



**AGENDA**

**ADVISORY COUNCIL ON STATE PROCUREMENT MEETING #027  
MONDAY, FEBRUARY 29, 2016 – 2:30 P.M.  
TN TOWER – 3<sup>rd</sup> FLOOR, NASHVILLE ROOM**

<b>AGENDA ITEM</b>		<b>PAGE #</b>
I.	Call to Order	--
II.	Approve Minutes from January 6, 2016 Meeting ..... (see attached documentation)	<b>3</b>
III.	New Business  Proposed revisions to the following Central Procurement Office documents (see attached documentation):  (1) <i>Procurement Procedures Manual of the Central Procurement Office – Section 11.2 Service Contracts Coordinator Designation document</i> ..... (2) <i>Procurement Procedures Manual of the Central Procurement Office:</i> (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..... (3) Rule Exception Request for the Delegated Authority (“DA”) or Delegated Grant Authority (“DG”) Templates ..... (4) Term of Contract for the FA Template, Governmental Grant (“GG”) Template, and GR Template ..... (5) Attestation re: Personnel used in Contract Performance..... (6) Central Procurement Office Policy Number 2015-010, <i>Statewide Purchasing Card Policy and Procedures</i> ..... (7) Workers Compensation - Insurance Options Language .....	<b>16</b> <b>18</b> <b>20</b> <b>22</b> <b>24</b> <b>30</b> <b>32</b> <b>36</b> <b>72</b>
IV.	Other Business	--
V.	Adjournment	--

**MINUTES OF JANUARY 6, 2016  
MEETING**



**MINUTES  
ADVISORY COUNCIL ON STATE PROCUREMENT MEETING #026  
WEDNESDAY, JANUARY 6, 2016 – 2:00 P.M.  
TN TOWER – 3<sup>rd</sup> FLOOR – MULTI-MEDIA ROOM**

**Members in Attendance:**

Mike Perry, Kathy Stickel (designated by Comptroller Justin Wilson to attend for Jason Mumpower), Buddy Lea, Ted Hayden, Sondra Howe, Rick Peppers, Stewart Shunk, Terry Anderson, Chris Todd, Michelle Lane

**Others in Attendance:**

Paul Krivacka, Bryan Chriske, Don Ivancic, Laura Kinard, Andy Kidd, Shannon Howell, Jenny Young, Kaci Stewart, Charlotte McKinney

- I. Call to Order:** Mike Perry, Chief Procurement Officer, called the meeting to order.
- II. Minutes from the October 26, 2015 Meeting:** Mr. Perry asked if there were any corrections or additions to the minutes from the October 26, 2015 meeting. Seeing none, a motion was made by Kathy Stickel, Assistant Director of Management Services, Office of the Comptroller of the Treasury, to accept the minutes as presented. The motion was seconded by Ted Hayden, Executive Director of Compliance, State of Tennessee Real Estate Asset Management. All members voted in favor – none opposed.

**III. Advisory Council Member Changes:** Mr. Perry announced the following Advisory Council member changes:

- Mr. Chris Todd was appointed by Fiscal Review Chairman Mark White to serve a two-year term.

Mr. Perry welcomed Mr. Todd and stated that his experience as a former State employee and a small business owner would be very beneficial to the Advisory Council.

**IV. New Business:** Mr. Perry asked Paul Krivacka, Lead Attorney/Director of Category Management, Central Procurement Office, to present the Central Procurement Office (“CPO”) documents from the New Business section of the agenda.

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

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

- The main revisions to this policy are related to adding a new technique called “Collaborative Value Development.”
  - “Collaborative Value Development” or “CVD” means an interactive technique between the State and Qualified Respondents within the Competitive Range, as defined in the RFQ. The purpose of the CVD is to utilize the expertise and knowledge of the Qualified Respondents to develop a Solicitation that will award a contract to the Qualified Respondent that receives the highest score. It is basically a two-step process with an RFQ being issued that sets forth the rules which the State will follow and reduces the responding pool of vendors to a competitive range of Qualified Respondents. The Qualified Respondents will participate with the State in the workshops to collaboratively develop a solicitation that will be issued subsequent to the workshop, which is attended only by Qualified Respondents. The RFP will include specifications, scopes of work, the evaluation model, mandatory requirements, how the award will be made, etc.
  - How it will work:
    - Respondents will be shortlisted after the RFQ (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.
    - Representatives from the State and Qualified Respondents will collaborate to discuss the State’s needs, solutions available, or other goals as specified in the RFQ.
    - At the conclusion of the CVD event, the Solicitation Coordinator will then independently draft a Solicitation. The Solicitation will be released to Qualified Respondents in the Competitive Range selected pursuant to the RFQ.
  - CVD is referred to as a technique because it is not a stand-alone procurement procedure in and of itself, but rather an additional event in the procurement process after the issuance of a RFQ.
  - It is helpful for procurements where it may be difficult for those outside of the industry to understand the industry specifications. A complicated IT procurement is a good example of when a CVD event may be useful.

Mr. Krivacka explained that this proposed technique will be a useful tool as it allows the State to leverage the knowledge and expertise of the vendor community in developing a solicitation that is used for the award of a contract.

Mr. Krivacka asked if there were any questions or comments regarding the proposed changed to Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*.

Ms. Stickel asked if it would acceptable to discuss agenda item (3) Request for Qualifications (“RFQ”) Template along with agenda item (1) Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*.

Mr. Krivacka agreed with Ms. Stickel that it would be a good idea to discuss agenda items (1) and (3) as referenced above.

Mr. Krivacka continued that the Office of the Comptroller of the Treasury ("COT") had submitted a list of questions in advance of the meeting in regard to agenda items (1) and (3) as follows:

1. Will the resulting procurement be limited to those who participated in the CVD?

Mr. Krivacka indicated that was correct. Mr. Perry clarified that the "rules of engagement" will be clearly specified in the Request for Qualifications (RFQ) document. Ms. Stickel asked if all the vendors on the shortlist would be required to participate in the CVD event. Mr. Krivacka confirmed that all vendors on the shortlist would be required to participate in the CVD event in order to move forward in the contract award process.

2. How will you ensure adequate and broad representation in the CVD process if not mandatory?

Mr. Krivacka referenced the response to question 1; it is mandatory for all vendors on the shortlist to participate in the CVD event. Mr. Perry clarified that vendor participation in the RFQ would not be limited and would be sent to all known suppliers in the marketplace and posted on the Central Procurement Office web site.

3. What other government entities are using a process similar to CVD and how is it working?

Mr. Krivacka responded that the United States Air Force and Vancouver Coastal Health have used this process and as we know, it has been successful. Mr. Perry added that the developers of the CVD process are faculty members of the University of Tennessee and that they have been on board with the State for the past couple of months training a core team of State employees. Mr. Perry continued that several books have been written on the CVD process, which has been well documented and widely utilized by the private sector. Mr. Perry added that the State of Tennessee would be a pioneer in state government using the CVD process, which is sometimes called Vested, but that he does not expect the State to widely use CVD and it would only be used by the Central Procurement Office and no other state agencies.

4. When will the process be more robustly developed, with considerations of who would be responsible for conducting CVDs and methods to ensure a level playing field for this unique type of procurement?

Mr. Krivacka responded that the Central Procurement Office is the only state agency currently with the authority to utilize the CVD process. As to the remainder of this question, many of these issues are procurement management issues that would be up to the procurement professional within the CPO to address on a case-by-case basis, all of which would be specified in the RFQ and subsequent solicitation.

5. Would this process fall under the negotiations policy where coordination with the Comptroller for procurements over \$250,000 would be required? If so, should there be clarity added to the negotiations policy?

Mr. Krivacka responded that there would probably be negotiation language included, just as in any other solicitation, which would make the procurement fall under the jurisdiction of the Comptroller's Office. Mr. Krivacka continued that there is nothing particular or unique about the CVD method that would require a change or clarification to the negotiations policy.

6. Will there be a protest period associated with the CVD? What are the procedures if a participant in the CVD process believes that the process has been biased against it?

Mr. Krivacka responded that the protest period associated with the CVD would be no different than it is with the protest period for any other solicitation. It would be controlled by Tenn. Code Ann. § 12-3-514. Under this statute, any party who files a response to either a RFQ or a RFP has standing to bring a protest provided the protest is in writing, is bonded (or a request for a waiver has been granted), and is filed within seven days of award. Mr. Perry clarified that anyone who responds to a RFQ would have the statutory right to protest, as well as those who were short listed and included in the CVD process.

Ms. Stickel asked if there would be any safeguards to ensure that the protests are not on the requirements that are developed in case a participating vendor felt that the CVD process was unjustly steered toward a particular vendor.

Mr. Krivacka responded that because of substantive due process it is difficult to abridge one's statutory rights through a contract document or solicitation when dealing with the government. Mr. Krivacka continued that because of vendor participation in the CVD process, protests would be mitigated. Mr. Perry stated that if a vendor is a participant in a CVD process and a consensus is reached among the group through free input of participants, he believes that it would lessen the likelihood of a protest; however it absolutely does not abridge the vendor's right to protest. Mr. Perry added that even though CVD participants are providing input, the State makes the final decision on RFP content.

Ms. Stickel restated that the concern of the Comptroller's Office is that if participants are working in a group, and there are certain ideas put out on the table, and then eventually the State makes a different request, independently, based on some of the information that was gathered, then it would seem possible that a participant could look at that and perceive some type of bias. Ms. Stickel asked whether safeguards could be worked in, such as a consenting document that would indicate certain things that were decided through the process, or additional safeguards, to lessen that risk, specifically that a vendor would perceive bias that the discussions were steered toward a single vendor.

Mr. Perry stated that he anticipates that there will be little risk of that as vendors will have input into the process, but that is why it is important to have the protest avenue in the

event someone is aggrieved. Mr. Krivacka added that it is going to come down to procurement management. Mr. Krivacka added that vendors will also have the opportunity to voice their concern about the scope, set of specifications, or whether the procurement is being steered in one direction or another.

Ms. Stickel reiterated that from the Comptroller's Offices' standpoint, it is less about the protest risk and more about ensuring the level playing field, which includes ensuring that safeguards are in place.

Mr. Shunk asked if he was understanding correctly that the state was looking to get industry expertise and education prior to putting out a procurement for a technology or service that the State does not have the in-house expertise to make a solid judgment on except for price. Mr. Shunk continued that his understanding was the CVD process would involve the State bringing in qualified industry representatives to "pick their brains" and provide education. Mr. Shunk commented that he thought this was a very good thing for the State of Tennessee to embrace. Mr. Shunk continued that speaking from the private sector perspective, he was very excited about the idea and thought the State was going in the right direction to sit down and share ideas in a facilitated environment with representatives deemed to have industry expertise. Mr. Shunk stated that it appears that the State would be getting free consultation from industry experts without having to hire a third party and pay for the expertise to help write the procurement. Mr. Shunk then inquired as to who would facilitate the process and requested clarification as to whether the participants in this process were going to assist in developing the procurement language or whether it was more to develop the education of those involved in the process as to what is going to be procured and best benefit the State.

Mr. Krivacka responded that the CVD process will serve both purposes, adding that this process could be used to develop a solicitation. As an example, Mr. Krivacka noted that the CVD process could be used to assist the State in developing an evaluation model to evaluate responses. Mr. Shunk added that the State may want to consider a third party or someone who would have training in the process.

Mr. Shunk added that this gets to his second question, which is who is going to facilitate this process, how are they going to facilitate it, if the process is going to be facilitated by an internal procurement coordinator, and who is going to be trained to do that? He added that these are items that they State may want to consider as it moves forward.

Mr. Perry thanked Mr. Shunk for his comments and added that the Central Procurement Office has engaged the architects of this process, who will help guide the process the State uses. Mr. Perry added that he liked the idea of the facilitator to moderate the proceedings. Mr. Shunk commented that a facilitator would give the State a layer of insulation and also enable the State to participate more willingly in the process.

Mr. Lea sought clarification in the term "reaching consensus" that was used in the explanation of the CVD process. Mr. Lea stated that supposing consensus is not reached

among the vendors, and one vendor did not agree, is it an assumption or a declared criteria that in order for a vendor to make the cut, that a consensus must be reached? Mr. Lea stated that the corollary to that question goes back to the potential for protest and whether it provides more of an opportunity for that vendor to have a reason to protest if the vendor did not feel as if their point of view was heard.

Mr. Perry responded that any vendor who felt they were aggrieved would have the statutory right to protest. Mr. Perry added that the State has engaged vendors in the past on a less formal basis, and those vendors have been very eager to participate in helping educate the State and helping the State craft procurements that reflect how the industry would respond and should be evaluated. The State's experience has been that vendors welcome the opportunity.

Mr. Perry commented that the CVD process is a 10 or 11 week process that involves a great deal of training. He added that the State's core team has been going through training for several months and that the vendor community would go through that same training process. Mr. Perry added that there is a significant amount of front-end training and ground rules and that all of this would be well established in the procurement documents.

Mr. Perry further stated that vendors would still have the opportunity to go through the pre-proposal conference and have the opportunity to submit questions through the written Q&A. None of that would be eliminated under the CVD process and that all of that would be preliminary in finalizing the RFQ.

Mr. Perry summarized the discussion by stating that the CVD process is something that is new and will be a learning experience for those involved in the process. He added that this will be a growing, living document that can improve over time, and that the Central Procurement Office welcomes help from other state agencies and the Comptroller's Office, which is a stakeholder in each procurement. He noted that the first step is getting the policy in place. The details will be in the procurement documents, which will go through the normal review and comment process as with any other procurement.

Mr. Krivacka moved on to question 7.

7. How will differences in expectations be handled if the solicitation following the CVD is open to vendors who did not participate in the CVD (2 part):
  - a. How will the vendors who participated react / will this undermine the CVD process?
  - b. Vendors who did not participate in the CVD may have a different understanding of the requirements.

Mr. Krivacka responded that vendors that are not selected for participation in the CVD would not be considered for contract award.

Mr. Krivacka indicated that was the last question submitted by the Comptroller's Office in



advance of the meeting pertaining to the CVD process.

Mr. Krivacka continued that the Subcommittee also recommended some more minor changes to Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*, to either make the document clearer or to make it consistent with 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).

Mr. Krivacka asked if there were any questions or additional comments on agenda item (1) Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*, or agenda item (3) Request for Qualifications.

Ms. Stickel commented that the Comptroller’s Office had come across some federal policy language regarding restrictions on vendors participating in drafting language for procurements and asked what the State’s position would be on that language. Mr. Krivacka indicated that Mr. Don Ivancic from the Comptroller’s Office had sent him the subject references from the Code of Federal Regulations prior to the meeting for his review. Mr. Krivacka indicated that the State would not be bound by these regulations as they pertain to federal procurements only. Mr. Krivacka further stated that the subject regulations primarily address organizational conflicts of interest and the State already has an organizational conflict of interest policy in place.

Ms. Stickel indicated that during discussions earlier in the meeting, it was stated that the details and “rules of engagement” for the CVD activities would be spelled out in the RFQ, which could vary from time to time, and should not necessarily be included in any type of policy or procedure. Ms. Stickel indicated that the Comptroller’s Office feels it would be appropriate for certain “rules of engagement” to be across the board, such as using a third party, or whatever other decisions are made, to ensure a level playing field and COT’s comfort level with the process. Mr. Krivacka stated that was totally understandable and that many of those issues would be addressed in the RFQ and because negotiations would likely be involved, the Comptroller’s Office would have an opportunity to review and comment on the RFQ. Ms. Stickel then asked if there would be an opportunity for a pilot to try out the process before moving forward with the changes to the policy. Mr. Krivacka stated that the process was being considered for current procurements and there may be an opportunity for a pilot to see how it will work.

Mr. Perry clarified that what he was referring to was things like defining the competitive range, describing the workshop itself, the mandatory nature of it, what would be expected, how many people we would require and what roles they should reflect (i.e., financial, operational). These things would vary on a case-by-case basis depending on the product or service being procured and would be spelled out in the RFQ and subsequent RFP, which would be subject to the normal review process. Mr. Perry stated that CVD training is currently underway for the core team with the idea of perhaps using it in one particular procurement but no decision has been made

about moving forward. Mr. Perry continued that the Comptroller suggested that a policy be drafted and presented to the Advisory Council and Procurement Commission prior to utilizing the process, which Mr. Perry felt was wise. Mr. Perry stated he expects this policy to be no different from all others in the CPO in that they are frequently changed and updated as time passes and the need for adjustments becomes apparent.

Mr. Stewart Shunk, Trane Corporation, asked a question regarding Section 19.11 of Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*, as presented on page 30 of the agenda packet. The first sentence of paragraph three states that the "Solicitation Coordinator" determines that a CVD event is beneficial for a particular procurement. Mr. Shunk asked if it might be better for a request to use the CVD process to be reviewed and approved by a committee rather than be at the sole discretion of the Solicitation Coordinator as it currently states. Mr. Perry stated that the CVD process is just one of various procurement methods that are available for use by the Central Procurement Office and that it is the method to be used that would be recommended by the Solicitation Coordinator. Mr. Perry continued that regardless of the method used, the draft procurement would be subject to the normal review and approval process that includes the Comptroller's Office if the value is \$250,000 or greater and if negotiation language is included.

Mr. Shunk stated that the way the language is drafted, it assumes that the normal process and procedure will take place, so deemed by the Solicitation Coordinator. Mr. Perry acknowledged that was a good point and recommended that language be proposed so that it does not appear that the CVD process is at the sole discretion of the Category Specialist. Mr. Hayden proposed striking "Solicitation Coordinator" and replacing with the Central Procurement Office or Chief Procurement Officer. It was agreed that the words "Solicitation Coordinator" in the first sentence of Section 19.11 should be replaced with "Chief Procurement Officer". Mr. Perry pointed out that the draft procurement would be subject to the normal required review and approval process. Mr. Perry made a motion to amend the first sentence of paragraph three of Section 19.11 of Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures* to change the words "Solicitation Coordinator" to "Chief Procurement Officer". Mr. Buddy Lea, Assistant Commissioner, Department of Finance and Administration seconded the motion. All members voted in favor – none opposed.

Mr. Perry thanked everyone for their comments and expressed his appreciation to the Comptroller's Office and the Policy Review Subcommittee for getting this language drafted. Mr. Perry stated that this policy is a living document and that he would expect additional amendments as this process is utilized.

Ms. Stickel stated that based on previous discussions, she would like to make a motion that the second sentence of the fourth paragraph of Section 19.11 of Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*, be amended to state that participation in the CVD would be a mandatory prerequisite for submitting a Solicitation Response. Mr. Perry agreed and stated that the Rule Exception Request process could be used for any situations that deviated.

Mr. Krivacka summarized that based on Ms. Stickel's motion; the second sentence of the fourth paragraph of Section 19.11 of Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*, would read as follows:

*Participation in the CVD will be a mandatory prerequisite for submitting a Solicitation Response.*

Mr. Perry seconded the motion. All members voted in favor – none opposed.

Seeing no other discussion, a motion was made by Mr. Hayden to recommend agenda item (1) Central Procurement Office Policy Number 2013-002, *Procurement Methods Policy and Procedures*, contingent upon the two amendments as stated above, and agenda item (3) Request for Qualifications as presented to the Procurement Commission for approval. The motion was seconded by Mr. Lea. All members voted in favor – none opposed.

Mr. Rick Peppers, Nashville Office Interiors, added that he was on-board with the CVD process and thought it was a good idea.

Mr. Perry thanked all members for their participation in the discussion of this item.

(2) 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*:

- Request to revise Policy Number 2015-010 Central Procurement Office Statewide Purchasing Card Policy and Procedures by adding a new definition for “Central Fiscal Office P-Card” and by increasing the Single Transaction Limit on the designated State Agency Central Fiscal Office P-Card to \$50,000.
- The request for a new spending limit for the Central Fiscal Office P-card. The reason this is being requested is because the \$10,000 limit, in some cases, has presented problems and resulted in increased requests for Rule Exceptions.
- The Subcommittee recommended the addition of reminders to follow all CPO rules, policies, and procedures with respect to procurements, emphasizing that the P-Card is just a method of payment and not a procurement method.

Mr. Krivacka continued that the Comptroller’s Office had submitted four questions in advance of the meeting with regard to agenda item (2) as follows:

1. Is the Central Fiscal Office P-Card a physical card?

Mr. Krivacka responded that the Central Fiscal Office P-Card is a physical card.

2. What name is associated with the card?

Mr. Krivacka responded that the name of the assignee of the agency that is issued the Central Fiscal Office P-Card will be associated with the card.

3. Should there be special security requirements.

Mr. Krivacka responded that no special security requirements are needed. The risk for fraud or

misuse for the Central Fiscal Office P-Card is no different than it is for any other card. There are procedures in place to prevent fraud and abuse.

Mr. Perry added that the State is also using a virtual or "ghost" P-Card and the first contract it is being used for is Staples. Since it is a virtual and not a physical card it does help increase P-Card usage without increasing risk.

4. What procedures are recommended when the card holder is not available?

Mr. Krivacka stated that agency procedures will set forth who will have rights and roles associated with the Central Fiscal Office P-Card. Mr. Krivacka indicated that short term unavailability would not require any additional action and long term unavailability would allow the agency to designate a different state employee to have a role with the Central Fiscal Office P-Card.

Mr. Perry added that the best and safest method of growing the P-Card program is through utilizing the virtual P-Cards, which in turn will increase rebates, such as with the Staples contract.

Mr. Perry asked if there were any comments or questions regarding Central Procurement Office Policy Number 2015-010, *Statewide Purchasing Card Policy and Procedures*. Seeing none, Mr. Lea made a motion to recommend Central Procurement Office Policy Number 2015-010, *Statewide Purchasing Card Policy and Procedures* as presented to the Procurement Commission for approval. The motion was seconded by Mr. Hayden. All members voted in favor – none opposed.

(3) Request for Qualifications (RFQ) Template

This agenda item was presented and voted on with agenda item (1)

(4) FA Template – FERPA Clause

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

- In the FA (Fee for Goods or Services) contract template, the word "grantee" is being replaced with the word "contractor" in the FERPA clause. This change to the word "contractor" will make the language consistent with the FA Template and all of the other contract provisions.

Seeing no questions or comments, a motion was made by Ms. Stickel to recommend the FA Template – FERPA Clause as presented to the Procurement Commission for approval. The motion was seconded by Mr. Lea. All members voted in favor – none opposed.

(5) Edison Configurator – Incorporation of additional documents

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

- This provision allows the contract to consist of the solicitation, the contract portion of the solicitation, and certain attachments. Currently, the configurator does not have a provision that outlines what the contract documents consist of and this improvement will add clarity to the contract.

Mr. Krivacka stated that the Comptroller's Office had submitted two questions in advance of the meeting with regard to agenda item (5) as follows:

1. Which legal counsel will perform the review of the licenses or service level agreements?

Mr. Krivacka indicated that the Central Procurement Office Legal Team will perform the review of the attachments that form the contract.

2. If not CPO, how will the agency legal counsel be training?

Mr. Krivacka restated that the intent is to have the documents reviewed by the Central Procurement Office Legal Team.

Mr. Krivacka asked if there were any additional questions or comments regarding the Edison Configurator – Incorporation of additional documents. Seeing none, Mr. Lea made a motion to recommend the Edison Configurator – Incorporation of additional documents as presented to the Procurement Commission for approval. Mr. Hayden seconded the motion. All members voted in favor – none opposed.

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

Mr. Krivacka presented the following points with regard to the 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.
- It requires the Contractor to present documentation proving they have a clear title that is free and clear of all Encumbrances as part of the contract requirements.
- This contract clause needs to be included to prevent the State from purchasing goods to which the State thinks it has clear title when in fact it does not.

Mr. Krivacka stated that the Comptroller's Office had submitted two questions in advance of the meeting in regard to agenda items (6) as follows:

1. When will it be appropriate to add this clause to a solicitation documents?

Mr. Krivacka stated that this clause should be added for any contract involving the purchase of goods where title will pass from the vendor to the State. Mr. Krivacka indicated that he would propose that this clause be a mandatory provision in the ITB configurator documents.

2. What instructions are being prepared?

Following Procurement Commission approval, the Advisory Circular will notify users of this new provision and provide details on when it should be used. The provision will be mandatory in the Configurator. Any time the contractor will be providing goods, in addition to any other services, it should be used. It will be optional in the FA Template as most FA Template contracts will not involve the purchase of goods.

Mr. Perry commented that details on this new provision will be included in the CPO training program.

Mr. Perry asked if there were any additional questions or comments regarding the Edison Configurator – FA Template and Purchase Order Terms – Liens, Encumbrances, and Title. Seeing none, Mr. Hayden made a motion to recommend the Edison Configurator – FA Template and Purchase Order Terms – Liens, Encumbrances, and Title as presented to the Procurement Commission for approval. Mr. Lea seconded the motion. All members voted in favor – none opposed.

Mr. Perry announced that the 9.2 Edison upgrade is scheduled in March over the Easter weekend. Mr. Perry stated that this update will be the most impactful since the installation of Edison in 2009. Mr. Perry indicated that the hope is that 9.2 will allow the CPO to do RFPs and RFQs electronically in Edison so that everything is in one place. Currently only ITBs are created inside Edison. Mr. Perry stated that this upgrade will present some challenges but the CPO anticipates that it will be a great improvement.

**V. Other Business:** Mr. Perry asked if there was any other business to be brought before the Council and saw none.

**VI. Adjournment:** Seeing no other business, a motion for adjournment was made by Mr. Lea and seconded by Mr. Hayden. All members voted in favor – none opposed.

***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: 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**

**REDLINE VERSION**

## 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](mailto: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. <u>Maximum Liability for a single procurement/ grant</u></b>	\$
<b>6.7. Citation and explanation of the rule(s) for which the exception is requested</b>	
<b>7.8. Description of requested change(s) to the DA or DGA template</b>	
<b>8.9. Justification</b>	
<p><b>9.10. If requesting a delegation period in excess of twelve (12) months, respond to the following:</b></p> <ul 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> </ul>	



<p><b>10.11.</b> If requesting a delegation period in excess of twelve (12) months and the delegation does NOT involve federal funds, address the following:</p> <ul style="list-style-type: none"><li>a.</li><li>a. Provide a quarterly disbursement plan for the delegation period and attach it to this document; and</li><li>b. Explain the internal controls and monitoring procedures that will be used to avoid exceeding or amending the Maximum Liability.</li></ul>	
<p>Signature of Agency head or designee and date</p>	

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

**CLEAN VERSION**

## 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](mailto: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>	

**11. If requesting a delegation period in excess of twelve (12) months and the delegation does NOT involve federal funds, address the following:**

- a.**
- a. Provide a quarterly disbursement plan for the delegation period and attach it to this document; and**
- b. Explain the internal controls and monitoring procedures that will be used to avoid exceeding or amending the Maximum Liability.**

**Signature of Agency head or designee and date**

## **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**

**REDLINE VERSION**

**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**

<p><b>If the attestation applies to more than one contract, modify this row accordingly.</b></p> <p><b>SUBJECT CONTRACT NUMBER:</b></p>	
<p><b>CONTRACTOR LEGAL ENTITY NAME:</b></p>	
<p><b><del>FEDERAL EMPLOYER EDISON VENDOR IDENTIFICATION NUMBER:</del></b> <b><del>(or Social Security Number)</del></b></p>	

**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.

---

**PRINTED NAME AND TITLE OF SIGNATORY**

---

**DATE OF ATTESTATION**



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

**CLEAN VERSION**

**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**

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

**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.

---

**PRINTED NAME AND TITLE OF SIGNATORY**

---

**DATE OF ATTESTATION**

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

**REDLINE VERSION**

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

Revised: ~~January 21~~March 1724, 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; 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. 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 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. 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 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 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.

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

**CLEAN VERSION**

**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; 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. 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 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. 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 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 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**

**REDLINE VERSION**

**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.

3)

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

b. Workers' Compensation and Employer Liability Insurance

- 1)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.
  - ii. ~~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)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:

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- i. The Contractor employees 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.

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

**CLEAN VERSION**

**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.