg. 0690-03-01-.04, all proposed changes to the DA or DG templates must be reviewed and approved by the Chief Procurement Officer and Comptroller of the Treasury.

<p><b>APPROVED</b></p>   <hr/> <p>CHIEF PROCUREMENT OFFICER</p>	<p><b>APPROVED</b></p>   <hr/> <p>COMPTROLLER OF THE TREASURY</p>
<b>Agency request tracking #</b>	
<b>1. Procuring Agency</b>	
<b>2. Edison contract ID #</b>	
<b>3. Delegation's Effective Date</b>	
<b>4. Delegation's end date</b>	
<b>5. Delegation's Maximum Liability</b>	\$
<b>6. Maximum Liability for a single procurement/ grant</b>	\$
<b>7. Citation and explanation of the rule(s) for which the exception is requested</b>	
<b>8. Description of requested change(s) to the DA or DGA template</b>	
<b>9. Justification</b>	
<b>10. If requesting a delegation period in excess of twelve (12) months, respond to the following:</b> <ol style="list-style-type: none"> <li>a. Describe the funding source and how it impacts the delegation period;</li> <li>b. What are the benefits of a delegation period in excess of twelve (12) months; and</li> <li>c. What are the risks if this request is not approved?</li> </ol>	

<p><b>11. If requesting a delegation period in excess of twelve (12) months and the delegation does NOT involve federal funds, address the following:</b></p> <p><b>a.</b></p> <p><b>a. Provide a quarterly disbursement plan for the delegation period and attach it to this document; and</b></p> <p><b>b. Explain the internal controls and monitoring procedures that will be used to avoid exceeding or amending the Maximum Liability.</b></p>	
<p><b>Signature of Agency head or designee and date</b></p>	

## **TERM OF CONTRACT**

**FOR THE FA TEMPLATE,  
GOVERNMENTAL GRANT (“GG”)  
TEMPLATE AND GR TEMPLATE**

**Request:** Add optional language to the following templates in the instructions section to include another option for Section B., Term of Contract.

Add optional language to insert into the FA Template in the Instructions, Considerations, and Options section.

**Option: Term of Contract**

To revise the Term of Contract language to include a specific end date, replace the section with the following.

**B. TERM OF CONTRACT:**

This Contract shall be effective for the period beginning on **Date** ("Effective Date") and ending on **Date**, ("Term"). The State shall have no obligation for goods delivered or services provided by the Contractor prior to the Effective Date.

Add optional language to insert into the GG and GR Templates in the Instructions, Considerations, and Options section.

**Option: Term of Grant Contract**

To revise the Term of Grant Contract language to include a specific end date, replace the section with the following.

**B. TERM OF GRANT CONTRACT:**

This Grant Contract shall be effective for the period beginning on **Date** ("Effective Date") and ending on **Date**, ("Term"). The State shall have no obligation to the Grantee for fulfillment of the Scope outside the Term.

**ATTESTATION RE: PERSONNEL USED  
IN CONTRACT PERFORMANCE**

**Request:** Revise the Contractor Attestation Contract Attachment, related to Tenn. Code Ann. § 12-3-309, to change the Federal Employer Identification Number (or Social Security Number) to the Edison Vendor ID # Number. This Attestation is included in substantially similar formats in the FA Template, the No Cost Template, and the RFQ Template at *Pro Forma* Attachment 1.

**ATTACHMENT REFERENCE**

**ATTESTATION RE PERSONNEL USED IN CONTRACT PERFORMANCE**

<b>If the attestation applies to more than one contract, modify this row accordingly.</b>	
<b>SUBJECT CONTRACT NUMBER:</b>	
<b>CONTRACTOR LEGAL ENTITY NAME:</b>	
<b>EDISON VENDOR IDENTIFICATION NUMBER:</b>	

**If the attestation applies to more than one contract, modify the following paragraph accordingly.**

**The Contractor, identified above, does hereby attest, certify, warrant, and assure that the Contractor shall not knowingly utilize the services of an illegal immigrant in the performance of this Contract and shall not knowingly utilize the services of any subcontractor who will utilize the services of an illegal immigrant in the performance of this Contract.**

---

**CONTRACTOR SIGNATURE**

NOTICE: This attestation MUST be signed by an individual empowered to contractually bind the Contractor. Attach evidence documenting the individual's authority to contractually bind the Contractor, unless the signatory is the Contractor's chief executive or president.

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**PRINTED NAME AND TITLE OF SIGNATORY**

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**DATE OF ATTESTATION**

**POLICY NUMBER 2015-010:  
CENTRAL PROCUREMENT OFFICE  
STATEWIDE PURCHASING CARD  
POLICY AND PROCEDURES**

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

Revised: March 24, 2016

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

**1. PROGRAM OVERVIEW.**

The State of Tennessee Purchasing Card Program streamlines the State's payment process for goods and services by eliminating the administrative burdens and costs associated with the State's traditional payment methods. The Program's objective is to simplify the documentation necessary for State Agency purchases by placing P-Cards in the hands of Cardholders. Cardholders may use the P-Card to purchase the types of goods and services subject to this Policy. Personal purchases are prohibited and all rules, policies, and procedures of the Central Procurement Office applicable to the procurement of goods and services must be followed unless exempt.

**2. DEFINITIONS.**

"Agency Term Contract" means a State Agency contract in which a source or sources of supply are established for a specified period of time at an agreed upon unit price or prices.

"Bank" means Citibank, NA, or any of its subsidiaries as the context may require.

"Cardholder" means the State Agency employee who is issued a physical P-Card to initiate payments on behalf of the State.

"Cardholder Agreement" means the document signed by the Cardholder to verify that he or she completed P-Card training, received a copy of the P-Card Policy, and understands the Policy.

"Cardholder Application" means the application completed by the Cardholder that is approved by the Cardholder Supervisor and the *State Agency P-Card Program Coordinator* that is required before a P-Card Account will be assigned to a Cardholder.

"Cardholder Supervisor" means the State Agency employee with supervisory authority over the Cardholder.

"CitiManager®" means the online portal that provides Cardholders, State Agency P-Card Program Coordinators, and the Statewide P-Card Program Administration Team the ability to view and download statement information, update and manage accounts, set limits and permissions, reset passwords, and process Cardholder requests.

"Central Fiscal Office P-Card" means the P-Card assigned to a Cardholder with a Single Transaction Limit of up to fifty thousand dollars (\$50,000).

“Central Procurement Office” or “CPO” means the State office established and empowered by Tenn. Code Ann. § 4-56-104.

“Cycle (Credit) Limit” means the spending limit that restricts the total value of purchases a Cardholder can make in one billing cycle.

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

“Merchant Category Codes” or “MCCs” means the specific Merchant Category Code, assigned by an acquiring financial institution, that identifies the primary goods or services a vendor provides.

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

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

“Purchasing Card” or “P-Card” means a commercial card that allows organizations to take advantage of the existing credit card infrastructure to make electronic payments for goods or services. A P-Card is similar to a consumer credit card, but the card-using organization must pay the card issuer in full each month. In this Policy, the term “Purchasing Card” or “P-Card” shall also include “Virtual Purchasing Cards” or “Virtual P-Cards” as the context requires.

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

“Single Transaction Limit” or “STL” means the mandatory spending limit that restricts the amount of a single purchase regardless of the Cycle Limit on the card. This Policy establishes the STL for the designated State Agency Central Fiscal Office P-Card as fifty thousand dollars (\$50,000) and for all other physical P-Cards as ten thousand dollars (\$10,000).

“State” means the State of Tennessee, including its departments, agencies, and entities that fall under its purview.

“State Agency” means the departments, agencies, and entities of the State of Tennessee other than units of the University of Tennessee or Board of Regents systems.

“State Agency P-Card Program Coordinator” means the employee within the State Agency who manages the P-Card Program at the State Agency level.

“State Agency Approver” means the State Agency Employee who approves P-Card or Virtual P-Card Transactions.

“Statewide Contract” means a contract for goods or services established by the Chief Procurement Officer that all State Agencies must utilize and that may be used by local governments, higher education and authorized not-for-profit entities.

“Statewide P-Card Program Administrator” means the employee within the Central Procurement Office who is responsible for managing and overseeing the P-Card Program.

“Statewide P-Card Program Administration Team” means the team within the Central Procurement Office that is responsible for overseeing the P-Card Program.

“State Agency Reconciler” means the State Agency employee responsible for all the functions associated with post-purchase processing P-Card Transactions including account allocation and providing a business purpose when required.

“Transaction” means the purchase of goods or services through use of a P-Card or Virtual P-Card.

“Vendor” means a person or legal entity with the legal capacity to enter into contracts and sue and be sued who provides goods or services to the State through a contract or a purchase order.

“Virtual Purchasing Card” or “Virtual P-Card” means the unique account number, embedded within Edison, which is assigned to a State Agency for payment of vendors with an existing relationship with the State. “Virtual P-Card User” or “User” means the State Agency employee who has a buyer or e-procurement role in Edison, has undergone training on reconciliation, and is authorized to use a Virtual P-Card to initiate payment transactions on behalf of the State.

### **3. TYPES OF ACCOUNTS.**

This Policy recognizes two general account types: P-Card Accounts and Virtual P-Card accounts. P-Card Accounts and Virtual P-Card accounts can be used only for official State business as set forth in this Policy. P-Cards must be surrendered or Virtual P-Card accounts closed upon the Cardholder’s transfer to another State Agency, separation from state employment, or upon demand by the Cardholder Supervisor, the State Agency P-Card Program Coordinator or the Statewide P-Card Program Administrator.

#### **3.1. P-Card Accounts.**

P-Card accounts are those that involve the issuance of a P-Card Account to an individual Cardholder to further the official business of the State. Cardholders are limited to one active physical P-Card.

#### **3.2. Virtual P-Cards.**

Virtual P-Cards are cardless accounts that allow State Agencies to pay for approved, Edison purchase order transactions initiated by Virtual P-Card Users. The account number is “embedded” in the Edison P-Card module and is securely transmitted to the vendor upon Edison-based approval of a User’s purchase order transactions. A Virtual P-Card may be used for payments to any vendor that is registered in the State’s vendor registration system whose payment method has been activated to “P-Card” in

Edison. Virtual P-Card accounts allow for greater ease of use (multiple buyers can leverage the same payment device), as well as enhanced control through absence of a physical card and spending limits. The State Agency P-Card Coordinator should contact the Statewide P-Card Program Administrator for more information on Virtual P-Cards.

The ten thousand dollar (\$10,000) STL that applies to all physical P-Cards does not apply to Virtual P-Cards or Central Fiscal Office P-Cards; the STL for a Central Fiscal Office P-Card is fifty thousand dollars (\$50,000) and there is no STL for purchases made with a Virtual P-Card. The Bank determines the Cycle Limit for Virtual P-Cards. Each State Agency is limited to one (1) Virtual P-Card Account.

### **3.2.1. Records Retention Requirements.**

The Office of the Secretary of State oversees Tennessee's Records Management Division, the State Agency that provides guidance on disposition, retention, and destruction of state records. Records Disposition Authority (RDA) SW23 applies to all P-Card documents. RDA SW23 requires that State Agencies maintain documents related to P-Card issuance and use for five (5) years and destroy them at the end of the five-year period. P-Card documents may be maintained in either paper or electronic format, so long as the electronic content has been verified for completeness, accuracy, and usability. RDA SW23 is available in its entirety at <http://www.tnsos.net/rmd/rda/index.php>.

### **3.2.2. Internal Revenue Service 1099 Reporting.**

In 2011, the Internal Revenue Service announced changes to the Internal Revenue Code, Section 6050W, which shifted the burden of payment reporting requirements from the purchaser to the vendor's bank when the P-Card is the payment method for a reportable transaction. Because of the shift in responsibility, participants in the Program are no longer required to report total P-Card transactions in excess of six hundred dollars (\$600) with certain vendors. Reporting for all other payment methods, including checks, Automated Clearing House, or other means, will remain the responsibility of the State Agency making payment. Cardholders should consult the tax specialists at their State Agency for further information or details regarding Internal Revenue Service 1099 reporting requirements.

## **4. OVERVIEW OF P-CARD PROGRAM ROLES AND RESPONSIBILITIES.**

The CPO is the State Agency that is primarily responsible for managing, overseeing, and coordinating the P-Card Program. The Statewide P-Card Program Administrator is the employee within the CPO who has the direct, day-to-day responsibility for managing, overseeing, and coordinating the P-Card Program between the CPO and State Agencies. The State Agency P-Card Coordinator is the employee within each State Agency who has been appointed to supervise Cardholders and manage and coordinate the P-Card Program within his or her State Agency in compliance with this Policy. The Cardholder Supervisor is the State Agency employee with supervisory authority over the Cardholder who ensures that transactions are properly reconciled and reported to the Department of Finance and Administration ("F&A"), Division of Accounts. State Agency Reconcilers are the employees within a State Agency who are responsible for

reconciling P-Card transactions. The State Agency Approver is the employee within the State Agency who approves P-Card Transactions. The Cardholder is the specially-trained employee within a State Agency responsible for purchasing goods or services on behalf of the State of Tennessee using a physical P-Card. In the interests of segregating duties and responsibilities, State Agency Reconcilers shall not be Cardholders.

## **5. P-CARD PROGRAM ROLES AND RESPONSIBILITIES.**

### **5.1. P-Card Processing Cycle Overview.**

The typical cycle for P-Card usage is:

- An individual Cardholder, with State Agency approved spending limits, initiates a purchase using a P-Card;
- The individual Cardholder retains an original, legible copy of the purchase's receipt for use in reconciliation (see Section 10.2 for more information on receipts);
- Transactions are typically posted in the Edison P-Card module within 24-72 hours after the purchase is made;
- The Cardholder will log into the Edison P-Card module on a weekly basis to review transactions and account coding and take necessary action to correct errors in the purchase details;
- The Cardholder and his or her State Agency Approver confirms or disputes Transactions posted to the card account;
- The credit line is replenished for the amount of the Transactions;
- The Cardholder will receive a hard-copy Bank statement monthly;
- The hard-copy Bank statement and original receipts will be sent to the State Agency Reconciler for final reconciliation;
- The State Agency Reconciler will reconcile all Transactions in accordance with the State Agency P-Card Policy; and
- The State Agency Reconciler prepares all documentation for retention.

### **5.2. Statewide P-Card Program Administrator.**

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

- Establishing written internal procedures to ensure compliance with state procurement statutes, rules, policies and procedures, including this Policy, and reviewing each State Agency's internal P-Card policy;
- Developing written internal procedures for requesting exceptions to either state or internal policy requirements;
- Ensuring that State Agency Transactions are audited at least annually;
- Developing State Agency specific training for all Cardholders, State Agency Approvers, State Agency Reconcilers, and State Agency Supervisors;
- Developing appropriate refresher training to be delivered at least annually; and

- Notifying State Agency P-Card Program Coordinators of changes in state rules, policies or procedures.

### **5.3. State Agency P-Card Program Coordinator.**

The State Agency P-Card Program Coordinator serves as the main point-of-contact between the State Agency and the Statewide P-Card Program Administration Team.

The State Agency must provide the Statewide P-Card Program Administrator written notice within one (1) business day of any changes in status of the State Agency P-Card Program Coordinator.

The State Agency P-Card Program Coordinator's role, duties, and responsibilities include:

- Collaborating with the Agency's Fiscal Director to develop and maintain the State Agency's internal P-Card policy to address policy areas unique to the State Agency or that are not covered by this Policy;
- Working with State Agency management to identify job titles, positions, or Edison roles that require use of a P-Card or Virtual P-Card;
- Working with State Agency management to determine appropriate Cardholder spending limits based on budget restrictions, job requirements, historical spending patterns, and overall procurement practices;
- Evaluating Cardholder spending limits against actual usage at least annually;
- Terminating a Cardholder's status if necessary (e.g., due to separation from employment, transfer to another State Agency, low P-Card usage) and cancelling a P-Card;
- Ensuring Agency-wide reconciliation procedures provide for timely payment and for allocation of Transactions to the general ledger at least monthly; and
- Ensuring that Transactions are reconciled and supported by adequate documentation, including use of Edison or CitiManager®, as appropriate.

### **5.4. Cardholder Supervisors.**

The Cardholder Supervisor responsible for supervising Cardholders must have a thorough knowledge of the Cardholders' job responsibilities in order to determine if purchases are job-related or otherwise authorized by CPO rules, policies or procedures. The Cardholder Supervisor's role, duties, and responsibilities include:

- Before approving the P-Card transactions, either by signing a transaction log or statement or signing off on transactions electronically, carefully reviewing all documentation to ensure that all documentation meets the minimum requirements as set forth in this Policy;
- Approving, rejecting, or disputing all Transactions within the scheduled timeframe;
- Ensuring that all documentation is submitted according to the State Agency's internal procedures and this Policy;
- Maintaining knowledge of State Agency internal procedures and policies and this Policy; and

- Requesting reasonable spending limits in accordance with State Agency internal procedures and policies and this Policy.

#### **5.5. State Agency Reconciler.**

The State Agency Reconciler is the State Agency employee responsible for all the functions associated with post-purchase processing of P-Card Transactions including account allocation and providing a business purpose when required. A Reconciler CANNOT make purchases using the P-Card belonging to a Cardholder for whom he or she reconciles.

#### **5.6. State Agency Approver.**

The State Agency Approver is the State Agency employee who approves purchases made by the Cardholder to which he or she is assigned. This role may also be performed by the Cardholder Supervisor. By approving each P-Card transaction, the Approver exercises critical control by ensuring authorized and appropriate P-Card use and correct allocation of expenses in accordance with related policies of F&A, Division of Accounts. State Agency Approvers should also review receipts where appropriate to ensure compliance with this Policy and F&A, Division of Accounts policies. No Cardholder may approve his or her own P-Card transactions nor may he or she direct someone else to approve P-Card transactions in a manner that could violate this Policy or applicable policies of F&A, Division of Accounts. As a general rule, the State Agency Approver should not report to the Cardholder whose transactions he or she is reviewing. A State Agency Approver has the following responsibilities:

- Review Cardholder transactions to ensure that purchases made were:
  - For the use and benefit of the State of Tennessee;
  - Necessary for the official duties of the agency;
  - Made in accordance with CPO policies and procedures;
  - For goods or services actually received.
- If a State Agency Approver is in doubt about any of the above, the State Agency Approver should immediately question the Cardholder and seek advice from the State Agency P-Card Program Coordinator or the Statewide P-Card Program Administrator.
- Immediately inform the State Agency P-Card Program Coordinator of any misuse, abuse or fraudulent use of a P-Card.
- If the Cardholder is unavailable for questioning, the State Agency P-Card Program Coordinator or the Statewide P-Card Program Administration Team may adjust the Cardholder's STL to one dollar (\$1.00). The State Agency Approver shall notify the State Agency P-Card Program Coordinator of Cardholder transfers or terminations. Advanced notice is required if the State Agency Approver is aware of impending personnel actions.
- Review, certify, and forward Cardholder transaction log pages, receipts or cycle statements in accordance with this Policy.

#### **5.7. Cardholders.**

An important participant in the P-Card Program is the Cardholder. The Cardholder is a key element in making the P-Card Program successful.

### **5.7.1. Cardholder Responsibilities.**

The State is responsible for payment to Citibank. Therefore, P-Cards are issued to the State and assigned on its behalf to specific Cardholders. No credit checks will be performed on individual employees nor will account activity be reported to credit rating agencies. Cardholders have the following duties and responsibilities as a condition for being issued a P-Card:

- Reading and becoming familiar with this Policy;
- Attending and passing Cardholder / Approver training course;
- Signing Cardholder / Approver agreement;
- Being responsible for all purchases made on the P-Card; and
- Adhering to this Policy and other applicable rules, policies, and procedures.

### **5.7.2 Cardholder Misuse.**

Each Cardholder is responsible for the purchases made on the P-Card that is assigned to them. Cardholders are required to adhere to applicable CPO rules, policies, procedures, and this Policy.

Use of a P-Card is a privilege based on trust. A Cardholder is trained and understands the penalties for abuse of the P-Card. The P-Card is for official State business use only and the purchase of personal or disallowable goods or services is strictly prohibited. Misuse of the P-Card may result in disciplinary action up to and including termination of employment and prosecution to the extent permitted by law. Cardholders will be required to reimburse the State, including sales tax, for any improper purchases.

### **5.8. Virtual P-Card Users.**

Virtual P-Card Users are critical to the P-Card Program's success. A User has authority to make purchases utilizing his or her Agency's local purchase authority and to make purchases from a Statewide Contract or Agency Term Contract for official State business. State Agency employees with an e-procurement or buyer role in Edison are eligible to be Users. Users must complete training on reconciliation procedures before initiating any Transactions with a Virtual P-Card.

## **6. P-CARD SECURITY.**

The security of each P-Card is the Cardholder's responsibility. Every precaution should be used to protect the account number. The account number should never be left in a conspicuous place.

Use of the P-Card is restricted to the authorized Cardholder whose name appears on the face of the card and may not be loaned to any other person. The account number that appears on the P-Card must not be given to any individual other than the vendor from whom the Cardholder is making a purchase.

### **6.1. Lost or Stolen Cards.**

If a P-Card is lost, stolen, or the card information has been compromised, the Cardholder must immediately contact **Citibank Customer Service at 1-800-248-4553**. Upon such notification, outstanding authorizations will be confirmed and further use of the P-Card will be blocked by Citibank. Neither the State nor the Cardholder will be responsible for fraudulent charges made to a promptly reported lost or stolen card.

At the time of the notification, Citibank will request the following information:

- Cardholder's name
- Account number
- Last four digits of SSN
- Circumstances surrounding the loss of the card
- Any purchase(s) made prior to the card being lost or stolen

The Cardholder must notify his or her State Agency P-Card Program Coordinator of the P-Card's loss or theft and make arrangements to receive a new P-Card. Citibank will then issue a new card with a new account number which will be delivered to the State Agency P-Card Program Coordinator.

#### **6.2. Separation from Employment.**

If a Cardholder's separation from employment or transfer to another State position is planned, P-Card use shall be discontinued prior to Cardholder's separation from employment or transfer to allow sufficient time for submission of receipts and processing of outstanding charges before the Cardholder leaves or transfers. In the event of unplanned separation from employment, the Cardholder's P-Card shall immediately be deactivated and the Cardholder shall discontinue P-Card use upon separation from employment.

#### **6.3. Purchasing Rules.**

The P-Card is only a vehicle for making purchases. Existing State laws governing procurement, accounts payable, records retention, and other applicable laws must still be followed. All procurement rules of the CPO apply when using the P-Card.

#### **6.4. Tax Exemption.**

Purchases made in Tennessee and for the use and benefit of the State of Tennessee are exempt from Tennessee sales tax. Cardholders should obtain an exemption certificate and present it to each vendor. This form is available on the Department of Revenue web site at <http://www.tn.gov/revenue/forms/sales/index.shtml> in the "Exemption Applications/Certificates" section. Purchases made in other states may be subject to that state's sales tax. The Cardholder must be diligent when dealing with the vendor regarding taxes. If the vendor cannot deduct the sales tax because of pre-set controls within its computer systems or will not honor the exemption, the Cardholder may continue with the purchase but must note the refusal on the receipt. In the event a Cardholder is inappropriately charged for sales tax, he or she shall seek a credit refund of any sales taxes to the P-Card account.

#### **6.5. Credits.**

If a Cardholder returns merchandise, a credit should be issued to the Cardholder's P-Card and a credit receipt obtained. Under no circumstances should a Cardholder receive cash or a credit voucher. The Cardholder or State Agency Approver is responsible for reviewing *CitiManager*® to ensure that credits are received and, if not, file the appropriate paperwork for disputed items. Cardholders should avoid Vendors with restrictive merchandise return policies.

#### **6.6. Disputing Transactions.**

If there is a problem with a Transaction, the Cardholder must first attempt to reach a resolution directly with the Vendor. In most cases, disputes can be resolved between the Cardholder and the Vendor. The Vendor will usually issue a credit.

The Cardholder should document all attempts to resolve a problematic Transaction. If the disputed Transaction involves a reservation or order that has been cancelled, the Cardholder is responsible for obtaining a cancellation number. If efforts to resolve the problem with the Vendor are unsuccessful or if a credit does not appear in *CitiManager*®, the Cardholder should file the appropriate dispute paperwork with the Bank and contact his or her State Agency P-Card Program Coordinator.

If a Citibank Statement contains a Transaction that needs to be disputed, the Cardholder should contact Citibank Customer Service at 1-800-248-4553, Option #0 to initiate the dispute process, and contact his or her State Agency P-Card Program Coordinator to ensure the disputed transaction has been documented. If the dispute cannot be resolved between the Cardholder and the Bank, the Cardholder shall immediately notify his or her State Agency P-Card Program Coordinator and follow the agency-specific procedures for disputes.

#### **6.7. Declined Purchase Transactions.**

On occasion, a Cardholder's purchase transaction may be declined. Cardholders should contact Citibank Customer Service at 1-800-248-4553, option #0 to determine the reason for the decline before contacting their State Agency P-Card Program Coordinator for assistance.

Common reasons for declines include:

- MCC is restricted from the Purchasing Card;
- The Cardholders has exceeded the STL, daily limit or monthly limit; or
- Invalid expiration.

### **7. CARD ISSUANCE AND CANCELLATION.**

The State Agency P-Card Program Coordinator is responsible for issuing all P-Cards within his or her Agency. State Agency P-Card Program Coordinators have authority to terminate a Cardholder's status as a Cardholder and cancel P-Cards. The Statewide P-Card Program Administrator should be notified of any P-Card cancellations.

#### **7.1. P-Card Issuance.**

Purchasing Cards are issued following:

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

#### **7.2. P-Card Cancellation.**

P-Cards shall be cancelled by the following:

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

If a P-Card is cancelled, it shall be destroyed by cutting it down the magnetic strip. The Statewide P-Card Program Administrator shall be notified of all P-Card cancellations.

### **8. P-CARD PROGRAM TRAINING.**

Cardholder training is critical—all Cardholders must complete training before being issued a P-Card. Training ensures that the Cardholder understands the P-Card Program procedures and this Policy and is aware of potential disciplinary action for P-Card misuse or abuse. Once training is complete, the Cardholder shall sign a Cardholder Agreement as a condition for being issued a P-Card. The Cardholder Agreement is evidence that the Cardholder has received training and a copy of the P-Card Policy. The Statewide P-Card Program Administrator will coordinate Cardholder training with State Agency P-Card Program Coordinators.

### **9. INTERNAL CONTROLS.**

A strong system of internal controls is essential for detection and deterrence of fraud, misuse, or abuse of the P-Card. Internal controls include policies, procedures, training, spending limits, Merchant Category Code restrictions, prompt reconciliation, and prompt account distribution.

#### **9.1. Duty of State Agencies.**

Each State Agency must establish an internal control structure that ensures compliance with the State's procurement laws, CPO rules, policies and procedures, this Policy, and the terms and conditions of P-Card established by the Bank. The State Agency Fiscal Director is responsible for developing and reviewing the State Agency's internal P-Card policy and ensuring that sound accounting practices and internal policies are in place and enforced. All State Agency P-Card Program internal policies shall address the following:

- Separation of duties between ordering cards (State Agency P-Card Program Coordinators), making Transactions (Cardholders and Users), and review or approval of Transactions for payment (Cardholder Supervisors or Cardholder Approvers);
- Independent review of the P-Card Account maintenance activity at least monthly if the State Agency P-Card Program Coordinator is also a Cardholder or User.

- Limits on the number of Cardholders assigned to a Cardholder Supervisor in order to ensure adequate review of business need and documentation for each Transaction;
- Provision for annual independent audit or review of the Agency's P-Card program by the State Agency P-Card Program Coordinator, State Agency Internal Audit unit, or other business unit assigned State Agency audit responsibilities. Reviews must include adequacy of:
  - Internal policies and procedures;
  - Cardholder spending limits;
  - Monthly reconciliation procedures; and
  - Documentation for Transactions; and
- Protocol for establishing a designated State Agency Central Fiscal Office P-Card and any alternate Central Fiscal Office P-Cards, including which Central Fiscal Office P-Card is primary and which alternate Central Fiscal Office P-Card is secondary and circumstances (e.g., unavailability of the primary Central Fiscal Office P-Card, etc.) under which an alternate Central Fiscal Office P-Card may be used.

**9.2. State Agency Internal P-Card Policy and Procedures.**

Each State Agency must develop its own internal policy and procedures to address areas that this Policy does not address.

**9.3. Card Management and Reconciliation Systems.**

All Transaction reconciliations will be completed in Edison unless the Central Procurement Office approves an alternate method of reconciliation.

**9.4. Merchant Category Code Restrictions.**

Merchant Category Codes are four-digit codes used by commercial credit card brands (e.g., Visa, MasterCard, American Express) to identify a merchant's principal trade, profession, or line of business. MCCs are assigned to a merchant based on the types of goods or services the merchant provides. MCCs blocked on P-Cards restrict State purchases from certain merchants to protect against unauthorized or prohibited purchases.

- The Statewide P-Card Program Administration Team manages the State-identified MCC groups that contain codes associated with vendors that provide goods or services that are prohibited for purchase using the P-Card.
- Although Transactions at unauthorized MCCs are blocked at the point-of-sale, they are occasionally forced through. These Transactions are subject to audit.
- The CPO's Compliance Team will conduct periodic audits of Transactions with restricted MCC vendors.
- State Agencies may request activation of additional MCCs for inclusion in a State-authorized group or creation of a new MCC group to meet specific needs. A Cardholder's State Agency P-Card Program Coordinator should ensure that Cardholder profiles permit only those MCC groups that a Cardholder needs to meet his or her job requirements.

**9.5. Cardholder Spending Limits and Utilization.**

The State Agency Fiscal Director may establish a Single Transaction Limit (STL) of up to the ten thousand dollar (\$10,000) maximum for Cardholders as he or she determines appropriate taking into account the State Agency's overall needs. Each State Agency Fiscal Director may also establish one (1) designated State Agency Central Fiscal Office P-Card with a STL of up to the fifty thousand dollar (\$50,000) maximum. Each State Agency Fiscal Director may also establish up to two (2) alternate designated State Agency Central Fiscal Office P-Cards with a STL of up to the fifty thousand dollar (\$50,000) maximum. If the transaction amount exceeds ten thousand dollars (\$10,000), then Cardholders and State Agency Fiscal Directors should consult the *Procurement Procedures Manual of the Central Procurement Office* with respect to contract and purchase order requirements and exemptions from contract and purchase order requirements. Imposing spending limits enables management to provide Cardholders with the purchasing power to perform their jobs without exposing the State to unnecessary risk. Spending limits should be based on the Cardholder's job responsibilities. Cardholder spending limits must be reviewed at least annually to determine if actual usage is consistent with spending limits. Increases or decreases to spending limits may be made by the State Agency Fiscal Director as needed for a single transaction limit of up to ten thousand dollars (\$10,000) for a Cardholder and up to fifty thousand dollars (\$50,000) for a Central Fiscal Office P-Card. Cardholders are prohibited from splitting a single purchase between one or more P-Cards or between a Card transaction and a purchase order to circumvent the STL or CPO rules, policies or procedures. Each State Agency is required to perform a review of spending limits at least annually in order to determine if each Cardholder's spending limit is adequate and appropriate.

#### **9.6. Dormant Cards.**

Each State Agency's internal P-Card policy shall address how long a P-Card can remain unused before it is considered inactive. The CPO recommends that State Agencies reduce the Cycle Limit of any P-Card that has not been used within twelve (12) complete cycles to one dollar (\$1). When a P-Card has not been used for some time, the State Agency P-Card Program Coordinator should conduct a review to determine if the Cardholder still needs a P-Card. Each State Agency is responsible for ensuring that this review is completed in accordance with its own internal P-Card policy.

### **10. DOCUMENTATION AND ACCOUNTING.**

#### **10.1. Documentation.**

State Agencies should use Edison for Transaction reconciliation. When performing reconciliation in Edison, Cardholders must follow internal procedures for handling documentation. Any State Agency seeking to use a manual method for Transaction reconciliation must obtain approval from the Central Procurement Office.

Regardless of the Transaction reconciliation method, Cardholders should provide invoices or receipts for all Transactions. Invoices or receipts shall include:

- The Vendor's name, location, and contact information;

- Line item details, including quantity, description, unit price, and total price; and
- A line showing that the State was not charged for sales tax.

### **10.2. Receipts.**

- It is the Cardholder's responsibility to obtain itemized receipts and any other pertinent backup documentation. Other documentation may include shipping documents and bills of lading. This information will be used by the Agency to validate and reconcile charges.
- For online purchases that do not provide a downloadable receipt, a screen shot of the receipt information can serve as a receipt.
- In lieu of obtaining physical receipts, the Cardholder may also take a picture of the receipt with his or her mobile device and save the receipt electronically.
- If a Cardholder loses a receipt and a duplicate cannot be obtained, the Cardholder should follow his or her State Agency's internal procedures for lost receipts. Cardholders who lose receipts and resort to their Agency's internal procedures for lost receipts more than three (3) times during a fiscal year may have their P-Card privileges suspended.
- The amount on the receipt and the amount of the charge to the Cardholder's P-Card account must match. Any discrepancies in amounts should be resolved with the Vendor and an explanation regarding the resolution should be made on the receipt or other backup documentation. It is not sufficient to change the amount on the receipt only.
- The Cardholder and the Cardholder Supervisor shall document all missing receipts.
- Credits may be processed without a receipt, but the Cardholder must provide an explanation of the credit.

### **10.3. Reconciliation.**

- Cardholders should perform reconciliation in Edison on a weekly basis.
- After completing the weekly reconciliation process, the Cardholder must forward signed and dated receipts to his or her State Agency Approver. This should also occur on a weekly basis.

### **10.4. Allocation to the General Ledger.**

Timely allocation of charges to the general ledger is essential to ensure compliance with State accounting and budgetary policies. The State Agency must ensure that all transactions are allocated to the general ledger before the end of the billing cycle.

## **11. PROHIBITED PURCHASES AND TRANSACTIONS.**

### **11.1. Prohibited Purchases.**

Cardholders are prohibited from using a physical P-Card for the following types of purchases, payments, or transactions:

- Goods or services not directly related to job responsibilities or other official State of Tennessee business, i.e., personal purchases;

- Cash withdrawals, including ATM or debit withdrawals;
- Travel expenses;
- Telephone billings;
- Political publications of any sort;
- Utility billings and connection fees;
- Payments to another State Agency;
- Rental of passenger vehicles of any kind;
- Artifacts for historical or commemorative purposes (except for the State Museum);
- An employee's moving expenses;
- Purchases of any motor vehicle fuel for any vehicle or equipment leased from the Department of General Services' Division of Motor Vehicle Management ("MVM");
- Back orders or partial shipments—goods or services must be in stock or otherwise available at the time of purchase;
- Purchases made using a P-Card or other account by someone other than the Cardholder or account holder;
- Service awards for state employees;
- Awards for private citizens;
- Honoraria expenses;
- Insurance policies;
- Gift cards or gift certificates; and
- Any goods or services related to political activity as defined under "The Little Hatch Act," Tenn. Code Ann. §§ 2-19-201 through 208;

**11.2. Personal Purchases Prohibited.**

As provided in Sections 3.1, 5.7 and 12.1, Cardholders are prohibited from using a P-Card for the purchase of any goods or services not directly related to job responsibilities or other official State business. Intentional use of a P-Card for any purposes other than State business will result in disciplinary action, up to and including termination from State employment or criminal prosecution. Under Tenn. Code Ann. § 39-16-402, State employees who intentionally or knowingly use a P-Card or a Virtual P-Card for personal purchases commit a Class E felony.

**11.3. Split Charges Prohibited.**

Tenn. Code Ann. § 12-3-503(b) and CPO Policy Number 2013-003 authorize State Agencies to make a purchase without soliciting quotes or proposals from multiple vendors when the total value of the purchase is ten thousand dollars (\$10,000) or less. Cardholders are prohibited by Tenn. Code Ann. § 12-3-503(b)(2) from splitting a transaction between two or more transactions on a single account, two or more transactions on multiple accounts, or two or more transactions using the P-Card and a purchase order, in order to circumvent the STL imposed on the P-Card. The STL for P-Card purchases using a physical P-Card is ten thousand dollars (\$10,000) unless a State Agency has designated a lower STL in its internal P-Card policy.

#### **11.4. Payment of Sales and Use Tax.**

Tenn. Code Ann. § 67-6-329(a) provides that all sales of services and tangible personal property made to the State of Tennessee are exempted from sales and use taxes.

Cardholders should provide each vendor with an exemption certificate, as described in Section 6.4. Cardholders are responsible for ensuring that vendors do not charge tax or provide a credit for inadvertent charges.

- If taxes are charged, the Cardholder must contact the vendor to obtain a credit to the account.
- Vendors may only credit the State's P-Card Account and may not refund erroneously paid taxes through other means, including cash, gift cards, or store credit.
- The Cardholder is required to maintain documentation of his or her attempts to obtain credit for any Tennessee Sales and Use Tax charged to the P-Card Account in error.

#### **12. PURCHASES RESERVED FOR THE DESIGNATED STATE AGENCY CENTRAL FISCAL OFFICE CARDHOLDER.**

Only the person designated by the State Agency Fiscal Director may use his or her individual P-Card for the following purchases:

- Tuition, fees, and supplies for training individuals;
- Internet, newspaper, radio, or television advertisements;
- Subscriptions to newspapers, periodicals, newsletters, or pamphlets;
- Organization membership dues;
- Charges for meeting rooms and attendant expenses in excess of two hundred dollars (\$200) per day or for more than five (5) days;
- Convention or registration fees; and
- Association entry fees.

State Agencies may request an exception from this paragraph by submitting a rule exception request to the Statewide P-Card Program Administrator.

#### **13. DECLARED EMERGENCIES AND NATURAL DISASTERS.**

Tenn. Comp. R. & Regs. 0690-03-01-.05(5) authorizes the CPO or delegated State Agencies to forego standard procurement requirements to meet emergencies arising from unforeseen causes. If an emergency affecting the health or safety of any person occurs when CPO personnel are not available, any State Agency is authorized to contract for necessary goods or services and obtain "after the fact" emergency purchase authorization. All requests for "after the fact" emergency purchase authorization shall comply with CPO rules, policies, and procedures.

#### **14. ENCOURAGED USE OF P-CARDS.**

##### **14.1. Statewide and Agency Term Contracts.**

As provided in Section 10.4 of the CPO's *Procurement Procedures Manual*, State Agencies are required to use Statewide Contracts for procuring goods or services to the extent the needed goods or services are available on a Statewide Contract. State Agencies may not procure goods or services available on a Statewide Contract from any

other source without prior approval from the Chief Procurement Officer or designee. State Agencies are encouraged to utilize P-Cards for purchasing goods or services on Agency Term Contracts and Statewide Contracts.

**14.2. Utilization of Diversity Vendors.**

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

**15. SURCHARGES AND CONVENIENCE FEES.**

Many vendors charge a "credit card processing fee" or "convenience fee" for accepting credit cards including the P-Card. These types of fees are strictly regulated by Visa and MasterCard.

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

The maximum allowable surcharge is four percent (4%) and must be shown as a line item on the detailed invoice or receipt. Whenever a Vendor charges a surcharge, the following rules apply:

- The Vendor must have provided Visa and its bank at least thirty (30) days notification of their intent to impose surcharges;
- The fact that the Vendor imposes surcharges must be clearly posted on the door and at point-of-sale for physical locations and on web sites when sales are made via the internet; and
- The Vendor must inform the Cardholder or User:
  - Of the exact percent of the surcharge;
  - That the Vendor is the entity assessing the surcharge;
  - That surcharges are applicable on credit transactions only; and
  - That the surcharge is not greater than what the vendor pays to Visa.

For any Transaction where the Vendor has charged a surcharge, a Cardholder or User must obtain a copy of the acknowledgement letter sent to the Vendor by Visa authorizing the Vendor to impose a surcharge. A copy on file with the State Agency P-Card Program Coordinator will be sufficient.

**WORKER'S COMPENSATION -  
INSURANCE OPTIONS LANGUAGE**

**Request:** Revise the Workers' Compensation and Employer Liability Insurance section of the Insurance Options provided in the FA Template.

**Insurance Options**

Select up to four (4) insurance options below. In the event that one of the insurance options is appropriate, insert the six (6) paragraphs immediately below before inserting the desired insurance option or options.

**D.#.** Insurance. Contractor shall provide the State a certificate of insurance ("COI") evidencing the coverages and amounts specified below. The COI shall be provided ten (10) business days prior to the Effective Date and again upon renewal or replacement of coverages required by this Contract. If insurance expires during the Term, the State must receive a new COI at least thirty (30) calendar days prior to the insurance's expiration date. If the Contractor loses insurance coverage, does not renew coverage, or for any reason becomes uninsured during the Term, the Contractor shall notify the State immediately.

The COI shall be on a form approved by the Tennessee Department of Commerce and Insurance ("TDCI") and signed by an authorized representative of the insurer. The COI shall list each insurer's national association of insurance commissioners (also known as NAIC) number or federal employer identification number and list the State of Tennessee, Risk Manager, 312 Rosa L. Parks Ave., 3<sup>rd</sup> floor Central Procurement Office, Nashville, TN 37243 in the certificate holder section. At any time, the State may require the Contractor to provide a valid COI detailing coverage description; insurance company; policy number; exceptions; exclusions; policy effective date; policy expiration date; limits of liability; and the name and address of insured. The Contractor's failure to maintain or submit evidence of insurance coverage is considered a material breach of this Contract.

If the Contractor desires to self-insure, then a COI will not be required to prove coverage. In place of the COI, the Contractor must provide a certificate of self-insurance or a letter on the Contractor's letterhead detailing its coverage, liability policy amounts, and proof of funds to reasonably cover such expenses. Compliance with Tenn. Code Ann. § 50-6-405 and the rules of the TDCI is required for the Contractor to self-insure workers' compensation. All insurance companies must be: (a) acceptable to the State; (b) authorized by the TDCI to transact business in the State of Tennessee; and (c) rated A- VII or better by A. M. Best. The Contractor shall provide the State evidence that all subcontractors maintain the required insurance or that the subcontractors are included under the Contractor's policy.

The Contractor agrees to name the State as an additional insured on any insurance policies with the exception of workers' compensation (employer liability) and professional liability (errors and omissions) ("Professional Liability") insurance. Also, all policies shall contain an endorsement for a waiver of subrogation in favor of the State.

The deductible and any premiums are the Contractor's sole responsibility. Any deductible over fifty thousand dollars (\$50,000) must be approved by the State. The Contractor agrees that the insurance requirements specified in this Section do not reduce any liability the Contractor has assumed under this Contract including any indemnification or hold harmless requirements.

The State agrees that it shall give written notice to the Contractor as soon as practicable after the State becomes aware of any claim asserted or made against the State, but in no event later than thirty (30) calendar days after the State becomes aware of such claim. The failure of the State to give notice shall only relieve the Contractor of its obligations under this Section to the extent that the Contractor can demonstrate actual prejudice arising from the failure to give notice. This Section shall not grant the Contractor or its insurer, through its attorneys, the right to represent the State in any legal matter, as the right to represent the State is governed by Tenn. Code Ann. § 8-6-106.

All coverage required shall be on a primary basis and noncontributory with any other insurance coverage or self-insurance carried by the State. The State reserves the right to amend or require additional endorsements, types of coverage, and higher or lower limits of coverage depending on the nature of the work. Purchases or contracts involving any hazardous activity or equipment, tenant, concessionaire and lease agreements, alcohol sales, cyber-liability risks, environmental risks, special motorized equipment, or property may require customized insurance requirements (e.g. umbrella liability insurance) in addition to the general requirements listed below.

**The Contractor shall obtain and maintain, at a minimum, the following insurance coverages and policy limits.**

**Option 1: Commercial General Liability Insurance**

Add the following if the Contractor will: (1) provide services to the State; or (2) deliver goods on State property.

**a. Commercial General Liability Insurance**

- 1) The Contractor shall maintain commercial general liability insurance, which shall be written on an Insurance Services Office, Inc. (also known as ISO) occurrence form (or a substitute form providing equivalent coverage) and shall cover liability arising from property damage, premises/operations, independent contractors, contractual liability, completed operations/products, personal and advertising injury, and liability assumed under an insured contract (including the tort liability of another assumed in a business contract).
- 2) The Contractor shall maintain bodily injury/property damage with a combined single limit not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate for bodily injury and property damage, including products and completed operations coverage with an aggregate limit of at least two million dollars (\$2,000,000).

**Option 2a: Workers' Compensation and Employer Liability Insurance - Primary Option**

Add the following if the Contractor will provide services to the State. All contractors who provide services to the State must have a workers' compensation and employer liability insurance policy *unless* the contractor is statutorily exempt or self-insured. Consider the risk of each contract (value, type of services or work provided). Option 2b should only be used where the risk of the Contractor Employee injury is low. If an agency has any questions concerning the risks involved please contact the CPO Risk Manager.

**b. Workers' Compensation and Employer Liability Insurance**

- 1) For Contractors statutorily required to carry workers' compensation and employer liability insurance, the Contractor shall maintain:
  - i. Workers' compensation in an amount not less than one million dollars (\$1,000,000) including employer liability of one million dollars (\$1,000,000) per accident for bodily injury by accident, one million dollars (\$1,000,000) policy limit by disease, and one million dollars (\$1,000,000) per employee for bodily injury by disease.
- 2) If the Contractor certifies that it is exempt from the requirements of Tenn. Code Ann. §§ 50-6-101 – 103, then the Contractor shall furnish written proof of such exemption for one or more of the following reasons:
  - i. The Contractor employs fewer than five (5) employees;
  - ii. The Contractor is a sole proprietor;
  - iii. The Contractor is in the construction business or trades with no employees;
  - iv. The Contractor is in the coal mining industry with no employees;
  - v. The Contractor is a state or local government; or
  - vi. The Contractor self-insures its workers' compensation and is in compliance with the TDCI rules and Tenn. Code Ann. § 50-6-405.

**Option 2b: Workers' Compensation and Employer Liability Insurance – Low Risk Option**

**b. Workers' Compensation and Employer Liability Insurance**

- 3) For Contractors statutorily required to carry workers' compensation and employer liability insurance, the Contractor shall maintain:
  - i. Workers' compensation and employer liability insurance in the amounts required by appropriate state statutes.
- 4) If the Contractor certifies that it is exempt from the requirements of Tenn. Code Ann. §§ 50-6-101 – 103, then the Contractor shall furnish written proof of such exemption for one or more of the following reasons:
  - i. The Contractor employs fewer than five (5) employees;
  - ii. The Contractor is a sole proprietor;
  - iii. The Contractor is in the construction business or trades with no employees;

- iv. The Contractor is in the coal mining industry with no employees;
- v. The Contractor is a state or local government; or
- vi. The Contractor self-insures its workers' compensation and is in compliance with the TDCI rules and Tenn. Code Ann. § 50-6-405.

**Option 3: Automobile Liability Insurance**

Add the following if the Contractor will use a vehicle when providing goods or services under the Contract.

**D.#.**

**c. Automobile Liability Insurance**

- i. The Contractor shall maintain automobile liability insurance which shall cover liability arising out of any automobile (including owned, leased, hired, and non-owned automobiles).
- ii. The Contractor shall maintain bodily injury/property damage with a limit not less than one million dollars (\$1,000,000) per occurrence or combined single limit.

**Option 4: Professional Liability Insurance**

Add the following if the Contract involves professional service providers, e.g., architects, engineers, consultants, counselors, medical professionals, attorneys, accountants.

**D.#.**

**c. Professional Liability Insurance**

- i. Professional liability insurance shall be written on an occurrence basis. This coverage may be written on a claims-made basis but must include an extended reporting period or "tail coverage" of at least two (2) years after the Term;
- ii. Any professional liability insurance policy shall have a limit not less than one million dollars (\$1,000,000) per claim and two million dollars (\$2,000,000) in the aggregate; and
- iii. If the Contract involves the provision of services by medical professionals, a policy limit not less than two million (\$2,000,000) per claim and three million dollars (\$3,000,000) in the aggregate for medical malpractice insurance.

**CERTIFICATION RELATED  
DOCUMENTATION**



STATE OF TENNESSEE  
**PROCUREMENT COMMISSION**

3rd Floor, William R. Snodgrass TN Tower, 312 Rosa L. Parks Avenue  
Nashville, Tennessee 37243-1102  
(615) 741-1035 Fax (615) 741-0684

**DE-CERTIFICATION**

1. Item No. 369.68  
Service: Milk 1% (TRICOR)  
Agency/Location: Statewide  
Annual Spend: \$64,772.58  
No price increase requested.  
Satisfaction: No complaints have been filed.  
De-Certification Requested for 03/01/2016

**LARRY MARTIN, Chairman**  
Commissioner of Finance & Administration

**JUSTIN P. WILSON**  
Comptroller of the Treasury

**ROBERT E. OGLESBY**  
Commissioner of General Services

**MIKE PERRY**  
Chief Procurement Officer

# **LIMITATION OF LIABILITY REPORT**

**Approved Limitation of Liability Requests  
for the Time Period January 7, 2016 to March 10, 2016**

TRACKING	CALENDAR YEAR	ID	LOGGED	STATUS	STATUS DATE	SERVICE	CONTRACTING AGENCY	BASIS FOR REQUEST	COT APPROVAL OF REQUEST
33004-54816	16	6320	2/19/2016	APPROVED	2/19/2016	ADMINISTRATION OF 10 RURAL DEVELOPMENT PROJECTS IN WEST TENNESSEE	DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT	CONTRACTOR'S LIABILITY FOR ALL CLAIMS UNDER CONTRACT SHALL BE LIMITED TO AN AMOUNT EQUAL TO ONE (1) TIMES THE MAXIMUM LIABILITY AMOUNT	2/23/2016
32801-00662	16	6352	2/24/2016	APPROVED	2/24/2016	COTS SYSTEM FOR THE REMOTE EASY ACCESS LICENSE SYSTEM	TWRA	CONTRACTOR'S LIABILITY FOR ALL CLAIMS UNDER CONTRACT SHALL BE LIMITED TO AN AMOUNT EQUAL TO ONE (1) TIMES THE MAXIMUM LIABILITY AMOUNT	3/1/2016

# **CORRECTION OF ERRORS REPORT**

**Request to correct clerical errors:**

- (1) Change the email address included on the *OIR Pre-Approval Endorsement Request E-mail Transmittal* document, in the "TO" section to E-mail: [it.abc@tn.gov](mailto:it.abc@tn.gov).
- (2) Replace the word "of" with the word "or" in Section 11.1 of *Policy Number 2015-010 Statewide Purchase Card Policy and Procedures*.
- (3) Rename the subsection heading on page xv of the RFQ Template from "Option: Alternate Language if Red-Line Allowed" to "Option: Alternate Language if soliciting Cost Proposals".
- (4) Update all references from "OIR" to "STS" in the *Procurement Procedures Manual of the Central Procurement Office, Policy Number 2013-004 Contract Management Policy and Procedures, Policy Number 2014-006 Delegation of Authority Policy*, and the *OIR Pre-Approval Endorsement Request E-mail Transmittal* document.
- (5) Update the website address for the optional "Security Audit" term contained in the GR and GG Templates from <http://www.tn.gov/finance/oir/security/secpolicy.html> to <http://tn.gov/finance/topic/sts-security-policies>.

**Explanation of clerical errors:**

- (1) The current email address listed on the OIR Pre-Approval Endorsement Request is no longer valid as that employee no longer works for the State. This update changes the email address to a generic email address.
- (2) Section 11.1. of *Policy Number 2015-010 Statewide Purchase Card Policy and Procedures* contains the preposition "of" instead of the conjunction "or." The sentence will now read: "Purchase of any motor vehicle fuel for any vehicle **or** equipment leased from the Department of General Services' Division of Motor Vehicle Management ("MVM"); (emphasis added).
- (3) This subsection was mislabeled. The optional language should be used if the State will solicit Cost Proposals from Qualified Respondents and does not involve Red-Lines.
- (4) The correct reference to the office formerly known as the Office of Information Resources ("OIR") is now Strategic Technology Solutions ("STS").
- (5) The website address is no longer correct and needs to be updated.

**Procurement Staff signatures:**

  
Shannon Howell, Deputy Chief Procurement Officer

  
Date

  
Buddy Lea, Assistant Commissioner of the Department of Finance & Administration

  
Date

  
Donald Ivancic, Legislative Procurement Compliance Manager, Comptroller of the Treasury

  
Date

**MEMORANDUM OF UNDERSTANDING  
REPORT**

**(NO REPORT THIS PERIOD)**