TENNESSEE HOUSING DEVELOPMENT AGENCY

PURCHASING POLICY

Purpose: To provide Tennessee Housing Development Agency (THDA) with minimum standards for the exercise of authority to purchase goods and services.

Effective Date: 2/26/18

Policy Statement: It is the policy of THDA that all procured goods and services 1) receive the appropriate level of approval, 2) be of appropriate quality for the intended use, 3) have the highest value possible, 4) be obtained in the most efficient manner practical to the nature of the procurement, 5) be appropriately documented, and 6) to the extent practical, work with the Governor's Office of Diversity Business Enterprises (GODBE) to consider small, minority, and women-owned businesses.

THDA may seek other state agencies and departments as resources for the procurement of goods and services, giving primary consideration to THDA needs and the "best value" concept.

Authority: THDA is created and authorized to engage in its business by Tennessee Code Annotated (T.C.A.) Section 13-23-101, et seq. In particular, under T.C.A. Section 13-23-104, THDA is established as a "political subdivision and instrumentality of the state ... " to perform "essential public functions" and to serve a "public purpose". THDA is not established as an administrative department of state government. Further, under T.C.A. Section 13-23-104, THDA is "... empowered to act on behalf of the state of Tennessee and its people ..." in carrying out its public purpose. Unlike administrative departments of state government, THDA's power and authority is not limited to administration, execution and performance of such laws as the General Assembly may enact.

Unlike administrative departments of state government, THDA has express statutory authority to independently manage its affairs through an independently appointed Board of Directors who are authorized to carry out the broad range of powers vested in THDA. Under T.C.A. Section 13-23-115, THDA "... has all of the powers necessary and convenient to carry out and effectuate the purposes and provisions ..." of its enabling legislation.

THDA follows the requirements of the Department of Finance and Administration with respect to its budget, i.e. THDA's budget is prepared in accordance with Title 9, Chapter 6. THDA conducts its administrative operations in the same manner as state administrative departments by developing policies and procedures that THDA then follows to carry out administrative operations, such as procurement.

Policy Application: This policy shall apply to all THDA employees, as well as any group of employees established by THDA for the benefit of THDA ("Employee Group").

In the same manner, this policy shall apply to all procurements by THDA for any group or organization in which THDA may have chosen to participate ("Auxiliary Group").

Responsibility: THDA procurement staff will endeavor to ensure all goods and services are procured in accordance with this policy and all THDA staff are held accountable to procurement through this policy.

For the purposes of this policy the Executive Director has designated the Chief Financial Officer (CFO) authority in all Purchasing Decisions. The Executive Director (ED) or (CFO) may grant exemptions to this policy as deemed appropriate, provided that such approval is reduced to writing. Furthermore, the Executive Director may enact temporary or permanent modifications to portions of this policy without voiding the policy in its entirety.

1. DEFINITIONS

American's with Disabilities Act (ADA) Coordinator: For the purposes of this policy:

- The THDA employee designated by the Executive Director to monitor the organization's compliance with ADA issues associated with the Human Resources Division is the Director of Human Resources or designee.

- The THDA employee designated by the Executive Director to monitor the organization's compliance with ADA issues associated with Civil Rights is the Director of Civil Rights Compliance or designee.

Auxiliary Group: Any group in which THDA is a member. As an example, a group of non-profits organized to promote affordable housing, in which THDA is a member would be considered an Auxiliary Group.

Bid: The response from a vendor with a price quote on one or more requested commodities or services.

Bid Request: The act of contacting a vendor for the purpose of obtaining a price quote on one or more commodities or services.

Central Procurement Office (CPO) Division of Purchasing: A division under the State of Tennessee Department of General Services which is responsible for the procurement of commodities for the Executive Branch of State Government.

Delegated Purchase Authority: Approval given by the Chief Procurement Officer and the Comptroller of the Treasury to a State Agency to purchase services for an individual program, within specified limits and guidelines.

Employee Group: A group of employees established by the ED for the benefit of THDA. As examples, the Activities Committee and the Committee for Employee Excellence are deemed Employee Groups.

Edison: The State of Tennessee's Enterprise Resource Planning (ERP) system. ERP systems use an integrated software package to perform administrative business functions, such as financials and accounting, procurement, payroll, benefits, and personnel administration.

Free on Board (FOB): A common term in the commercial product supply industry to indicate the point in which ownership transfers from the seller to the buyer. After this point, the buyer incurs all risk of loss and transportation charges. Typically, items are shipped FOB shipping point (the buyer pays shipping costs and incurs the risk ofloss during shipping) or FOB destination (the seller pays shipping costs and incurs the risk of loss).

General Services: The State of Tennessee, Department of General Services

Inside Delivery: Delivery of a product to intended location inside of the office suite. By definition, Inside Delivery does not extend to product set-up.

No-Bid: The response (or lack thereof) of a vendor to a request for a bid in which the vendor does not submit a bid, is not considered a bid for the purpose of this policy.

Procurement Officer: The THDA employee designated by the Chief Financial Officer to direct the procurement function of the organization. This person may establish reasonable procedures related to this policy.

Printing Liaison: The THDA employee designated by the Executive Director to serve THDA as the Printing Liaison as established by the Department of General Services.

Sensitive Minor Equipment: Items that do not exceed the threshold for inventory purposes as established by the CPO's Division of Purchasing, but are sensitive in nature and therefore require that a property tag be affixed and inventoried on a periodic basis. These items include information technology hardware (such as personal **computers, printers,** and other similar hardware items), digital and video cameras, Personal Digital Assistant and other similar items.

Set-up: The un-packing and final assembly of a product. It is expected that a product is ready for use after "Set-up" is complete.

2. EXEMPTIONS:

The provisions of the policy do not apply to:

a) the purchase or funding of mortgage loans and related fees (recording fees, mortgage servicer fees, foreclosure expenses, etc.).

b) investment of THDA bond proceeds as directed by the Director of Finance, which are subject to the organization's Investment Policy.

c) expenditures directly associated with the issuance and management of the organization's debt obligations, such as underwriter fees, costs of issuance, financial advisor fees, arbitrage calculation fees, etc.

3. PROCUREMENT ACTIVITIES UNDER OTHER POLICIES AND PROCEDURES

THDA is required to comply with the State's Comprehensive Travel Regulations (TCA 13-23-115 (21)) for employee travel related expenses.

For the following procurement activities, THDA has chosen to follow other policies and procedures, and such procurement activities are therefore not subject to this policy:

a) Motorized Vehicles: THDA has chosen to follow the policies and procedures of the Motor Vehicle Management Division (MVM) in the Department of General Services for the procurement of Motorized Vehicles.

b) Grants: THDA has chosen to follow the policies and procedures of the Central Procurement Office (CPO) regarding federal grants and Delegated Grant Authority (DGA).

c) Office/Storage Space Leasing: THDA has chosen to follow the policies and procedures of the Department of Finance and Administration, Real Estate Asset Management (REAM) for the leasing of office and storage space.

4. PROCUREMENT OFFICER

The CFO shall appoint a Procurement Officer who is charged with managing the procurement function for THDA. The Procurement Officer shall establish and maintain Purchasing Procedures in compliance with this policy, which shall be approved by the CFO. These procedures should, at a minimum, include:

a) The appropriate approval required for each procurement.

b) The minimum bid requirements.

c) The methods in which purchase requests may be submitted approved, ordered, and delivered.

d) Other procedures as deemed appropriate.

Each purchase shall be initialized and tracked in the method as prescribed by the Procurement Officer.

The Procurement Officer may delegate purchase authority as deemed appropriate, provided that all purchases are in compliance with the applicable policies and procedures. The Procurement Officer may also delegate authority of selected responsibilities to purchasing staff as deemed appropriate.

The Procurement Officer may establish procedures for recurring purchases provided the recurring purchases are authorized in accordance with this policy. Procedures may be established for issuing Requests for Proposals (RFP), Delegated Purchase Authority (DPA), or other purchasing techniques, provided that such techniques comply with all applicable provisions of this policy.

5. COORDINATION OF CONTRACT ACTIVITY

The Director of Operations is the main contact within THDA for all coordination of contract activity. The Contract Management Plan will be followed whenever needs arise within THDA that require the development and implementation of a two-party contract.

6. GENERAL APPROVAL

All commodities and services procured shall be approved in advance of the purchase based on the thresholds established by the Chief Financial Officer. *All procurements shall be subiect to approved pur ha i11.g procedures and ro'l,/ted through the Operatlont,· Division.*

In addition to the General Approval as required in this policy, additional approvals should be obtained as applicable.

a) Information Technology
All purchases of computer and telecommunications hardware, software or associated peripheral devices and services shall require the approval of the Director of Information Technology. The ED or CFO may delegate purchase approval to the Director of IT, provided that such delegation is documented and that all purchases are routed through the procurement division or acquired through with the State Payment Card through approved guidelines. The Director of IT may establish delivery guidelines for the delivery of IT equipment, such as to not compromise the security of the organization's computer networks or facilities.

b) Printing
All procurement for printing shall be approved by the Printing Liaison and routed through the Operations Division.

c) Purchases for the Board of Directors
Purchases for the Board are to be approved by the ED, who may delegate such approval authority as deemed appropriate.

d) Food
THDA intends to provide meals and/or refreshments for some board-related activities, specific agency marketing events or activities, and some employee events or activities such as for trainings that include the lunch hour, or where staff are asked to work on a project that requires working through the lunch hour. All food purchases over $500 must be pre-approved by the CFO.

e) Training
All procurement for employee training (except for the HR Leaming & Development Initiatives) shall be approved by the appropriate Director whose budget will be charged.

f) Media Advertisements
The Director of Human Resources may authorize and place any media advertisements as related to Human Resources, such as the placement of employment advertisements. The Printing Liaison or designee may authorize and place any media advertisements required by federal or state statutes, bond indentures, or other program guidelines. The Director of Public Affairs shall approve and place all additional media advertisements. All such advertisements shall be exempt from bid requirements.

The procurement of media-related services (for example, the services of an advertising agency), are subject to bid requirements.

g) Furniture Purchases
The Procurement Officer shall establish acceptable product lines for furniture purchases. Furniture purchases may be authorized in accordance with the approval levels outlined in the Purchasing Procedures and within the parameters set by the Procurement Officer. Furniture purchases should be purchased with inside delivery and set-up.

The purchase of furniture requiring extensive assembly must be approved by the CFO or designee.

The CFO may restrict the procurement of furniture as deemed necessary and appropriate.

h) Sole Source / Proprietary Purchases
Single-source purchases are made only when an item or service is unique and the item or service possesses specific characteristics that can be filled by only one source. These purchases must have prior approval of the CFO. A proprietary purchase is one that is made from a person or persons having the exclusive right to offer a particular product or service. Marketing is generally controlled by franchises that may include competitive sales at wholesale or retail levels. When it is found that bids may be obtained from different franchises, a reasonable effort will be made to obtain bids. Any purchase request that is determined to be available only from one manufacturing vendor shall be directed to the CFO or designee, along with the justification. Upon approval, Sole Source and Proprietary Purchases shall be exempt from bid requirements.

i) Purchases und r the Americans with Disabilities A t (ADA)
All purchases in which an accommodation under the Americans with Disabilities Act (ADA) has been requested shall be reviewed by the appropriate THDA ADA Coordinator.

7. **BUDGET AUTHORITY**

The CFO may assign budgetary limits as deemed necessary and appropriate. All purchase requests that exceed budgetary limits must be approved by the CFO prior to procurement.

8. BIDS

Unless exempted, all procurement is subject to minimum bid requirements as established by the Procurement Officer. All bids shall be FOB destination, as described more fully under "Delivery of Commodities" below.

As defined, no response or a "no-bid" response from a vendor is not considered a "bid" for the purpose of this policy.

The Procurement Officer or designee will review all bids prior to purchase.

9. EXCEPTIONS FROM BIDS

The Procurement Officer, through the Purchasing Procedures, may exempt certain purchasing activities from bid requirements. These are examples of purchasing activities exempt from bid requirements:

a) Items available and deliverable on Statewide Contract as established by the Central Procurement Office.

b) Commodities or services obtained from another state agency.

c) Utility and telephone billings.

d) Postage charges, including the cost of metered postage.

e) Bonding fees / notary fees / dues and subscriptions.

l) Court fees, deed registration fees, building permits, title fees.

g) Occasional charges for rooms for meetings and attendant expenses.

h) Expenses in connection with meetings, such as coffee and doughnuts.

i) Newspaper, radio, or television advertisements (however, the services of advertising agencies and related services are not exempt from bid requirements.)

j) Goods or services to be performed within a year with a maximum liability less than fifty thousand dollars which were procured through non-competitive negotiation.

10. DELIVERY OF COMMODITIES

It is the policy ofTHDA that all commodities shall be ordered FOB (Free on Board) Destination. Typically, delivery costs and risk of loss is transferred from the vendor to the buyer at the FOB point. Therefore, in most cases, THDA does not pay for shipping costs separately for items procured FOB Destination.

All commodities should be procured with inside delivery.

When practical and convenient to the organization, the purchase of commodities should include product set-up. The procurement of furniture should include set-up charges unless prior approval is obtained from the CFO.

The inclusion of reasonable shipping charges is acceptable for procurements with relatively-low dollar amounts and when convenient to the organization.

The Procurement Officer may establish additional guidance regarding shipping as necessary.

11. PAYMENT METHODOLOGY

The Procurement Officer in consultation with the Controller will determine the appropriate payment methodology for all procured goods and services. Examples of payment methods are described below:

a) State Payment Card
A State Payment Card may be used for selected minor purchases that do not require bids. Using the payment card provides prompt payment to the vendor, as well as quick delivery of commodities. Authorized users shall adhere to the terms and conditions of the State Payment Card program as established by the State of Tennessee.

b) Disbursement through the Edison System.
Expenditures of selected operating, federal, or other selected program funds shall be made from funds held with the State Treasurer. These disbursements are to be made in compliance with the procedures established by the State. Commodities and services received from other state agencies may be billed to THDA through a journal voucher processed through Edison.

As examples, items typically paid through Edison include:

1. Some office supplies.
11. Items purchased from Statewide contracts.
111. Purchases made with a credit-card or other similar purchase program that is administered by the state.
1v. Purchases from vendors in which a direct-bill to the State has been arranged.
v. Commodities and/or services that are procured from other state Agencies in which payment is effected through a journal voucher or similar document which is processed through Edison.

c) Bond Funds
THDA maintains a checking account for payments relative to the bond funds, and generally, expenses related to bond activities, such as Lender events, shall be paid from this account. THDA purchasing procedures define that most operating costs may be paid from the checking account as well as other approved purchases. Purchases not related to bond activities or defined in the purchasing procedures, for which payment is desired from bond funds, shall be approved in advance by the CFO or designee.

As examples, items typically paid through THDA's checking account include:

1. Expenses directly connected the issuance of bond or note debt.

11. Expenses directly associated with THDA's mortgage loan programs, including outreach and business development expenses that are directly related to the bond programs.
111. Operating costs.
IV. Other expenses with the prior approval of the CFO.

Should a particular payment method be desired, such request and justification should be directed to the Procurement Officer concurrent with the procurement request.

Any procurement not pre-determined by the Purchasing Procedures in which the payment of funds is from an account under the direction of the Director of Finance shall have the prior approval of the Director of Finance, or the CFO, prior to such procurement.

12. PROPERTY REGISTRATION

THDA has chosen to abide by General Services Policies for registration of its equipment. However, THDA has its own internal system for tagging and registration. All commodities that exceed the threshold for inventory as established by General Services or that meet the definition of "sensitive minor equipment" as defined by General Services should have a THDA property tag affixed and be registered in the Track-It inventory system as maintained by THDA's Information Technology Division. As examples, items deemed to be sensitive minor equipment include digital cameras, video cameras computer hardware, tape recorders, and other similar items.

13. SALES TAX, OTHER TAXES

THDA is exempt from paying sales tax on the procurement of commodities and services. Therefore, sales tax should be excluded from all purchases.

The status of exemptions of other taxes (such as hotel/motel taxes) may vary. THDA will follow applicable authoritative opinion as promulgated by the State Attorney General, Commissioner of Finance & Administration, or any other authoritative official of the State of Tennessee.

These tax exemptions apply only to purchases made directly from THDA funds, and do not apply to purchases made by employees for which reimbursement is sought from THDA. Additionally, these tax exemptions may not apply to procurement outside the state of Tennessee.

14. EMPLOYEE REIMBURSEMENTS

It is the policy of THDA that purchases made through employee reimbursements are to be in the best interest and convenience of THDA. Purchases made by employees in which reimbursement is obtained are not exempt from sales tax; therefore, the use of employee reimbursements is discouraged. However, circumstances exist where the use of employee reimbursements is practical.

Requests for purchases made by Employee Reimbursements shall have prior approval as prescribed by the Purchasing Procedures. Standing authorization for certain employee

reimbursements may be granted by the CFO, giving consideration to dollar limits and items or services obtained.

15. EMERGENCY PROCUREMENT

It is important to plan purchases to allow for the purchase requests to flow through agency and/or state approval processes. In rare occurrences and due to *unforeseen* circumstances, it may become necessary to make one-time commodity or service procurements by bypassing established procedures. The Procurement Officer shall establish procedures for emergency purchases under this policy.

All purchase requests for emergency purchase shall include documentation of the circumstances surrounding such emergency purchase, and be approved by the CFO prior to such procurement. If circumstances are such that prior approval of the CFO is not practical or possible, then a full report of the nature of the emergency, the items procured, costs, and method of procurement, shall be directed to the CFO within three business days of such procurement.

16. DOCUMENTATION

Unless exempted within this policy, all commodities procured shall be documented by the following:

a) Appropriate approval prior to procurement.

b) All bids obtained.

c) The receipt or delivery of goods and services.

d) Invoice, Sales Receipt, or other billing documentation approved by the Procurement Officer.

The Procurement Officer may establish additional documentation requirements as deemed necessary.

17. EMPLOYEE/AUXILIARY GROUPS

Employee or auxiliary groups shall follow all purchasing policies and procedures.

The CFO shall be the approving authority for all employee groups, and may delegate such authority for any specified employee Group to any Executive Team Member or Division Director as deemed appropriate.

The ED shall be the approving authority for all auxiliary groups, and may delegate such authority for any specified group as deemed appropriate.

18. PURCHASE OF ALCOHOLIC BEVERAGES

THDA may host or administrate housing-industry events and therefore may act as a conduit or pass-through for sponsorship funds. For such housing industry events, THDA may procure alcoholic beverages and related services (i.e. bartending).

The use of any state tax revenue funds or federal funds to purchase alcoholic beverages and related services is strictly forbidden.

19. CONSEQUENCES

Failure to comply with this policy may result in disciplinary action up to and including termination.

20. OTHER LAWS AND POLICIES

Should this policy conflict with any State or Federal law, this policy shall be superseded to the extent necessary to comply with the law.

21. POLICY CHANGES

This Policy may be modified, amplified, or revoked by the Executive Director in his/her sole discretion at any time.

Effective Date: This policy shall become effective immediately upon approval by the Executive Director.

Approved by: _____ Date: 2/26/18
Ralph M. Perrey, Executive Director