



**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

- AGENDA -

**PROCUREMENT COMMISSION MEETING #015
THURSDAY, FEBRUARY 19, 2015 – 2:00 P.M.
TN TOWER, 3RD FLOOR, NASHVILLE ROOM**

Agenda Item	Page #
I. Call to Order	--
II. Approval of Minutes from January 15, 2015 Meeting..... (see attached documentation)	1
New Business:	
III. Proposed changes to the following Central Procurement Office documents (see attached documentation):	
(1) Central Procurement Office Policy Number 2015-010, <i>Statewide Purchasing Card Policy and Procedures</i>	14
(2) Amendment to FA Template and Edison Configurator Terms and Conditions	32
IV. Reports:	
• Certification Related Items (see attached documentation).....	36
• Limitation of Liability (see attached documentation)	38
• Correction of Errors Report (see attached documentation).....	40
V. Other Business	--
VI. Adjournment	--

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

**MINUTES OF JANUARY 15, 2015
MEETING**



STATE OF TENNESSEE
DEPARTMENT OF GENERAL SERVICES

BILL HASLAM
GOVERNOR

ROBERT E. OGLESBY, AIA
COMMISSIONER

MINUTES
PROCUREMENT COMMISSION MEETING #014
THURSDAY, JANUARY 15, 2015 – 2:00 P.M.
TN TOWER, 3RD FLOOR, NASHVILLE ROOM

Members in Attendance:

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

Others in Attendance:

Anne Flynn, Wayne Pugh, Amanda Dean, Laura Kinard, Cameron Himes, Kaci Stewart, Shelia Simpson, Paul D. Krivacka, Don Ivancic, Doug Whitcomb, Elaine Williams, Buddy Lea, Melinda Parton, Adam Jaynes, Bryan Chriske, Shay Oliphant, Kevin Bartels, Shannon Howell, 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 November 14, 2014 Procurement Commission Meeting.

Commissioner Martin presented the November 14, 2014 minutes and took notice that changes to the minutes had been proposed after the minutes were distributed in the agenda packet prior to the meeting. Chief Procurement Officer Mike Perry added that each Procurement Commission (“Commission”) member had been given a redline copy of minor edits to pages 3 and 8 of the minutes as proposed by the Comptroller’s Office (see attached). Commissioner Martin asked if there were any questions or comments regarding the minutes and proposed edits. Seeing none, Comptroller Wilson made a motion to approve the minutes from the November 14, 2014 Procurement Commission meeting with the proposed edits to pages 3 and 8 as presented. The motion was seconded by Commissioner Oglesby; whereupon the minutes were unanimously approved.

CENTRAL PROCUREMENT OFFICE

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

III. New Business.

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 and asked if the Commission would be comfortable voting on the proposed document changes separately or as a group after they had all been presented. Comptroller Wilson stated that there was one fairly significant item on the agenda that may call for explanation. After discussion, the Commission members then agreed to proceed with the presentations of each item and decide how to vote as the meeting progressed. Mr. Krivacka stated that he had already been in discussions with the Comptroller's Office and would be spending some extra time presenting the GR Template.

(1) Delegated Authority (DA) Template

Mr. Krivacka stated that approval of the DA template would consolidate approximately six different delegated authority documents into one single document. Mr. Krivacka then summarized the following points with regard to the DA template:

- This template reflects efforts of the Central Procurement Office Policy Review Subcommittee ("Subcommittee") to simplify the process of requesting delegated procurement authority and would reduce the number of delegated authority templates on the CPO web site. State agencies may request, through a single document and a single process, authority to make purchases or to execute contracts.
- This new template increases oversight of the delegated authority process:
 - The maximum liability of a delegated authority cannot exceed \$10 million without an approved Rule Exception Request.
 - The maximum liability of an individual purchase or contract under a delegated authority cannot exceed \$5 million without an approved Rule Exception Request.

Comptroller Wilson noted that the instructions on the template indicated that an agency could use the local purchase authority for purchases under \$50,000. Mr. Krivacka confirmed that the intent was to encourage agencies to utilize their local purchase authority so that the CPO would not have to review small dollar procurements (e.g., documents such as \$5,000 sole source contracts). Comptroller Wilson stated that was exactly the point he wanted to make.

(2) Purchase Order Terms and Conditions Template

Mr. Krivacka summarized the following points with regard to the Purchase Order Terms and Conditions template:

- The Purchase Order Terms and Conditions template will replace the Authorization to Vendor Model and will be more consistent with other CPO

documents. The Authorization to Vendor Model is not currently supported by CPO rules, policies, and procedures. The Authorization to Vendor document was a holdover from old processes that existed prior to the creation of the CPO.

- Procurement professionals will use this template to prepare terms and conditions for purchase orders issued under a delegated authority and will attach the terms and conditions to every purchase order.
- This document protects the State by including standard terms that cannot be deleted or modified without a Rule Exception Request and by providing that standard terms and conditions control over special terms and conditions.
- Notwithstanding the protections afforded by this template, it also offers agencies flexibility by allowing them to add special terms and conditions.

Comptroller Wilson stated that the Purchase Order Terms and Conditions cannot be modified without an approved Rule Exception and that it was clear this change was the best way to proceed. Mr. Krivacka agreed and stated that the trend of utilizing templates versus models was to increase contract consistency and maintain contract standards that protect the State's interest and reduce risk. Mr. Krivacka continued that if a State agency desired to change the documents then the State agency would simply follow the Rule Exception Request process.

(3) GR Template

Mr. Krivacka stated that the GR template was used for grant contracts between the State of Tennessee and for profit businesses, non-profit businesses, individuals, and non-governmental entities. Mr. Krivacka summarized the following points with regard to the GR template:

- **Specific revisions**
 - Rearrangement of the order of the document: the standard terms appear first, the optional terms and instructions on when or how to use the optional terms and conditions appear second
 - **Section A**
 - Adding the federal award identification worksheet option. Under the Supercircular, Grantor State Agencies must complete this worksheet when the grantee is a subrecipient.
 - **Section B**
 - Adding instructions to require that grant administrators submit grant contracts and complete agency approvals at least thirty days before the Grant Contract's Effective Date
 - Add a Term Renewal or Extension option
 - **Section C**
 - Changing the titles of two terms
 - Unallowable Costs → Non-allowable Costs
 - Deductions → State's Right to Set Off
 - Revising the instructions for the payment methodology options to reflect CPO Policy #2013-007

- Clarifying the differences among the three budget line-items options
 - **Section D**
 - Moving all mandatory terms to Section D and reserve Section E for special terms only
 - Terms moved *from* Section E *to* Section D include:
 - Communications and Contacts
 - Subject to Funds Availability
 - HIPAA Compliance
 - Tennessee Department of Revenue Registration
 - Charges to Service Recipients Prohibited
 - No Acquisition of Equipment or Motor Vehicles
 - The term moved *from* Section D *to* Section E: Prevailing Wage Rates
 - Revising the Records and Public Accountability term to reflect suggestions from the COT
 - Separating the Annual and Audit Report term into two terms: Annual and Final Reports and Audit Report
 - Revising the Annual Report term to establish minimum requirements for what a grantee’s annual report must include
 - Changing the audit threshold amount in the Audit Report term (to comply with the Supercircular)
 - Revising the Force Majeure term to match the FA Template
 - Increasing the detail of instructions for when a Business Associate Agreement (for compliance with HIPAA) is necessary
 - **Section E**
 - Adding two new optional terms:
 - Drug Free Workplace
 - Patient Protection and Affordable Care Act
 - Revising the Transfer of Grantee’s Obligations term
 - Revising several terms to reflect revisions to these same terms in the FA Template:
 - Confidentiality of Records
 - Disclosure of Personally Identifiable Information
 - Hold Harmless
 - Replacing the Copyrights and Patents term with a similar term entitled, Intellectual Property. This change mirrors changes to the FA and GG templates.
 - Deleting the Federal Economic Stimulus Funding optional term because all stimulus funds have been used
- **Document-wide revisions**
 - Changing “model” to “template” in the document’s title, preamble, and all other appropriate places
 - Changing language throughout the document to emphasize that the parties are entering into a grant contract, not a fee-for-service contract

- Capitalizing “grant contract” when referring to the legal document memorializing the agreement between Grantor and Grantee
- Updating or correct all citations to federal and state statutes and regulations
- Revising language to improve clarity, readability, and avoid “legalese”

Comptroller Wilson asked Mr. Krivacka two questions: 1) was it his opinion that these changes would result in quicker, simpler, and more understandable grants; and 2) was it his opinion that these changes would make the State’s grants more likely to meet federal requirements. Mr. Krivacka’s response to both questions was “absolutely.”

(4) Governmental Grant (GG) Template

Mr. Krivacka summarized the following points with regard to the GG template:

- This request revises the “Force Majeure” term to match the FA Template and the “Records” term to include relevant sections of the Tennessee Code.
 - The COT oversaw and approved the revisions to the “Records” term.
- This request moves the “Federal Award Identification” option to Section A of the optional terms portion of the document to increase its visibility.

(5) Central Procurement Office Policy Number 2013-007, *Grant Management and Subrecipient Monitoring Policy and Procedures*

Mr. Krivacka summarized the following points with regard to Central Procurement Office Policy Number 2013-007, *Grant Management and Subrecipient Monitoring Policy and Procedures*:

- When revising this document, the Subcommittee made substantive and organizational changes.
- The substantive changes include:
 - Harmonizing the policy’s definitions with those in the U.S. OMB’s *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Supercircular”) which was effective December 2014;
 - Revising the section on how to distinguish between a subrecipient and a contractor to conform with the Supercircular;
 - Providing guidance on best practices for monitoring and how to assign risk to subrecipients; and
 - Requiring CPO review and approval of any proposed changes to existing monitoring plans.
- The organizational changes include:
 - Merging information on monitoring plans from three sections into a single, comprehensive section; and
 - Consolidating and clarifying the section on cost allocation plans.

(6) Sections 5.15 – 5.17 of the *Procurement Procedures Manual of the Central Procurement Office*

Mr. Krivacka summarized the following points with regard to Sections 5.15 – 5.17 of the *Procurement Procedures Manual of the Central Procurement Office*:

- This request clarifies the approval processes for statewide contracts and agency term contracts and improves the organization of sections 5.15 through 5.17.
- This request also changes the Central Procurement Office's review process for agency term contracts of \$50,000 or less and adds information about activities that must be completed before a contract's effective date.

Mr. Krivacka explained that the proposed change was significant because it reduced the number of times the CPO approved agency term contracts under \$50,000 from two times to one time at the end of the process. Mr. Krivacka continued that there are a number of controls in place such as the Rule Exception process that identified when a contract had been changed, and the Attorney Certification process that indicated no changes had been made to the contract unless accompanied by a Rule Exception, which made it unnecessary for the CPO to review each contract twice.

(7) Amendment Request Form

Mr. Krivacka summarized the following with regard to the Amendment Request form:

- The Subcommittee revised this form to eliminate unneeded or duplicative sections and clarify the types of information sought as part of the CPO's review of the Amendment Request. The main information needed by the CPO is how the amendment changes the contract.

(8) Terms and conditions for purchase orders issued under an agency's local purchase authority

Mr. Krivacka summarized the following points with regard to terms and conditions for purchase orders issued under an agency's local purchase authority:

- This request revises the document approved at the November Procurement Commission meeting to reflect limitations of Edison.
- This request proposes adding language to all purchase orders to identify which terms and conditions apply to a particular purchase order. The intent is to add terms and conditions when an agency is using local purchase authority or for one time purchases. The terms and conditions can be included with the purchase order or can be referenced by a hyperlink to the terms and conditions.

Mr. Krivacka stated that his presentation of the eight new business agenda items was complete and asked if there were any questions or comments. Comptroller Wilson asked if there would be a link to the terms and conditions for purchase orders on the CPO web site. Mr. Krivacka confirmed that a link would be located on the CPO web site. Comptroller Wilson then asked if all the proposed changes presented by Mr. Krivacka had been reviewed and recommended by the Central Procurement Office Policy Review Subcommittee. Mr. Krivacka confirmed that all the documents and proposed changes had been reviewed and recommended by the Central Procurement Office Policy Review Subcommittee.

Commissioner Oglesby asked Mr. Krivacka how all the changes and updates to CPO documents approved by the Procurement Commission were communicated to State agency procurement staff. Mr. Krivacka stated that a document much like an advisory circular is sent to State agency procurement staff after each Procurement Commission meeting to update them on changes to policies, procedures, templates, etc. that were approved by the Procurement Commission. Mr. Krivacka continued that the Central Procurement Office also conducted town hall type meetings with State agency procurement staff and offered training sessions and webinars to keep them updated on changes. Chief Procurement Officer Perry stated that all document changes approved by the Procurement Commission were also posted on the CPO web site.

Commissioner Oglesby asked about the likelihood of increased errors or problems with State agencies using the delegated authority for procurements. Mr. Krivacka responded that the CPO anticipated that the new delegated authority would simplify the process, reduce errors, and give the CPO greater control over the quality of contract documents produced at the agency level.

Commissioner Martin asked if there were any questions or comments regarding any of the proposed changes to the eight Central Procurement Office documents on the agenda. Seeing none, Comptroller Wilson made a motion to approve documents one through eight as shown on the Procurement Commission agenda as presented and commented that they represented a substantial amount of work. The motion was seconded by Commissioner Oglesby; whereupon all the changes were unanimously approved.

Reports:

- IV. Certification Related Items**
- V. Limitation of Liability**
- VI. Correction of Errors**

Chief Procurement Officer Perry stated that these standard reports were presented to the Commission for information purposes only and that no action was needed. Seeing no questions or comments, Commissioner Martin acknowledged receipt of the reports on behalf of the Commission.

VII. Other Business

Commissioner Martin asked if there was any other business that needed to be heard by the Procurement Commission. Chief Procurement Officer Perry stated that he would like to provide an update on the continuing collaboration between higher education and the Central Procurement Office and recognized that staff from the Tennessee Board of Regents was present at the meeting.

Chief Procurement Officer Perry stated that the CPO was continuing to review approximately 40 contracts that appeared to be common between general government and higher education and decided to focus on the following four initial categories: office supplies, CISCO telephone equipment, HVAC/electrical/plumbing, and medical testing. Mr. Perry stated that all parties had been very cooperative and supportive of the effort to find opportunities for collaboration and to lower costs. Mr. Perry stated that CISCO telephone equipment and medical testing were two statewide contracts held by the CPO that appeared to offer better pricing than the contracts held by higher education and that evaluations were underway to see if it would be advantageous for higher education to switch to the CPO contracts. Mr. Perry reported that TBR recently procured a contract for office supplies on behalf of UT and TBR and that the CPO had reviewed the technical proposals. Mr. Perry indicated that there may be an opportunity for the CPO to leverage pricing to lower costs on its Staples contract or perhaps, if more advantageous, the CPO would migrate to the new higher education contract. Mr. Perry explained that there were basically three options when common contracts were reviewed: the CPO would join the higher education contract; higher education would join the CPO contract; or the parties would jointly procure contracts together. It was decided that the HVAC/electrical/plumbing contract would be procured jointly.

Chief Procurement Officer Perry continued that one additional opportunity was the P-Card program. Mr. Perry stated that UT's contract with Bank of America would expire in November 2016 and the State's contract with Citibank would expire in May 2016. Mr. Perry stated that the goal would be to leverage the combined spend of all programs to get a higher tier rebate structure. Mr. Perry stated that TBR had P-Card contracts with multiple institutions that would also be evaluated for opportunities.

Mr. Perry anticipated that the new P-Card contract would have a rebate structure based on the aggregate spend of all parties and would also be available to local government. In the event that a new P-Card contract were to be successfully put in place that local government could utilize, Mr. Perry stated that a P-Card module was being evaluated that would be compatible with TN Smartshop so that purchases made by local government could be paid by P-Card, all of which would allow for spend data to be captured.

Mr. Perry summarized that UT and TBR staff had been working very diligently on this collaboration and that since the initial meeting in December 2014, meetings had been held approximately every two weeks. Mr. Perry continued that all parties have been very cooperative and there appeared to be numerous opportunities for combining spend that would benefit all parties.

Commissioner Martin asked if there were any questions or comments for Mr. Perry regarding the higher education report. Commissioner Martin stated that this collaboration effort was very important and he was pleased that it was headed in the right direction. Commissioner Martin continued that there were no easy budgets ahead and that we must continually work toward increasing efficiency and combining buying power to the benefit of all of us. Commissioner Martin then expressed his gratitude to staff from UT, TBR, and the CPO for their continued work and collaboration efforts.

Commissioner Martin asked if there was any other business and saw that there was none.

VIII. Adjournment.

A motion to adjourn was made by Comptroller Wilson and was seconded by Commissioner Oglesby; whereupon the January 15, 2015 Procurement Commission meeting was adjourned.

**MINUTES OF NOVEMBER 14, 2014
MEETING**

**REDLINE VERSION WITH COT EDITS
TO PAGES 3 AND 8**

the Central Procurement Office, and in many cases approved by the Comptroller's Office. Mr. Krivacka confirmed that was correct. Comptroller Wilson stated that he wanted to make sure that was understood by everyone. Commissioner Martin and Comptroller Wilson agreed that the proposed FA template was clearly an improvement over the existing document.

Seeing no other questions or comments, Commissioner Martin asked Mr. Krivacka to proceed to the next agenda item.

(2) Governmental Grant ("GG") Template

Mr. Krivacka stated that many of the changes to the FA template were being rolled out to other documents, including the GG template. Mr. Krivacka explained that the GG template was the grant contract document between governmental entities. Mr. Krivacka then summarized the following points with regard to the GG Template:

- The Procurement Commission approved significant changes to the GG Template at the August 2014 meeting.
- This request involves refining the GG Template to better align it with the FA template and to respond to agency feedback.
- In order to match the FA template, this request moves all mandatory terms to Section D and reserves Section E for special terms only.
- Other proposed revisions include clarifying the instructional language to resolve ambiguities and detail when Rule Exception Requests are required.
- After further review of Tenn. Code Ann. § 12-3-309, this request deletes the "Prohibition of Illegal Immigrants" provision. Tenn. Code Ann. § 12-3-309 suggests that the attestation requirement applies to entities that are providing goods or services to the State. Even with deletion of this provision, a local government that knowingly hires an illegal immigrant is subject to civil, criminal, and tax consequences under federal law.

Comptroller Wilson noted that local governments were subject to federal law with regard to the use of illegal immigrants. Mr. Krivacka concurred with Comptroller Wilson. Commissioner Martin asked if federal law was the proper place for the penalties and Commissioner Oglesby asked if deletion of the "Prohibition of Illegal Immigrants" provision increased any risk to the State. Comptroller Wilson ~~verified~~ stated that there would be some risk to the state if the "Prohibition of Illegal Immigrants" provision remained in the GG template, such as the possibility of conflicting laws. ~~and~~ Mr. Krivacka confirmed that there were some consequences under federal law and stated that deleting the provision would not increase the risk to the state.

Commissioner Martin asked if there were any additional questions or comments regarding the GG template. Seeing none, Commissioner Martin asked Mr. Krivacka to proceed to the next agenda item.

(3) Delegated Grant Authority ("DG") Template

After the bids are received and evaluated, the CPO would be in a better position to determine what the next steps should be that would be the most beneficial to all parties.

Chief Procurement Officer Perry continued that one additional opportunity that will be discussed over the next year or so is the P-Card program. Mr. Perry stated that UT and TBR actually had higher spend on P-Cards than the State and that UT's contract was with Bank of America while the State contract was with Citibank. Mr. Perry stated that the goal would be to leverage the combined spend of all programs to get a higher tier rebate structure. Mr. Perry indicated that the P-Card program for the state of Georgia would be the model that Tennessee would be reviewing since a majority of their spend was for Georgia Tech and the University of Georgia. Mr. Perry stated that the next meeting with UT and TBR would be within the next two weeks.

Commissioner Martin asked Mr. Perry if he was correct that it appeared to be a common belief that this collaborative initiative would be beneficial to all parties. Mr. Perry responded that staff from UT and TBR were very cooperative and there was a spirit of collaboration. Mr. Perry advised that there was a little difficulty with the fact that UT's contracts that were considered system wide were contracts of convenience and not mandatory, as that gives department heads a great deal of authority on purchasing decisions. Nonetheless, Mr. Perry stated that there were ample opportunities to collaborate and ultimately the taxpayers of Tennessee would benefit.

Commissioner Martin asked if there were any questions or comments for Mr. Perry regarding the higher education report. Commissioner Oglesby asked if the CPO was certain if UT and TBR were already purchasing from statewide contracts. Chief Procurement Officer Perry thanked Commissioner Oglesby for asking the question and responded that UT was currently purchasing from 31 statewide contracts and although TBR was utilizing statewide contracts to a lesser degree, they had recently joined the multi-function device contract with Canon. Mr. Perry noted that the CPO had a great relationship with higher education staff.

Commissioner Martin and Comptroller Wilson agreed that there were real opportunities to be discovered with time and Comptroller Wilson suggested that having smaller, ~~private~~ meetings later would be helpful.

Commissioner Martin asked Chief Procurement Officer Perry that given how well it was going so far with the higher education collaboration, were there any other opportunities in the state where we could take advantage of the collective approach.

Chief Procurement Officer Perry responded that, yes, we were aggressively pursuing local government and higher education to piggyback off state contracts through TN SmartShop which provides increased visibility of our state contracts. Also, a couple of years ago a change in statute allowed private universities like Vanderbilt and Trevecca to purchase from state contracts. Mr. Perry stated that a presentation was given to their association a couple of months ago and that we hoped to continue to leverage volume that would allow the CPO to renegotiate lower prices. Mr. Perry continued that there were

PROPOSED

POLICY NO. 2015-010:

**CENTRAL PROCUREMENT OFFICE
STATEWIDE PURCHASING CARD
POLICY AND PROCEDURES**

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

Effective: **DATE**

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.

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 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 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 physical P-Cards does not apply to Virtual P-Cards; 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 P-Card status if necessary (e.g., due to separation from employment, transfer to another State Agency, low P-Card usage);
- 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 are responsible for deactivating P-Cards as necessary, while the Statewide P-Card Program Administrator is responsible for permanent cancellation of P-Cards.

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 they no longer require 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; and
- 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.

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. 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. 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 the 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, including logs. 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 maintain a log and provide 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.
- If the State Agency requires Cardholders to submit manual logs to the State Agency Reconciler, the documentation must meet the following additional requirements:
 - All transaction logs or monthly billing statements must be signed by the Cardholder and Cardholder Supervisor. Signature stamps are not permitted; and
 - All invoices or receipts must be attached to the log or monthly billing statement and submitted following State Agency internal procedures.

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 of 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 letter to the Statewide P-Card Program Administrator. The letter must be on Agency letterhead, include a business justification for the exception, and be signed by the Agency's Fiscal Director.

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.

Related Statutes, Rules and Policies

Tenn. Code Ann. §§ 4-56-101, *et seq.*

PROPOSED

**AMENDMENT TO FA TEMPLATE AND
EDISON CONFIGURATOR TERMS AND
CONDITIONS**

REQUESTS: (1) Make the following changes to the optional Performance Bond terms in the FA Template; add the two Payment Bond terms below as options in the FA Template; and add the six bond terms below as options in the Edison configurator.

Performance Bond

For contracts that do not involve public works projects, a performance bond should be required only when necessary to protect against contract risk to the State. For agency term contracts, choose option #1 or option #2. For statewide contracts that do not involve awards to multiple contractors, choose option #3 or option #4. If unsure whether a performance bond is appropriate or which option is best, contact the CPO Risk Manager.

Option #1

E. #. Performance Bond. The Contractor shall provide to the State a performance bond guaranteeing full and faithful performance of all undertakings and obligations under this Contract, specifically faithful performance of the work in accordance with the plans, specifications, and Contract documents. The performance bond shall be in an amount equal to one hundred percent (100%) of the Maximum Liability, **Written Dollar Amount (\$Number)**. The State reserves the right to review the bond amount and bonding requirements at any time during the Term. The Contractor shall submit the bond no later than the day immediately preceding the Effective Date and in the manner and form prescribed by the State at Attachment **Reference**. The bond shall be issued by a company licensed to issue such a bond in the state of Tennessee. The performance bond shall guarantee full and faithful performance of all undertakings and obligations for the Term, as the Contract is extended or renewed.

Failure to provide to the State the performance bond(s) as required under this Contract may result in this Contract being terminated by the State. The performance bond required under this Contract shall not be reduced during the Term without the State of Tennessee Central Procurement Office's prior written approval.

Option #2—Insert the term below only after obtaining an approved Rule Exception Request.

E. #. Performance Bond. The Contractor shall provide to the State a performance bond guaranteeing full and faithful performance of all undertakings and obligations under this Contract specifically faithful performance of the work in accordance with the plans, specifications, and Contract documents. The Contractor shall submit the bond no later than the day immediately preceding the Effective Date and in the manner and form prescribed by the State at Attachment **Reference**. The bond shall be issued by a company licensed to issue such a bond in the state of Tennessee. The performance bond shall guarantee full and faithful performance of all undertakings and obligations under this Contract for the first year of the Term in the amount of **Written Dollar Amount (\$Number)** and, thereafter, a new performance bond in an amount of one hundred percent (100%) of the Maximum Liability, **Written Dollar Amount (\$Number)** covering each subsequent year of the Term, including any renewals or extensions. The State reserves the right to review the bond amount and bonding requirements at any time during the Term. The Contractor shall provide performance bonds to the State prior to the Effective Date and thirty (30) days prior to the beginning of each renewal or extended Term.

Failure to provide to the State the performance bond(s) as required under this Contract may

result in this Contract being terminated by the State. The performance bond required under this Contract shall not be reduced during the Term without the State's prior written approval.

Option #3

Performance Bond. The Contractor shall provide to the State a performance bond guaranteeing full and faithful performance of all undertakings and obligations under this Contract, specifically faithful performance of the work in accordance with the plans, specifications, and Contract documents. The performance bond shall be in an amount equal to one hundred percent (100%) of the Estimated Liability **Written Dollar Amount (\$Number)**. The State reserves the right to review the bond amount and bonding requirements at any time during the Term. The Contractor shall submit the bond no later than the day immediately preceding the Effective Date and in the manner and form prescribed by the State at Attachment **Reference**. The bond shall be issued by a company licensed to issue such a bond in the state of Tennessee. The performance bond shall guarantee full and faithful performance of all undertakings and obligations for the Term, as the Contract is extended or renewed.

Failure to provide to the State the performance bond as required under this Contract may result in this Contract being terminated by the State. The performance bond required under this Contract shall not be reduced during the Term without the State's prior written approval.

Option #4—Insert the term below only after obtaining an approved Rule Exception Request.

Performance Bond. The Contractor shall provide to the State a performance bond guaranteeing full and faithful performance of all undertakings and obligations under this Contract, specifically faithful performance of the work in accordance with the plans, specifications, and Contract documents. The performance bond shall be in an amount equal to one hundred percent (100%) of the Estimated Liability, **Written Dollar Amount (\$Number)**. The State reserves the right to review the bond amount and bonding requirements at any time during the Term. The Contractor shall submit the bond no later than the day immediately preceding the Effective Date and in the manner and form prescribed by the State at Attachment **Reference**. The bond shall be issued by a company licensed to issue such a bond in the state of Tennessee. The performance bond shall guarantee full and faithful performance of all undertakings and obligations under this Contract for the first year of the Term in the amount of **Written Dollar Amount (\$Number)** and, thereafter, a new performance bond in the amount of **Written Dollar Amount (\$Number)** covering each subsequent year of the Term, including any renewals or extensions of the Contract. The Contractor shall provide performance bonds to the State prior to the Effective Date and thirty (30) days prior to the beginning of each renewal or extended Term.

Failure to provide to the State the performance bond as required under this Contract may result in this Contract being terminated by the State. The performance bond required under this Contract shall not be reduced during the Term without the State's prior written approval.

(2) Add the following Payment Bond terms as options in the FA Template and Edison configurator.

Payment Bond

Tenn. Code Ann. § 12-4-201 requires a payment bond for all public works projects in excess of one hundred thousand dollars (\$100,000). Insert option #1 for agency term contracts; insert option #2 for

statewide contracts that do not involve awards to multiple contractors. If unsure whether a payment bond is appropriate, contact the CPO Risk Manager.

Option #1

Payment Bond. The Contractor shall provide to the State a payment bond guaranteeing that the Contractor's subcontractors, laborers, and material suppliers will be paid for performance under this Contract with the additional obligation that such contractor shall promptly make payment of all taxes, licenses, assessments, contributions, penalties, and interest. The payment bond will be in an amount equal to twenty-five percent (25%) of the Maximum Liability **Written Dollar Amount (\$ Number)**. The State reserves the right to review the bond amount and bonding requirements at any time during the Term. The Contractor shall submit the bond no later than the day immediately preceding the Effective Date and in the manner and form prescribed by the State at Attachment **Reference**. The bond shall be issued by a company licensed to issue such a bond in the state of Tennessee. The payment bond shall guarantee that the Contractor's subcontractors, laborers, and material suppliers will be paid for performance during the Term and all extensions or renewals of the Contract.

Failure to provide to the State the payment bond as required under this Contract may result in this Contract being terminated by the State. The payment bond required under this Contract shall not be reduced during the Term without the State of Tennessee Central Procurement Office's prior written approval.

Option #2

Payment Bond. The Contractor shall provide to the State a payment bond guaranteeing that the Contractor's subcontractors, laborers, and material suppliers will be paid for performance under this Contract with the additional obligation that such contractor shall promptly make payment of all taxes, licenses, assessments, contributions, penalties, and interest. The payment bond will be in an amount equal to twenty-five percent (25%) of the Estimated Liability **Written Dollar Amount (\$ Number)**. The State reserves the right to review the bond amount and bonding requirements at any time during the Term. The Contractor shall submit the bond no later than the day immediately preceding the Effective Date and in the manner and form prescribed by the State at Attachment **Reference**. The bond shall be issued by a company licensed to issue such a bond in the state of Tennessee. The payment bond shall guarantee that the Contractor's subcontractors, laborers, and material suppliers will be paid for performance during the Term and all extensions or renewals of the Contract.

Failure to provide to the State the payment bond as required under this Contract may result in this Contract being terminated by the State. The payment bond required under this Contract shall not be reduced during the Term without the State's prior written approval.

**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

RE-CERTIFICATION

1. Item No. 369.68
Service: Milk 1% (TRICOR)
Agency/Location: Statewide
Annual Spend: \$130,640.00
No price increase requested.
Satisfaction: No complaints have been filed.
Re-Certification Requested for Period of 02/01/2015 – 01/31/2016

LARRY MARTIN, Chairman
Commissioner of Finance & Administration

JUSTIN P. WILSON
Comptroller of the Treasury

ROBERT E. OGLESBY
Commissioner of General Services

MIKE BERRY
Chief Procurement Officer

LIMITATION OF LIABILITY REPORT

**Approved Limitation of Liability Requests
for the Time Period December 12, 2014 to January 31, 2015**

TRACKING	CALENDAR YEAR	ID	LOGGED	STATUS	STATUS DATE	SERVICE	CONTRACTING AGENCY	BASIS FOR REQUEST	COT APPROVAL OF REQUEST
32101-14101	15	4566	1/14/2015	APPROVED	1/27/2015	RADIO EQUIPMENT	CENTRAL PROCUREMENT OFFICE	2x - THE ESTIMATED LIABILITY OR TOTAL CUMULATIVE AMOUNT PAID	1/28/2015

CORRECTION OF ERRORS REPORT

Request to correct clerical errors: (1) Change the header date on all pages of the Request for Proposals (RFP) Standard Template to 11/14/14. (2) In paragraph D.24. of the GG Template, replace all references to "Contract" with "Grant Contract" and replace all references to "Contractor" with "Grantee." (3) Change the Department of Finance and Administration's email address in the Annual and Final Reports terms of the GG and GR templates to: fa.audit@tn.gov.

Explanation of clerical errors: (1) An incorrect header date appears on some pages of the RFP Standard Template. (2) Paragraph D.24. of the GG Template contains incorrect terminology for a grant contract. (3) The incorrect email address appears in the Annual and Final Reports terms of the GG and GR templates; a period is missing.

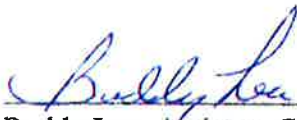
Procurement Staff signatures:



C. Shay Oliphant, Deputy Chief Procurement Officer

2/6/15

Date



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

2/6/15

Date



Melinda Parton, Director of Management Services, Comptroller of the Treasury

2/6/15

Date