# University of Tennessee

# CBO Meeting

# Knoxville, TN

**September 19-20, 2012**

**Conference Room – 8th Floor of Andy Holt Tower**

**September 19, 2012  
  
Joint CBO/Purchasing Meeting – Samantha Johnson**

New AP Contract - PO Transaction – David Marks) A transaction for paying contracts is being implemented in IRIS. Plan to automate existing functionality; however, it will have a different document type and number range. Individuals will use a transaction similar to MIR7 (used for POs) and will scan and attach the documents. Review will route electronically through IRIS. UT Martin will be piloting the transaction.  
  
 Contract Approval Process:

* + Entry by department
  + Department head approval
  + CBO approval
  + Routed to UWA accounts payable for processing

POs will be automatically created when the contract is approved for payable contracts.

E-Procurement Bid – We were not successful in getting a system and plan to re-bid in early October.

Diversity Reporting – The Governor has an Office of Diversity to which we report all of our purchases on a quarterly basis. They want us to use their certification process; however, we do not have the time/manpower to meet this request. We do need to gain accuracy in determining minority vendors. If diversity vendors protest, the state certification process would meet the guidelines.

Credit Application Letter – In regards to terms and conditions on credit applications, we issue a one-page credit letter in lieu of completing applications. Approximately 80 percent of the vendors accept this form. If this is denied, requests must be reviewed by the contract office.

Liability for Students Serving on RFP Committees – We need to make sure non-paid students are on UT’s volunteer list so they have liability coverage. Concerning Conflict of Interest, we need to figure out a way to make sure students are not related to vendors. Health Science Center has a form they can share.

Purchasing Involved in Evaluation Committees – Purchasing plans to have a form that will need to be completed and will provide training.

Library Update – System office is working with the campus libraries to consolidate subscriptions. By combining the bidding process, each campus can save substantial dollars.

Touchnet Update – The electronic payment processing contract was approved. Pricing was set for 5 years. By joining TBR, we reduced annual escalations from 10% to 4%, saving around $200,000.

Policy Review Committee – Plan to avoid major policy rewrites, but there will be minor revisions. All campuses will be participating.

Bid Conditions – Purchasing will be meeting bi-weekly to work on these. All campuses will be participating.

Collaborative Bids – We were working with TBR on a furniture RFP; however, it was not beneficial to UT so we pulled out. TBR asked to restart the process, but asked UT to oversee the bidding process.

**CBO MEETING**

**Code of Conduct – Bill Moles (effective July 1, 2012)**  
The Compliance Office is currently working with Legal Council and HR Directors on Code of Conduct guidelines. The general standard is to extend conduct codes and related compliance efforts beyond mere law compliance to the development of an organizational culture that encourages a more effective commitment to compliance with the law, including ethics-based standards and procedures.  
  
Requirements include:

* Honest and ethical conduct;
* Full, fair, accurate, timely, and understandable disclosure in reports and documents that a registrant files with, or submits to, federal agencies and in other public communications made by the registrant;
* Compliance with all applicable governmental laws, rules, and regulations;
* The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code;
* Protection of whistleblowers;
* Accountability for adherence to the code; and
* Effective training.

Procedures for new employees took effect on July 1. Procedures include:

* Code of Conduct introduced in new employee orientation;
* New employees will be directed to an online site to read and sign an acknowledgement of the Code;
* If no web access, they will receive a copy of the Code to read and sign;
* Agreement is scanned and PDF entered to IRIS record;
* Code of Conduct field in IRIS is “checked.”

Current employees will be informed of the Code and directed to a website. Employees will sign on with NetID, read the Code and click the agreement (which will automatically be recorded in IRIS). It will be possible to track and report participation (which is strongly encouraged, but not required).

There will be a new logo for the Code of Conduct which will be color coded by campus. It is suggested that letters to employees by sent from campus Chancellors.

Email link – <http://compliance.tennessee.edu/codepolicy.htm>

**Update Risk Profile – Judy Burns/Sandy Jansen**Activity changes to the Risk Profile include:

**Removed:**

* State ARRA; (Federal ARRA will continue)
* Strategic Planning

**Changed:**

* Budgeting: - Changed “Budget does not align with strategic plan” from ML to MM
* Purchasing – Added P Card purchases
* Purchasing – Changed “Failure to report sole-source to fiscal review committee” from HH to HM
* Asset Management – Added “Theft of computers or other electronic devices.” – MM (2, 14)
* Moved “Failure to ID Conflicts of Interest” (HR) to Financial Reporting, Accounting and Monitoring.
* Payroll/HR was broken out into two activities.

Sandy stated that she will be scheduling a meeting with each campus/institute regarding audits. Be prepared to discuss:

1. What is the purpose of your function? What are the top three outcomes your area achieves?
2. What are the most important processes that support those outcomes?
3. What are the critical conditions upon which those processes depend? What are the critical functions that, if not performed correctly, would hinder the operation of those processes?
4. How do you know these processes are happening or not happening?

**Formula Review Committee Update – Peccolo/Cimino/Brown**  
This committee is looking at the THEC funding formula and different variables. A three-year history of how funding has been distributed was discussed. There is only a two percent change among all the schools. One time-consuming agenda item was trying to determine the definition of a “certificate” (which affects community colleges). It was decided that certificates will only be counted if an associate’s degree is not obtained. This should ensure that the numbers are not inflated. THEC also mentioned submission of incorrect degree information. The numbers are actually not as high as reported.  
  
  
**FY 2014 State Appropriations – Peccolo/Loewen**To date, no instructions have been received from THEC. Although revenues have increased, state agencies are to be thinking about a plan for a 5 percent reduction. Collections for the past three months have remained stagnant.   
**Distance Ed Pricing – Katie High**  
Academic units are looking at on-line courses. There is a need to determine if these classes are being offering to out-of-state individuals. Questions include “What is an online course?” and “Who is offering the course?”

For credit courses, an **online course** is one in which no face-to-face interaction occurs and interaction is entirely virtual. A **blended course** would be one where students participate in class both on-campus and online. Both require technological infrastructure. How do we designate these courses to show up in Banner? In the past, these courses were classified as “correspondence courses” and were charged at the regular fee plus an online fee. The four universities involved will meet to determine the best practice.  
  
  
**E&G Square Footage Funding Effect – Peccolo**  
Revised THEC space guidelines have reduced E & G space at all campuses. THEC has decided to redistribute appropriations based on an increase of 10,000 E&G square footage at each institution. Funding adjustments will be phased in one institution at a time. The cost to each campus per 10,000 sq.ft. is: UTC - $28,700; UTK - $22,600 and UTM - $26,300.

**September 20, 2012  
  
Capital Projects Update – Robbi Stivers**  
Robbi is working to fill his former position and a budget director. A new diversity guideline is requiring UT to involve more minority contractors. We are now permitted to spend up to $175,000 on capital projects without SBC approval. Any costs expended on the planning process can be counted toward the required 25 percent match. Status reports are currently being distributed - additional reports will be available in the future. We are working on contract language to address the behavior of contractors when working with campuses. Purchasing is concerned that bids are not ADA compliant and do not comply with the state-level designer manual.  
  
  
**Archibus Update – Les Mathews and Robbi Stivers**  
A goal has been established to make the space management reports easier to complete. A committee will be established with representation from each campus. Robbi believes the software needs to link with IRIS. Memphis is currently using this software, but is having difficultly matching floor plans with the data in IRIS. The Space Utilization module is the only part of the software being used.   
  
 **Capital Planning Presentation – Decision Lens – Mike Jeffreys**This software is a tool that can be user-specific for each campus/institute and will weight criteria and prioritize needs. It is a dedicated client decision manager that brings industry expertise to an organization, drives an efficient planning process and replaces spreadsheet or verbal-driven planning processes. It provides a repeatable, structured process that makes the “why” transparent and allows modeling of decisions to address changes in priorities and/or funding. The cost is approximately $100,000/year. The overall consensus was that the software is not needed.

**Legal Update – Ryan Stinnett**  
A summary of significant new Tennessee laws affecting business affairs includes:

* *Bid Envelopes* - The revised statute now requires, for all publicly bid state construction projects in the amount of $25,000 or higher, that the outside of the bid envelope or electronic bid submission must include the name, license number, expiration date thereof, and license classification of the following proposed subcontractors applying to bid for a prime contract: masonry, electrical; plumbing; heating; ventilation and air conditioning; and geothermal heating and cooling.
* “*Freedom in Contracting Act”* – This “anti-union law” enacts the “Freedom in Contracting Act,” which provides that State agencies, including the University, are prohibited from imposing certain labor and wage requirements as a condition of performing public works that are state funding in part or in whole.
* *Addenda and Questions Prior to Bid Opening Date* – The statute specifies that if a statute, ordinance, resolution, rule, or regulation mandates the use of competitive bidding of any kind or nature whatsoever, by any state agency, county, or municipal corporation, then no *addenda* are permitted *within less than 48 hours of the bid opening date.* Also, any questions concerning the bid documents must be received by the designer *no less than 96 hours before the bid opening date*.
* *ADA Standard for Accessible Design* – This law revises the existing statute to adopt the *2010 ADA Standards for Accessible Design* as the standards to be followed to make a building accessible to those with physical disabilities when constructing or altering a public building.
* *Leases Requiring State Approvals* – The amendment *increases from $75,000 to $100,000* the dollar amount of leases that require approval by the Tennessee Attorney General and State Building Commission. It also requires the State Architect to post certain information on the State Architect’s web site with regard to any proposed lease of property by or to the State not submitted to and approved by the State Building Commission.
* *Retainage* – This amendment adds a provision to part of the “Prompt Pay Act of 1991,” regarding the withholding of retainage. Specifically, the party with the responsibility for depositing the retained amount in a separate, interest-bearing account with a third-party now has the *affirmative duty to provide written notice* that it has complied with the requirements of the Prompt Pay Act to any prime contractor upon withholding the amount of retained funds from each and every application for payment.
* *Delegated Purchasing Authority* – This law *increases from $25,000 to $50,000* the delegated purchasing authority for goods and personal services that may be procured without requisitioning through the Department of General Services. Both UT and TBR have been asked to delay this act until municipal governments are able to do the same.
* *Purchase of Surplus Property* – This statute amends the State Surplus Personal Property Act of 1976 to permit payment by *credit card* for the purchase of state surplus personal property.
* *Fiscal Review Committee* – This amendment extends the period of time the Fiscal Review Committee has to comment on proposed non-competitive contracts from 20 to 40 days.
* *Development Rights* – This statute authorizes the State to purchase, preserve, and sell development rights in real property.
* *Blind Vendors* – This statute provides that nothing in present law regarding vocational services for the *blind/blind vendors* will limit the ability of an institution that is governed by UT or the state university and college system to contract for food services in new buildings or on new campuses provided that a site suitable to the institution is also made available for a blind vendor to manage and operate automated vending machines and/or counter service as jointly agreed upon by the institution and the department in the new building or on the new campus. There is no change in UT’s recognition of this law.

**Contract Policy – Mark Paganelli**  
Delegated contracts totaling $100,000 or more are now to be submitted to the Treasurer’s Office. It was decided to change the approver to “Vice Chancellor for Research or *designee*.” It was suggested that an exception list of contracts be established (i.e., concerts).

**Click-Wraps, Click Throughs, and Automatic Update Agreements – Mark Paganelli**

A memorandum agreement has been drafted. To the extent possible, this paper policy will supersede an online agreement. Some schools have been successful in negotiating agreements like these. A process is being proposed for contracts with companies that will not agree to our terms. Since the trend is for more online contracts (instead of paper), the University is trying to be proactive.  
  
  
**Miscellaneous Reimbursement - Mark Paganelli**  
There are several departments piloting this process. This transaction is similar to an invoice and will replace paper petty cash reimbursement. An individual will enter all receipts and if the total exceeds $499.99, the document is routed through IRIS for CBO approval. We can either leave as is or route only if one item is $499.99 or more.

**E-Payables Update- Mark Paganelli**  
The process is going great. Just this week we had two vendors processed through e-payables. One concern is that Purchasing and/or departments should not change the payment terms (just on PO side, not on invoice side). The next step is to set up direct deposits with vendors.  
  
 **Flexible Spending Accounts - Mark Paganelli**  
Enrollment in flexible spending had to be moved up to allow debit cards to be available. The vendor will make training available at each campus/institute. There is an extra $50,000 - $60,000 associated in costs. It is anticipated that funding is available to cover this cost for four years. Employees will have to sign onto Health Hub to enroll.  
  
 **System Contract Items – Blake Reagan**  
Virtually all contracts supplied by vendors contain limitations of liability and disclaimers of warranty clauses. Sometimes, the only problems are the limitation of liability and disclaimers of warranty clauses. In order to make the exception process for these more efficient, three methods for dealing with these clauses have been developed:

* *A change in the way that campus contract offices approach these clauses* – In recognition that very few vendors ever agree to totally delete their limitations of liability and disclaimers of warranty clauses, campus contract offices are no longer required to first request total deletion of limitation of liability classes or disclaimer of warranty clauses. Rather, campus contract officers now may use their discretion and decide whether the starting point should be modified of the vendor’s language so that it is compliant.
* *When an exception is not required –* 1) For all contracts valued at $4,999 or less, a formal exception request is not required if negotiation fails; 2) Software agreements, library subscription agreements, and any agreement dealing with access to online databases of any value do not require exception if negotiation fails; and 3) Agreements negotiated by campus purchasing offices when no contract will be processed through the appropriate campus contract office. In such, the purchasing offices should consult with the appropriate campus CBO via email.
* *Streamlined exception process when an exception is required -*  1) Unless excluded above, for delegated contracts that are valued at $5,000 or more, a formal exception request is required and must be approved by the appropriate campus’s CBO, but does not need to be approved by the University’s CFO; 2) All exception requests for limitation of liability and disclaimer of warranty clauses that are associated with non-delegated contracts will continue to require the appropriate campus’s CBO and the University’s CFO’s approval; and 3) As part of the exception request for all contracts, the department requesting the exception must document in writing (a) why it must have the product to carry out the University’s mission; (b) what efforts it has made to identify alternative products and/or vendors; (c) the potential risks to the University of agreeing to the limitations of liability and disclaimers of warranty; and (d) what efforts it will make to limit or eliminate the potential exposure to the University arising from agreeing to the limitations of liability and disclaimers warranty. This documentation should be routed through the contract review process and retained with the contact in IRIS.

An explanation form for vendors is coming soon. The University reserves the right to reject a bid if the vendor can’t accept our terms and conditions.  
  
A couple of new items have been added to the Treasurer’s Office website (including IRIS training).

**911 Campus Systems – Richard Brown**  
Anthony Haynes has been heading up the 911 Program at the state level. Campuses and institutes need to have the technology in place for medical personal to be able to find individuals. Employees need to be educated on how to use the E-911 system. Anthony feels that even though no state legislation requires a 911system to be in place, the University should be proactive and not wait until legislation is passed before initiating a process. Butch asked Richard to head an Ad Hoc Committee to determine best practices from each campus. Each campus was asked to send Richard the name of a representative.  
  
 **IRIS Update – Les Mathews**  
The FY 2013 (October to December) plan includes work on the following:

*FINANCIAL:*

* *Accounts Payable* - completing e-payables and ACH payments
* *Contract System* – paying invoices against purchase orders
* *Procurement* - E-Procurement
* *Other* - Support packs
* *HR* - Employee self-service, benefits statement, update addresses; flexible spending accounts and how to capture historical salary data

*BUSINESS WAREHOUSE:*

* Work with ANDI team to update existing structure (or define new one) and business objects

Please inform Les if you have needs that are not listed.

**System Charge – Ron Loewen**  
Additional items will be discussed in January for inclusion in FY 2014. Possible new costs include:

* Incremental cost of new SAP license
* Some IT contracts
* Organizational changes in system administration
* FY 2014 salary plans
* Increased UTRF support (UTRF charge, not System charge)
* Dashboard/Business Intelligence System
* Other strategic plan initiatives

System Charge Review:

* Allocation Method: Cost Study vs. Simple Tax
* How to handle changes in overall amount
* How to handle reorganizations (IT, HR)
* Transfers for enhanced services (General Counsel, State Relations)
* Cost Allocation Models among campuses/institutes (HR, IT)

**IT Contract Cost Allocation – Ron Loewen**

Cost allocations for selected IT contracts currently total $3,682,547. This total is broken out as follows:

UWA $2,552,619

UTK $1,012,442

HSC $ 105,211

UTC $ 7,547

UTM $ 4,728

**Dashboard Strategic Indicators – Ron Loewen**  
Proposed financial dashboard indicators include:

* Revenue Ratios: Unrestricted current revenues from budget document; bar chart showing percent from each major source with table below showing dollar amount for each major source. Source: UT Budget Document
* Formula Unit Appropriations per Student FTE: Unrestricted E&G Appropriations per Student FTE; separate line for each campus with stimulus-related funds in different color. Sources: UT Budget Document and Institutional Research
* Expense Ratios: Unrestricted current expenditures from THEC UT01 reports plus restricted expenditures from budget document; bar chart showing percent for each functional area with table below showing dollar amount for each functional area. Sources: THEC UT01 reports and UT Budget Document
* Formula Unit Expenditures per Student FTE: Unrestricted E&G current expenditures from THEC UT01 reports divided by Student FTEs; separate line for each campus. Sources: THEC UT01 reports and Institutional Research
* Net Asset Ratio: Unallocated unrestricted E&G net assets as percent of unrestricted E&G expenditures and transfers. Source: UT Budget Document

We are trying to get a handle on Assets and Facilities – especially capital and non-capital assets and deferred maintenance.   
  
Everyone was asked to brainstorm ideas, as this will be discussed on the next conference call.

**Paying for Employee Uniforms – Nancy Yarbrough**It was determined that each campus provides this service for special events, circumstances, etc.

**Accounting for Out-of-State Waivers – Nancy Yarbrough**Campuses are still considering how to account for out-of-state waivers

**State Insurance Update – Laurie Lee, Director of Benefits Administration**Laurie pointed out that the state’s insurance plan is self-funded. One of the greatest challenges of the plan is individuals with chronic diseases. Currently, employees may choose either a partnership or standard plan. Most retirees choose the standard plan.

A vision plan will be offered in 2013; however, employees must sign up using the self-service website.

It was also mentioned that if a student health clinic is set up as a provider through Cigna or Blue Cross, then payment could be made to the clinic for services. Butch suggested that Mark take the lead to meet with Laurie and her staff to determine available options.

**Items to be covered on the next CBO conference call:**

* CAB Update – Richard Brown
* Conflict of Interest Policy – Ron Maples
* Fiscal Policy Update – Ron Maples email sent after meeting
* Effort Certification Internal Audit Report – Ron Maples – e mail sent after meeting
* State Audit Update – Ron Maples

**ANNOUNCEMENT OF 2013 MEETING DATES**  
January 23-24, 2013 Nashville

May 29-30, 2013 Knoxville

September 18-19, 2013 Knoxville