

System-wide Policy: FI0405 - Procurement	
Version: 19	Effective Date: 02/26/2024

FI0405 – Procurement

SECTION 1. Policy Statement

I. Authority

- A. The University authorizes only its procurement offices to issue purchase orders on behalf of the University to acquire goods or services, or both. Purchase orders issued by other University employees are invalid and do not obligate the University.
- B. The applicable procurement office or contract office will handle all purchases of \$10,000.00 or more by issuing a purchase order or facilitating a contract-review process.
- C. Generally, the applicable procurement office would handle the competitive solicitation process, the campus or institute permits informal bids and the department that conducts the informal bid complies with the applicable informal bid procedures.

II. Applicability

- A. This policy applies to all University departments. The following transactions are exempt from this policy:
 - 1. Office of General Counsel: The Office of General Counsel’s purchases of legal services, expert witnesses, investigation services, and other costs related to court costs, court reporters, etc.
 - 2. Capital Projects: Procurement that the Department of Capital Projects handles directly, including purchases of real estate.
 - 3. Net-Revenue (Net-Receivable) Transactions: Transactions where the University receives money from a third party, or transactions where the University pays and receives money from the same third party (a receivable/revenue contract is “net receivable” when the income that the University receives exceeds the payments that it makes to the third party paying the University the revenue).
 - 4. Resale: Purchases of items for resale to the general public through University bookstores.
 - 5. Zero-cost Transactions: Transactions where the University and the other party do not exchange funds. To maintain the exemption from this policy, a zero-dollar transaction must not contemplate future expenditures from the University to a third party.
 - 6. Employment contracts: Contracts between the University and individuals that create an employer-employee relationship.

III. Generally

- A. The University’s departments must ensure that their purchases are for official University use or benefit only.
- B. Departments are responsible for managing their budgets and ensuring that they do not spend beyond their budgeted funds. Departments must not start the procurement process or make purchases, unless the department has sufficient funds available.

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IV. Prohibited Practices

- A. Employees may utilize University funds only for the purpose of making purchases for official University business reasons. Accordingly, employees must not make personal purchases with University funds.
- B. With the exception of “agency funds,” all funds are considered University funds for purposes of this policy. For more information about agency funds, please refer to [FI0312](#).
- C. Additionally, employees must not make purchases that personally benefit another employee, unless allowed in FI0900 – Fringe Benefits Provided to Employees. Personal purchases include, but are not limited to, greeting cards, admission to sporting events, gifts, flowers, snacks, beverages, and beverage service. Departments may purchase snacks, beverages, and beverage service for use with visitors and meetings involving individuals outside of their department.
- D. Employees must not represent themselves as making an official University purchase when making a personal purchase.
- E. Employees must not utilize the University’s procurement software to make personal purchases.
- F. The University must not transact in a manner that violates the Tennessee Civil Rights Act. The University must abide by the Tennessee Civil Rights Act of 1990 (Tenn. Code Ann. § 4-21-801 et seq.), which prohibits the University from transacting with entities that discriminate based on sex, race, creed, color, religion, ancestry, national origin, or disability.
- G. The University must not buy goods or services from University employees or employees of another State of Tennessee agency. See FI0125 – Conflict of Interests.
 1. This prohibition applies:
 - A. While the individual is an active employee of the University or State of Tennessee agency, and
 - B. The latter of:
 - a. For six months after the individual’s employment with the University or State of Tennessee agency ends, or
 - b. Six months after the individual’s last pay from the University or State of Tennessee agency.
 2. In some cases, criminal penalties would apply to a University or State of Tennessee employee who sells goods to the University. See T.C.A. § 12-4-103 and T.C.A. § 12-4-114.

V. Internal University Resources

- A. Generally
 1. Before considering external vendors, departments must determine whether internal University resources can meet the department’s needs.
 2. When available, departments must procure goods and services through internal University resources, such as campus central storerooms, fleet management, print shops, telephone services, or similar operations. Typically, these units are service centers at the campus or institute. For more information about service and recharge centers, see [FI0145 – Service and Recharge Centers](#). If a department is uncertain whether their campus or institute has an internal resource, the department may contact their campus or institute’s central business office for assistance.

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3. Departments may, but are not required to, purchase from campus auxiliary centers, such as campus bookstores. The University will not reimburse employees for using personal funds to purchase from the University's bookstores, even when the purchase is for official University use.
4. When a University department pays an internal University resource for goods or services that the internal University resource provided, the department is not required to submit a requisition, regardless of the amount. The department must pay for the purchase via internal transfer and must not pay utilizing personal funds.

VI. Existing, Competitively Sourced Purchasing Agreements

- A. The University's procurement offices have agreements with many vendors for various types of goods or services. The procurement offices have negotiated terms and conditions with these vendors and the contract or purchase order was acquired through a public, competitive process. These agreements are listed on the UT System Administration Office of Procurement Services' website. Departments may purchase goods or services under these agreements without submitting a requisition, regardless of dollar amount, provided that the goods or services that the department needs to buy are within the agreement's scope.
- B. Before submitting a requisition or searching for possible vendors, the University encourages departments to contact their procurement office for guidance on finding a vendor under an existing agreement.
- C. Some of the vendors with agreements on the UT System Administration Office of Procurement Services' website have online catalogs which are available through the University's online catalog platform.
- D. The University recommends that departments utilize the University's existing agreements as often as possible. If a department is dissatisfied with the vendor's pricing, the department may contact the applicable Procurement office for assistance with negotiating pricing. Also, departments may contact all vendors with whom the University has a purchasing agreement and the department may seek quotes from those vendors, in an attempt to obtain better pricing.

VII. Small Purchases (under \$10,000 per vendor per fiscal year)

- A. Unless a department purchases goods or services from an existing competitively sourced agreement or follows the applicable steps in the Procurement Methods procedure document, departments are limited to spending less than \$10,000 per vendor, per fiscal year. The \$10,000 limit applies to all sources of funds.
- B. Departments must not divide invoices to stay below the \$10,000 threshold.
- C. When a department determines that it will spend \$10,000 or more in a fiscal year with a vendor, the department may either purchase under an existing agreement listed on the UT System Administration Office of Procurement Services website, or follow the applicable steps in the Procedures document titled Procurement Methods.

VIII. Purchases of \$10,000 or more

- A. For purchases of \$10,000 or more, departments may proceed in one of three ways:

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1. Purchase through one of the University's existing, competitively sourced agreements. When a department purchases through one of the University's existing agreements, the department does not need to go through a bid process or submit a non-competitive justification.
2. Submit a requisition for a competitive bid process.
3. Submit a requisition or contract along with a non-competitive justification (NCJ) form.

B. Competitive Bid Process

1. See Procedure on Bid Processes.

C. Non-Competitive Justification

1. When a department wants to enter into a transaction where the University will spend \$10,000 or more and the department believes that a sole-source purchase is warranted based on the criteria below, the department must submit a completed and signed NCJ form with the transaction (requisition or contract).

2. The following circumstances are when a sole-source purchase is generally appropriate:

A. Unique Goods or Specialized Services

- i. There is only one vendor for the good or service and there are no reasonably similar goods or services that would meet the department's needs.
- ii. Maintaining compatibility or consistency with past goods or services is essential.
- iii. Services that involve highly skilled judgment or training, unique artistic skills or abilities, or other services that rely on an individual's unique characteristics and knowledge. For example, artists, musicians, or entertainers.

B. Emergency Purchases

- i. Bids are not required when the goods or services must be purchased immediately to protect the lives or health of persons or animals, or to prevent or minimize damage to University property.

3. Exemptions to the NCJ Requirement

- A. The following purchases are sole-source purchases, but the University does not require departments to submit an NCJ form. Even though an NCJ is not required, some transactions that do not require an NCJ might still be subject to Fiscal Review Committee (a legislative joint sub-committee) if the transaction is: (1) longer than one year; (2) sole sourced; and (3) greater than or equal to \$250,000. If a transaction is subject to the Fiscal Review Committee's review, the applicable procurement office will require the department to complete an NCJ form.

- i. Accreditation Services: Payments to organizations for the accreditation of a campus, college, or department.
- ii. Advertising (certain types): The following types of advertising purchases:
 - i. Advertising space on transportation vehicles, such as buses, trolleys, subways, etc.
 - ii. Airport advertising

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- iii. Billboards
- iv. Local television and local radio
- v. Newspapers, magazines, and trade publications
- vi. Social media (ads that will display on a social media service)
- vii. Web-based service providers, such as Google or Spotify, provided that the University transacts directly with the web-based service provider.
- iii. Artists, Entertainers, Musicians, and Performance Artists:
 - i. Artists who will create customized, highly skilled works of art, such as sculptures, painted portraits, entertainers, musicians, or performance artists.
 - ii. The artist, entertainer, musician, or performance artist must be engaged in unique services that require a high degree of skill.
- iv. Athletic Conference Memberships: membership payments to an athletic conference.
- v. Athletic-conference mandated transactions, such as contracting with referees or utilizing certain air or lodging providers.
- vi. Athletic competition events, such as games (and including tournaments).
- vii. Athletic department purchases of team-specific equipment or clothing from a vendor with whom the University has a sponsorship agreement that contains an exclusivity obligation regarding the team-specific equipment or clothing.
- viii. Hotels physically located outside of Tennessee.
- ix. Conference sponsorship: Payments made directly to conference organizations for purposes of sponsoring the conference.
- x. Enterprise Resource Planning (ERP) systems: If the University acquires an ERP system competitively, subsequent amendments, work orders, statements of work, etc. do not require an NCJ.
- xi. UT Flight Operations training and related safety needs: Agreements for UT Flight Operations to acquire safety training related to aircraft operations.
- xii. Guest speakers: individuals who will speak on a particular topic about which they have expertise.
- xiii. Insurance-Claim Proceeds Used to Purchase: Equipment that the University purchases or repairs where the funding is directly related to an insurance claim (the damaged equipment is the subject of the insurance claim).
- xiv. International hotels: Transactions with hotels that are located outside of the United States.
- xv. International-Student Recruitment Services: purchases of services for recruiting international students to enroll at a University campus or enroll in a University program.

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- xvi. Law enforcement working dogs (such as bomb detection dogs) and law enforcement personal equipment (such as compliance devices or body armor). The law-enforcement exception does not apply to vehicles, vehicle services, or unmanned aerial systems (“drones”).
- xvii. Licenses to journals, databases, etc.: Purchases of:
 - i. Licenses to databases, journals, periodicals, and subscriptions for academic, administrative, or research.
 - ii. Licenses for media, such as films, for academic or research use.
 - iii. Licenses to databases for Athletics Departments featuring footage or analysis (or both) of potential recruits, or similar databases to facilitate effective recruiting.
- xviii. Maintenance services for equipment or software: Procurement of maintenance services for equipment or software by the original equipment manufacturer or original software designer.
- xix. Medical resident and intern agreements: Agreements for placement of medical residents and interns at hospitals, healthcare facilities, or healthcare-related facilities.
- xx. NCAA and NAIA Officials: Payments for officiating NCAA-approved and NAIA-approved athletic events.
- xxi. Public Radio Programming: Licenses to content that will be broadcast over public radio stations that the University operates.
- xxii. Sponsored Projects: Purchases of goods or services that were specifically identified in a sponsored project.
- xxiii. Study Abroad Programs: Academic opportunities for students to study internationally when the cumulative term of the agreement is one year or less.
- xxiv. Student-athlete safety equipment: Purchases of protective gear, such as helmets or pads, that student-athletes will wear during practice or competition.
- xxv. Transactions with government entities: Transactions between the University and other government entities, including the federal government, public colleges and universities in the U.S., and state or local government agencies in the U.S.
- xxvi. Utilities: procurement of electricity, natural gas, water, or other utility services that are only available from one source.

IX. Memberships and Subscriptions (not otherwise listed above):

- A. Generally, memberships and subscriptions are exempt from the sole-source process.
 - 1. Departments must process membership agreements and subscription agreements through the requisition or contract-review process, whichever process is applicable.

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2. A membership is a membership in a professional association. Other types of “memberships” are not memberships for purposes of this policy.
3. A subscription is a subscription to an academic or professional journal or periodical.
4. Departments may not use state funds for fees, dues, subscriptions, or travel in conjunction with the membership, meetings, or activities of an organization if participation in such organization requires an individual, or an individual’s employer, to endorse or promote a divisive concept as defined in Tennessee Code Annotated Section 49-7-1902.

B. The following governs the University’s purchase of memberships:

1. Departments may not use state or federal funds to pay for political memberships.
2. Departments may not join political organizations.
3. Departments may not join any organization that discriminates against anyone on the basis of sex, age, origin, ancestry, religion, color, or sexual orientation.

C. The following governs the University’s purchase of subscriptions:

1. Only libraries and departments conducting research or similar academic pursuits may subscribe to political publications.
2. Departments may only subscribe to newspapers for purposes of instruction/teaching, research, or other purposes directly related to the department’s mission.

X. Informal Bids

- A. Campuses and institutes may allow departments to conduct informal bidding for one-time purchases of goods or services when:
 1. The applicable campus or institute has issued a formal Campus Procedure that allows informal bidding; and
 2. The applicable department complies with the requirements of:
 - A. The systemwide Procedure on Informal bids; and
 - B. The applicable campus or institute’s campus-specific procedure regarding informal bids.
- B. Each campus or institute may allow departments to conduct informal bids up to \$49,999.99. Informal bids must be for one-time purchases and must be awarded to the lowest cost vendor meeting specifications.
- C. Campuses and institutes may not allow their departments to conduct an informal request for proposals (RFP) or an informal request for qualified suppliers (RFQ-S) solicitation.
- D. In order to allow departments to engage in informal bidding, a campus or institute must issue a formal procedure under this policy in accordance with its GE0001 campus or institute-specific procedure.

XI. Purchases utilizing grant funds or funds provided by a state or federal government agency

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- A. Principal investigators are responsible for ensuring that their purchases comply with all special terms and conditions imposed by the entity or individual that provided the funds to the University, including, but not limited to, Uniform Guidance.

XII. Purchases from International Suppliers

- A. The University prefers that international transactions be processed as a contract under FI0420 - Contracts.
- B. Each procurement director has discretion to process an international transaction on a purchase order when the procurement director determines that it is in the University's best interest to proceed with a purchase order in lieu of a contract.
- C. If a procurement services office issues a purchase order to an international vendor, the procurement services office must comply with the following before issuing the purchase order:
 - 1. Obtain the Office of General Counsel's review; and
 - 2. Obtain the applicable campus Export Control Office's review.

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XIII. Debarment

- A. Each procurement services office is responsible for ensuring that they take appropriate steps to ensure that the University does not issue a purchase order to a vendor who is debarred.
- B. Procurement offices are not required to perform debarment verification when:
 - 1. Handling a receivable transaction or zero-dollar transactions (for clarity, a “zero-dollar” transaction is a transaction that cumulatively has no financial exchange from one party to the other) with a domestic entity.
 - 2. Handling a payable contracts (including zero-dollar amendments to payable contracts) when the other party is a government agency in the United States (including local, state, and federal agencies).
- C. Circumstances when debarment checks are required:
 - 1. Procurement offices must perform debarment verification when:
 - A. Handling a payable purchase and any amendment to a payable purchase (including zero-dollar amendments to a payable purchase order) for any individual or organization (excluding any government agency in the United States), procurement services offices will need to conduct debarment verification checks as outlined below in (D).
 - 2. When a procurement services office staff member conducts a debarment check, the procurement services office staff member must document the debarment check by uploading appropriate documentation in the procurement software system.
- D. Proper department verification: When procurement services offices perform debarment verification, the procurement services offices must comply with the following
 - A. For all payable purchase orders (including zero-dollar amendments to payable purchase orders), regardless of funding source:
 - i. State of Tennessee Central Procurement Office
 - B. For all payable purchase orders (including zero-dollar amendments to payable purchase orders) that are funded (either entirely or partially) by federal funds:
 - i. System for Award Management (SAM)
 - ii. Office of Inspector General
 - iii. U.S. Food and Drug Administration (FDA)

XIV. Environmentally Sustainable Procurement

- A. The University is committed to sustainable purchasing. The University supports environmentally preferred purchasing practices and encourages departments to consider the environment when purchasing goods or services.
- B. When departments purchase office equipment, appliances, lighting and heating and cooling products and systems, departments must purchase only Energy Star qualified products, provided that such Energy Star qualified products are commercially available.
- C. The University encourages its departments to reduce the amount of paper consumption by utilizing digital technology, whenever possible. Further, the University encourages its departments to explore buying recycled copy and printer paper, and recycled paper products.

XV. Leases

- A. University departments seeking to lease property from a third party, or lease University property to a third party, must comply with FI0620—Capital Projects by or to the University.

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- B. Certain real-property (real estate) leases are subject to Tennessee State School Bond Authority (TSSBA) review, in addition to State Building Commission (SBC) Review.
- C. Certain non-real-estate leases are subject to TSSBA review. When TSSBA or SBC, or both, will review a transaction, departments must submit their requisitions at least 6 months in advance.
- D. TSSBA
 - 1. Non-real-estate leases that are subject to TSSBA review include the following:
 - A. Annual lease payments are more than \$250,000 per year.
 - 2. Real-estate leases that are subject to TSSBA review include any of the following:
 - A. Annual rent is more than \$250,000 per year.
 - B. The lease term is more than 5 years.

XVI. Advanced Payment

- A. If a vendor requires the University to pay in advance, the department seeking to make the purchase must first obtain approval from the Chief Business Officer or designee before initiating the contract or purchase order process:
 - 1. Services (any value)
 - 2. Goods (valued at \$25,000.00 or more)
 - 3. International vendor (any value)
- B. If the applicable Chief Business Officer approves, the department is responsible for providing the documentation of the Chief Business Officer's approval to procurement.

XVII. Prohibited Transactions

- A. **Lobbying:** The University must not engage an individual or corporation for lobbying services.
- B. **Debarred/Suspended Vendor:** For payable purchase orders, the University must not transact with:
 - 1. A contractor who is debarred by the State of Tennessee.
 - 2. A contractor who is listed as debarred or suspended in the System for Award Management website.
 - 3. A contractor who is listed as suspended by the Office of Inspector General.
 - 4. A contractor who is debarred by the U.S. Food and Drug Administration.
- C. **Goods/Services with Current or Former State Employees:**
 - 1. Contracts and purchase orders with current employees of the State of Tennessee (including The University of Tennessee, Locally Governed Institutions, and Tennessee Board of Regents) for goods or services are prohibited.
 - 2. Contracts and purchase orders with former employees for goods or services are likewise prohibited for six months after termination or final paycheck, whichever is later.
 - A. This restriction, however, does not apply to:
 - i. individuals who are classified in the University's ERP system as "friends," or individuals who have a "special appointment," and
 - ii. who have not been paid in the last six months.
 - 3. Contracts or purchase orders with current employees of the State of Tennessee for the sale of goods are prohibited by state law (T.C.A. section 12-4-103(a)(1)). Tennessee law makes such a transaction a felony. Accordingly, the employee selling the goods to the state could face felony criminal charges.

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4. Contracts or purchase orders with former employees for the sale of goods within the six-month period mentioned above are also prohibited by state law (T.C.A. section 12-4-103(a)(1)). Tennessee law makes such a transaction a felony. Accordingly, the former employee selling the goods to the state could face felony criminal charges.

- D. **Donations of funds to non-profits:** The University must not make financial donations to non-profit organizations. For clarity, the University may sponsor non-profit organizations. See [FI0436 - Sponsorship of External Non-Profit Organizations](#) for more information.

XVIII. Independent Contractors

- A. When processing a contract or a purchase order with an individual, the University must determine whether the individual is an independent contractor or an employee. Federal laws and regulations require the University to classify individuals properly as either an independent contractor or an employee.
- B. If a department hires an individual for a temporary assignment, rather than processing a contractor or a purchase order, this policy does not apply and the department must work with the applicable University human resources office.
- C. The determination of an individual's status as an employee or an independent contractor must occur before an engagement to allow the University sufficient time to classify the individual properly for tax purposes.
- D. Departments must comply with the Independent Contractors Procedure under this policy.

XIX. Contracts or Purchase Orders

- A. Each procurement office has discretion to determine whether a transaction needs to be processed as a contract or as a requisition.
- B. Departments may obtain guidance regarding whether a particular transaction needs to be processed as a purchase order or a contract by utilizing the following guidance document: [link.]

XX. Credit Applications and Direct-Bill Applications

- A. See FI0420 (Contracts) section IV.

SECTION 2. Reason for the Policy

This policy provides departments with the University's policies and procedures that departments must follow when seeking to obtain goods and services.

SECTION 3. Scope and Application

This policy applies to all University departments.

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SECTION 4. Procedures

SECTION 5. Definitions

N/A

SECTION 6. Penalties/Disciplinary Action for Non-Compliance

Failure to comply with this policy and its associated procedures could result in an individual being personally responsible for purchases. Further, failure to comply could result in progressive disciplinary action up to and including termination. Various state laws and regulations govern the University's procurement process. Failure to comply could result in criminal charges.

SECTION 7. Responsible Official & Additional Contacts

Subject Matter	Office Name	Telephone Number	Email/Web Address
Policy Clarification and Interpretation	Blake Reagan	865-974-3971	breagan@tennessee.edu
Policy Training	Abbie Shellist	865-974-3110	ashellis@tennessee.edu

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SECTION 8. Policy History

Revision 3: 02/14/2024
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Revision 1: 10/01/2017

SECTION 9. Related Policies/Guidance Documents

FI0130 – Fraud, Waste and Abuse
FI0315 – Gifts
FI0420 – Contracts
FI0436 – Sponsorship of External Non-Profit Organizations
FI0525 – Petty Cash
FI0530 – Procurement Cards
FI0620 – Capital Projects
GE0002 – Conflicts of Interest & Commitment
FI0705 – Travel
